NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION Docket No. DE 19-057

Public Service Company of New Hampshire d/b/a Eversource Energy
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NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 19-057
Schedule 1

Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency

Line	Description	Company Application (A)	Company 11/4/19 Update (B)	Staff Direct Filed 12/20/19 (C)	Staff Supplemental (D)	Staff Updated vs. Company Update (E)
1	Rate Base	$ 1,215,667,897	$ 1,215,689,670	$1,156,319,997	$ 1,173,177,808	$ (42,511,863)
2	Rate of Return	7.62%	7.62%	6.24%	6.47%	-1.15%
3	Return Requirement	92,590,130	92,591,788	72,184,432	75,876,448	(16,715,340)
4	Adjusted Net Operating Income	41,944,680	42,423,178	54,524,375	53,106,311	10,683,133
5	Income Deficiency	50,645,450	50,168,610	17,660,057	22,770,137	(27,398,473)
6	Income Tax Effect	18,810,851	18,633,742	6,559,340	8,457,338	(10,176,404)
7	Revenue Deficiency	69,456,300	68,802,352	24,219,397	31,227,475	(37,574,878)
8	Uncollectible Adjustment	456,397	452,100	159,146	205,196	(246,905)
9	Total Increase (Decrease)	$ 69,912,696	$ 69,254,451	$ 24,378,542	$ 31,432,669	$ (37,821,782)
10	Percent of Original Request				44.96%	

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Revenue Requirements and Revenue Deficiency with Staff's Recommended Adjustments

Line	Description	Application	Company 11/4/19 Update	Staff Adjustments	Staff Recommended
		(A)	(B)	(C)	(D)
1	**Rate Base**				
2	Utility Plant in Service	$ 2,171,045,401	$ 2,171,045,401	$ (63,778,373)	$ 2,107,267,028
3	Less: Reserve for Depreciation	(602,426,195)	(602,426,195)	17,662,028	(584,764,167)
4	Net Plant in Service	$ 1,568,619,205	$ 1,568,619,205	$ (46,116,345)	$ 1,522,502,860
5	Plus: Cash Working Capital	13,760,897	13,782,670	$ 2,747,482	$ 16,530,152
6	Plus: Materials and Supplies	12,213,448	12,213,448	-	12,213,448
7	Plus: Prepayments	728,530	728,530	-	728,530
8	Plus: Regulatory Assets	3,423,381	3,423,381	1,700,000	5,123,381
9	Less: Reserve for Deferred Income Tax	(370,640,053)	(370,640,053)	(843,000)	(371,483,053)
10	Less: Regulatory Liabilities	(4,036,554)	(4,036,554)	-	(4,036,554)
11	Less: Customer Deposits/Advances	(8,400,957)	(8,400,957)	-	(8,400,957)
12	Total Rate Base	$ 1,215,667,897	$ 1,215,689,670	$ (42,511,863)	$ 1,173,177,808
13	**Rate of Return**	7.62%	7.62%		6.47%
14	**Return Requirement**	$ 92,590,130	$ 92,591,788	$ (16,715,340)	$ 75,876,448
15	**Operating Revenues**				
16	Distribution	$ 349,862,116	$ 349,862,116	$ -	$ 349,862,116
17	Reconciliation Mechanism	-	-	-	-
18	Other Operating Revenues	16,427,867	16,918,157	-	16,918,157
19	Total Operating Revenues	$ 366,289,983	$ 366,780,273	$ -	$ 366,780,273
20	**Operating Expenses**				
21	O&M Expense	$ 167,728,188	$ 167,562,411	$ (15,654,204)	$ 151,908,207
22	Depreciation and Amortization Expense	94,785,798	94,785,798	650,929	95,436,727
23	Taxes Other than Income Taxes	52,537,385	52,537,385	(315,641)	52,221,744
24	Income Taxes	9,293,931	9,471,501	4,635,783	14,107,284
25	Total Operating Expenses	$ 324,345,303	$ 324,357,095	$ (10,683,133)	$ 313,673,962
26	**Net Operating Income**	$ 41,944,680	$ 42,423,178	$ 10,683,133	$ 53,106,311
27	**Income Deficiency**	$ 50,645,450	$ 50,168,610	$ (27,398,473)	$ 22,770,137
28	Revenue Conversion Factor	1.37142	1.37142		1.37142
29	**Revenue Deficiency**	$ 69,456,300	$ 68,802,352	$ (37,574,878)	$ 31,227,475
30	Uncollectible Adjustment	456,397	452,100	(246,905)	$ 205,196
31	**Revenue Deficiency with Uncollectible Adjustment**	$ 69,912,696	$ 69,254,451	$ (37,821,782)	$ 31,432,669
32	Percent of Original Request				45.39%
33	Refund of Federal Tax Surplus (period from 1/18 - 6/19)	(11,993,902)	(11,993,902)		

Notes and Sources

Column A, lines 1–13: Schedule EHC/TMD-36 (Perm) Bates 000286
Column A, lines 16–19: Schedule EHC/TMD-4 (Perm) Bates 000193
Column A, lines 20–25: Schedule EHC/TMD-5 (Perm) Bates 000197
Column A, line 33: Schedule EHC/TMD-1 (Perm) Bates 000189–000190
Column B, lines 1–13: Schedule EHC/TMD-36 (Perm) November 4, 2019 Update
Column B, lines 16–19: Schedule EHC/TMD-4 (Perm) November 4, 2019 Update
Column B, lines 20–25: Schedule EHC/TMD-5 (Perm) November 4, 2019 Update
Column B, line 33: Schedule EHC/TMD-1 (Perm) Bates 000189–000190 [Confirmed no change 11/4/19 Update]
Line 28: Schedule 1.2
Line 30: Line 29*Uncollectible Ratio from Schedule 1.3

Column C: Schedule 3

Distribution Revenue	$ 366,289,983	$ 349,862,116
Revenue Deficiency with Uncollectible Adjustment	$ 69,456,300	$ 69,254,451
% Increase over Test Year Distribution Revenue	19.0%	19.8%

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Computation of Gross Up for Income Taxes

Line	Description	Company	Adjustment	Adjusted Amount
		(A)	(B)	(C)
1	NH Tax Rate	7.700%		7.700%
2	Federal Statutory Tax rate	21.00%		21.00%
3	Federal Effective Tax rate (1-State rate*Federal rate)	19.383%		19.383%
4	Total Composite Tax rate	27.083%		27.083%
5	Revenue Requirement Gross-Up Factor	72.917%		72.917%
6	Revenue Conversion Factor	1.3714		1.3714

Notes and Sources

Column A - Schedule EHC/TMD-2 (Perm) Bates 000191 [Confirmed no change 11/4/19 Update]

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Uncollectibles / Bad Debt

Line	Description	Net Write-offs	Retail Revenue	Net Write-offs as a % of Retail Revenue
		(A)	(B)	(C)
	Company Proposed			
1	2016	$ 6,021,040	$ 888,734,198	0.6775%
2	2017	6,274,763	907,152,025	0.6917%
3	2018	5,770,266	953,681,402	0.6051%
4	3 Year Average	$ 24,088,092	$ 3,666,090,167	0.6571%
	Staff Recommended			
5	2016	$ 6,021,040	$ 888,734,198	0.6775%
6	2017	6,274,763	907,152,025	0.6917%
7	2018	5,770,266	953,681,402	0.6051%
8	3 Year Average	$ 24,088,092	$ 3,666,090,167	0.6571%

Notes and Sources

Lines 1–4: Schedule EHC/TMD-8 (Perm) Bates 000209 [Confirmed no change 11/4/19 Update]

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Rate of Return Calculation

Line	Description	Balance	Capital Structure	Cost %	Weighted Cost %
		(A)	(B)	(C)	(D)
	Company Proposed Rate of Return				
1	Short-Term Debt	$ 71,805,000	3.17%	2.45%	0.08%
2	Long-Term Debt	949,708,000	41.98%	4.37%	1.83%
3	Common Equity	1,240,847,000	54.85%	10.40%	5.70%
4	Total	$ 2,262,360,000	100.00%		7.62%
	Staff Recommended Rate of Return				
5	Short-Term Debt		3.51%	2.45%	0.09%
6	Long-Term Debt		46.49%	4.37%	2.03%
7	Common Equity		50.00%	8.70%	4.35%
8	Total		100.00%		6.47%

Notes and Sources

Lines 1–4: Schedule EHC/TMD-40 (Perm) Bates 000292 [Confirmed no change 11/4/19 Update]
Lines 5–7: See Supplemental Testimony of J. Randall Woolridge

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Impact of Staff's Recommended **Rate of Return** on Company's Revenue Deficiency

Line	Description	Company 11/4/19 Update (A)	Adjustment (B)	Recommended (C)
1	**Total Rate Base**	$1,215,689,670		$ 1,215,689,670
2	**Rate of Return**	7.62%	-1.15%	6.47%
3	**Return Requirement**	$ 92,591,788	$ (13,965,843)	$ 78,625,945
4	**Net Operating Income**	$ 42,423,178		$ 42,423,178
5	**Income Deficiency**	$ 50,168,610		$ 36,202,767
6	Revenue Conversion Factor	1.37142		1.37142
7	Revenue Deficiency	$ 68,802,352	$ (19,153,068)	$ 49,649,284

Notes and Sources

Column A: Summary Totals from Schedule 1
Line 2: Schedule 2

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Ratemaking Adjustments

Line	Description	Company 11/4/19 Update (A)	Staff Adjustment 1 (B)	Staff Adjustment 2 (C)	Staff Adjustment 3 (D)	Staff Adjustment 4 (E)	Staff Adjustment 5 (F)	Staff Adjustment 6 (G)	Staff Adjustment 7 (H)	Staff Adjustment 8 (I)	Staff Adjustment 9 (J)	Adjustment Subtotal (K)
	Reference Schedule		Schedule 3.1	Schedule 3.2	Schedule 3.3	Schedule 3.4	Schedule 3.5	Schedule 3.6	Schedule 3.7	Schedule 3.8	Schedule 3.9	
1	**Rate Base**											
2	Plant in Service	$ 2,171,045,401	$ (49,450,556)	$ (14,327,817)								$ (63,778,373)
3	Less: Accumulated Depreciation & Amortization	(602,426,195)	3,334,211	14,327,817								17,662,028
4	Net Plant in Service	1,568,619,205	(46,116,345)	-	-	-	-	-	-	-	-	(46,116,345)
5	Plus: Cash Working Capital	13,782,670			2,747,482							2,747,482
6	Plus: Materials and Supplies	12,213,448										-
7	Plus: Prepayments	728,530										-
8	Plus: Regulatory Assets	3,423,381										-
9	Less: Reserve for Deferred Income Tax	(370,640,053)		(843,000)								(843,000)
10	Less: Regulatory Liabilities	(4,036,554)										
11	Less: Customer Deposits/Advances	(8,400,957)										
12	Total Rate Base	$ 1,215,689,670	$ (46,116,345)	$ (843,000)	$ 2,747,482	$ -	$ -	$ -	$ -	$ -	$ -	$ (44,211,863)
13	**Rate of Return**	7.62%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%
14	**Return Requirement**	$ 92,591,788	$ (2,982,621)	$ (54,522)	$ 177,696	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,859,446)
15	**Operating Revenues**											
16	Distribution	$ 349,862,116										$ -
17	Commodity	-										-
18	Other Operating Revenues	16,918,157										-
19	Total Operating Revenues	$ 366,780,273	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
20	**Operating Expenses**											
21	O&M Expense	$ 167,562,411				$ (160,112)	$ (382,601)	$ (3,730,775)	$ (29,816)	$ (764,925)	$ (35,141)	$ (5,103,369)
22	Depreciation and Amortization Expense	94,785,798	(1,606,752)	3,590,428								1,983,676
23	Taxes Other than Income Taxes	52,537,385					(29,359)	(286,282)				(315,641)
24	Income Taxes	9,471,501	435,157	(972,395)		43,363	111,571	1,087,940	8,075	207,164	9,517	930,392
25	Total Operating Expenses	$ 324,357,095	$ (1,171,595)	$ 2,618,033	$ -	$ (116,749)	$ (300,389)	$ (2,929,117)	$ (21,741)	$ (557,761)	$ (25,624)	$ (2,504,942)
26	**Net Operating Income**	$ 42,423,178	$ 1,171,595	$ (2,618,033)	$ -	$ 116,749	$ 300,389	$ 2,929,117	$ 21,741	$ 557,761	$ 25,624	$ 2,504,942
27	**Income Deficiency**	$ 50,168,610	$ (4,154,216)	$ 2,563,511	$ 177,696	$ (116,749)	$ (300,389)	$ (2,929,117)	$ (21,741)	$ (557,761)	$ (25,624)	$ (5,364,388)
28	Revenue Conversion Factor	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142
29	**Revenue Deficiency**	$ 68,802,351	$ (5,697,184)	$ 3,515,657	$ 243,696	$ (160,112)	$ (411,960)	$ (4,017,056)	$ (29,816)	$ (764,926)	$ (35,141)	$ (7,356,841)
	Check	*$ 68,802,351*										
30	Percent of Total		8.3%	-5.1%	-0.4%	0.2%	0.6%	5.8%	0.0%	1.1%		

Adjustment 1	Modify Plant in Service-Revised
Adjustment 2	Catch Up Meter Retirements and Conversion from Remaining Life to Whole Life-Revised
Adjustment 3	Cash Working Capital-Revised
Adjustment 4	Adjustments from March 25, 2020, Audit Report-New
Adjustment 5	Payroll
Adjustment 6	Incentive Compensation
Adjustment 7	Severance
Adjustment 8	Remove SERP
Adjustment 9	Sharing of D&O Liability Insurance

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Public Service Company of New Hampshire d/b/a Eversource Energy
Twelve Months Ending December 31, 2018
Ratemaking Adjustments

(in thousands)

Line	Description	Carry Forward	Staff Adjustment 10	Staff Adjustment 11	Staff Adjustment 12	Staff Adjustment 13	Staff Adjustment 14	Staff Adjustment 15	Staff Adjustment 16	Staff Adjustment 17	Staff Adjustment 18	Adjustment Subtotal	Adjustment Totals
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Reference Schedule		Schedule 3.10	Schedule 3.11	Schedule 3.12	Schedule 3.13	Schedule 3.14	Schedule 3.15	Schedule 3.16	Schedule 3.17	Schedule 3.18		
1	**Rate Base**												
2	Plant in Service	$ (63,778,373)										$ (63,778,373)	$ 2,107,267,028
3	Less: Accumulated Depreciation & Amortization	17,662,028										17,662,028	(584,764,167)
4	Net Plant in Service	(46,116,345)	-	-	-	-	-	-	-	-	-	(46,116,345)	1,522,502,860
5	Plus: Cash Working Capital	2,747,482										2,747,482	16,530,152
6	Plus: Materials and Supplies	-										-	12,213,448
7	Plus: Prepayments	-										-	728,530
8	Plus: Regulatory Assets	-								1,700,000		1,700,000	5,123,381
9	Less: Reserve for Deferred Income Tax	(843,000)										(843,000)	(371,483,053)
10	Less: Regulatory Liabilities	-										-	(4,036,554)
11	Less: Customer Deposits/Advances	-										-	(8,400,957)
12	Total Rate Base	$ (44,211,863)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,700,000	$ -	$ (42,511,863)	$ 1,173,177,808
13	**Rate of Return**	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%	6.47%
14	**Return Requirement**	$ (2,859,446)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 109,949	$ -	$ (16,715,340)	$ 75,876,448
15	**Operating Revenues**												
16	Distribution	$ -										$ -	$ 349,862,116
17	Commodity	-										-	-
18	Other Operating Revenues	-										-	16,918,157
19	Total Operating Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 366,780,273
20	**Operating Expenses**												
21	O&M Expense	$ (5,103,369)	$ (13,713,743)				$ (1,384,781)	$ (294,308)	$ 4,000,000	$ 841,997		$ (15,654,204)	$ 151,908,207
22	Depreciation and Amortization Expense	1,983,676		(909,020)	-	(763,727)				340,000		650,929	95,436,727
23	Taxes Other than Income Taxes	(315,641)										(315,641)	52,221,744
24	Income Taxes	930,392	3,714,093	246,190	-	206,840	375,040	79,708	(1,083,320)	(320,120)	486,960	4,635,783	14,107,284
25	Total Operating Expenses	$ (2,504,942)	$ (9,999,650)	$ (662,830)	$ -	$ (556,887)	$ (1,009,741)	$ (214,600)	$ 2,916,680	$ 861,877	$ 486,960	$ (10,683,133)	$ 313,673,962
												-	-
26	**Net Operating Income**	$ 2,504,942	$ 9,999,650	$ 662,830	$ -	$ 556,887	$ 1,009,741	$ 214,600	$ (2,916,680)	$ (861,877)	$ (486,960)	$ 10,683,133	$ 53,106,311
27	**Income Deficiency**	$ (5,364,388)	$ (9,999,650)	$ (662,830)	$ -	$ (556,887)	$ (1,009,741)	$ (214,600)	$ 2,916,680	$ 971,826	$ 486,960	$ (27,398,473)	$ 22,770,137
28	Revenue Conversion Factor	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142	1.37142
29	**Revenue Deficiency**	$ (7,356,841)	$ (13,713,743)	$ (909,020)	$ -	$ (763,728)	$ (1,384,781)	$ (294,307)	$ 4,000,000	$ 1,332,784	$ 667,828	$ (37,574,878)	$ 31,227,475
30	Percent of Total		19.9%	1.3%	0.0%	1.1%	2.0%	0.4%	-5.8%	-1.9%	-1.0%		31,227,475

Adjustment 10	Vegetation Management
Adjustment 11	Remove Amortization of Merger Cost to Achieve
Adjustment 12	Depreciation Expense-Whole Life-Revised
Adjustment 13	Environmental Reserve–Revised
Adjustment 14	Enterprise IT Expense
Adjustment 15	Healthcare
Adjustment 16	Storm Costs-Revised
Adjustment 17	New Start Arrearage Forgiveness
Adjustment 18	Interest Synchronization-Revised

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 1
Modify Plant in Service-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
	RATE BASE			
1	Plant in Service	$ 2,171,045,401	$(49,450,556)	$2,121,594,845
2	Accumulated Depreciation & Amortization	(602,426,195)	3,334,211	(599,091,984)
3	**Total Impact to Rate Base**	$ 1,568,619,205	$(46,116,345)	$1,522,502,860
	EXPENSES			
4	Plant in Service	2,171,045,401	(49,450,556)	2,121,594,845
5	Composite Depreciation Rate	3.25%		3.25%
6	Depreciation Expense	$ 70,541,805	$ (1,606,752)	$ 68,935,053
7	NH Income Tax	7.70%		7.70%
8	Effect on NH income tax expense	$ (5,431,719)	$ 123,720	$ (5,307,999)
9	Federal Taxable	$ 65,110,086		$ 63,627,054
10	Federal Income Tax Rate	21%		21%
11	Effect on Federal income tax expense	$ (13,673,118)	$ 311,437	$ (13,361,681)
12	Total Taxes	$ (19,104,837)	$ 435,157	$ (18,669,680)
13	**Impact to Operating Income**	$ (51,436,968)	$ 1,171,595	$ (50,265,373)

Notes and Sources

See the Direct Testimony of Staff Witness Jay Dudley
Column A, Line 7: Attachment EHC/TMD-1, Schedule EHC/TMD-28 November 4, 2019 Update

	Plant	Annual Depreciation	# of Years
		3.25%	
2018			
#A14W02 Daniel/Webster Sub	$ 6,352,152		
#A18VRP Viper Replacement	5,053,793		
#A16C09 Blaine St. Sub	1,232,862		
#A16C10 Jackman Replacement	2,491,663		
#A16E06 West Rye Sub	1,394,369		
#A18E16 West Road Overload	662,801		
#AO7X45 Reject Poles	1,112,868		
	$ 18,300,508	$ 594,767	0.5
2017			
#A14N21 Berlin Eastside	$ 2,401,535		
#A14S08 Garvins Substation	900,490		
#A16C01 3271 Line	1,361,993		
#NHRMTR17 NH Remote Discon.	1,364,656		
#DL9R Distribution ROW	735,466		
	$ 6,764,140	$ 219,835	1.5
2016			
#A15N01 Convert Laconia	$ 1,342,701		
#DL9R Distribution ROW	713,332		
	$ 2,056,033	$ 66,821	2.5
2015			
#R15RPR Reject Poles	$ 5,714,864		
#A15CDA Central Region DA	3,210,945		
#A15EDA Eastern Region DA	4,824,247		
#A15NDA Northern Region DA	5,714,495		
#A15SDA Southern Region DA	2,865,324		
	$ 22,329,875	$ 725,721	3.5
Grand Total	$ 49,450,556	$ 1,607,143	

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 2
Catch Up Meter Retirements and Conversion from Remaining Life to Whole Life-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
	RATE BASE			
1	Plant in Service	$ 2,171,045,401	$ (14,327,817)	$ 2,156,717,584
2	Accumulated Depreciation & Amortization	(602,426,195)	$ 14,327,817	(588,098,378)
3	Accumulated Deferred Income Taxes	(370,640,053)	(843,000)	(371,483,053)
4	Total Impact to Rate Base	$ 1,197,979,153	$ (843,000)	$ 1,197,136,153
	EXPENSES	**Remaining Life**		**Whole Life**
	Depreciation			
5	Reserve Imbalance	$ -	$ 89,666,112	**$ 89,666,112**
6	Recovery Period (years)	-		10
7	Annual Amortization of Reserve Imbalance		8,966,611	8,966,611
8	Depreciation Expense (without Reserve Imbalance)	70,541,805	(4,210,354)	66,331,451
9	Annual Depreciation Expense	$ 70,541,805		$ 75,298,062
10	Less Depreciation on Transportation Equipment	(1,361,860)	(1,393,916)	(2,755,776)
11	Annual Depreciation Expense without Transportation Equipment	$ 69,179,945	$ 3,362,341	$ 72,542,286
	Vehicles			
12	Depreciation Expense	684,012	228,087	912,099
13	Annual Depreciation	$ 69,863,957	$ 3,590,428	$ 73,454,385
14	NH Income Tax	7.70%		7.70%
15	Effect on NH income tax expense	$ (5,379,525)	$ (276,463)	$ (5,655,988)
16	Federal Taxable	$ 64,484,432		$ 67,798,397
17	Federal Income Tax Rate	21%		21%
18	Effect on Federal income tax expense	$ (13,541,731)	$ (695,932)	$ (14,237,663)
19	Total Taxes	$ (18,921,256)	$ (972,395)	$ (19,893,651)
20	**Impact to Operating Income**	$ (50,942,701)	$ (2,618,033)	$ (53,560,734)

Notes and Sources

Column A, Line 1: Eversource response to Staff 2-004
Column C, Line 1: Eversource response to Staff 2-004-SP01
Column A, Line 2: Eversource response to Staff 2-003
Column C, Line 2: Eversource response to Staff 2-003 SP01
Column A, Line 3: Attachment EHC/TMD-1, Schedule EHC/TMD-39 (Perm) November 4, 2019 Update
Column C, Line 3: Eversource resppone to Staff 4-034 SP01

Column A, lines 8 and 10: Schedule EHC/TMD-38, p. 2 of 2
Column A, line 12: Attachment EHC/TMD-1, Schedule EHC/TMD-24 (Perm) November 4, 2019 Update
Column C, line 5: Eversource response to Staff 4-034-SP01, Attachment Staff 4-034-SP01 B (**TYPO in PSNH Rebuttal, p. 10**)
Column C, line 8: Eversource response to Staff 4-034-SP01, Attachment Staff 4-034-SP01 A
Column C,line 10: Eversource response to Staff 4-034-SP01, Attachment Staff 4-034-SP01 A
Column C, Line 12: Eversource response to Staff TS 2-013-SP01 (Page 1 of 1), Attachment Staff TS 2-013-SP01 B (Page 2 of 2)

Rebuttal Typo, page 10

	Rebuttal	Staff 4-034 SPO1B	Difference
Reserve Imbalance		89,666,112	
Amortization Period		10	
Reserve Imbalance Amortization	8,966,112	8,966,611	499

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 2
Catch Up Meter Retirements and Conversion from Remaining Life to Whole Life-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
	RATE BASE			
1	Plant in Service	$ 2,171,045,401	$ (14,327,817)	$ 2,156,717,584
2	Accumulated Depreciation & Amortization	(602,426,195)	$ 14,327,817	(588,098,378)
3	Accumulated Deferred Income Taxes	(370,640,053)	(843,000)	(371,483,053)
4	Total Impact to Rate Base	$ 1,197,979,153	$ (843,000)	$ 1,197,136,153
	EXPENSES	**Remaining Life**		**Whole Life**
	Depreciation			
5	Reserve Imbalance	$ -	$ 89,666,112	**$ 89,666,112**
6	Recovery Period (years)	-		10
7	Annual Amortization of Reserve Imbalance		8,966,611	8,966,611
8	Depreciation Expense (without Reserve Imbalance)	70,541,805	(4,210,354)	66,331,451
9	Annual Depreciation Expense	$ 70,541,805		$ 75,298,062
10	Less Depreciation on Transportation Equipment	(1,361,860)	(1,393,916)	(2,755,776)
11	Annual Depreciation Expense without Transportation Equipment	$ 69,179,945	$ 3,362,341	$ 72,542,286
	Vehicles			
12	Depreciation Expense	684,012	228,087	912,099
13	Annual Depreciation	$ 69,863,957	$ 3,590,428	$ 73,454,385
14	NH Income Tax	7.70%		7.70%
15	Effect on NH income tax expense	$ (5,379,525)	$ (276,463)	$ (5,655,988)
16	Federal Taxable	$ 64,484,432		$ 67,798,397
17	Federal Income Tax Rate	21%		21%
18	Effect on Federal income tax expense	$ (13,541,731)	$ (695,932)	$ (14,237,663)
19	Total Taxes	$ (18,921,256)	$ (972,395)	$ (19,893,651)
20	**Impact to Operating Income**	$ (50,942,701)	$ (2,618,033)	$ (53,560,734)

Notes and Sources

Column A, Line 1: Eversource response to Staff 2-004
Column C, Line 1: Eversource response to Staff 2-004-SP01
Column A, Line 2: Eversource response to Staff 2-003
Column C, Line 2: Eversource response to Staff 2-003 SP01
Column A, Line 3: Attachment EHC/TMD-1, Schedule EHC/TMD-39 (Perm) November 4, 2019 Update
Column C, Line 3: Eversource resppone to Staff 4-034 SP01

Column A, lines 8 and 10: Schedule EHC/TMD-38, p. 2 of 2
Column A, line 12: Attachment EHC/TMD-1, Schedule EHC/TMD-24 (Perm) November 4, 2019 Update
Column C, line 5: Eversource response to Staff 4-034-SP01, Attachment Staff 4-034-SP01 B (**TYPO in PSNH Rebuttal, p. 10**)
Column C, line 8: Eversource response to Staff 4-034-SP01, Attachment Staff 4-034-SP01 A
Column C,line 10: Eversource response to Staff 4-034-SP01, Attachment Staff 4-034-SP01 A
Column C, Line 12: Eversource response to Staff TS 2-013-SP01 (Page 1 of 1), Attachment Staff TS 2-013-SP01 B (Page 2 of 2)

Rebuttal Typo, page 10

	Rebuttal	Staff 4-034 SPO1B	Difference
Reserve Imbalance		89,666,112	
Amortization Period		10	
Reserve Imbalance Amortization	8,966,112	8,966,611	499

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 3
Cash Working Capital-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Cash Working Capital	13,782,670	2,747,482	16,530,152
2	Impact to Rate Base	13,782,670	2,747,482	16,530,152

Notes and Sources:

Column A: Schedule EHC/TMD-41 (Perm) November 4, 2019 Update
Column B: Schedule 3.1 CWC WP

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 3
Cash Working Capital

Line	Description	Company Annual Expense (A)	Staff Adjustments (B)	Revised Annual Expense (C)	Daily Expense (D)	Company Net Days (E)	Staff Adjusted (F)	Company Position (G)	Difference (H)
1	**Distribution Expenses**								
2	Operation and Maintenance								
3	Payroll	$ 54,496,899	4,269,468	$ 58,766,367	161,004	33.82	$ 5,445,714	$ 5,050,081	$ 395,633
4	Payroll Incentive	7,613,826	(3,730,775)	3,883,051	10,638	(224.21)	(2,385,135)	(4,676,999)	2,291,864
5	Employee Benefits	15,517,897	(1,059,233)	14,458,664	39,613	33.83	1,339,981	1,438,146	(98,165)
6	Regulatory Assessments	5,230,057	-	5,230,057	14,329	33.69	482,766	482,766	0
7	Insurance Expense & Injuries & Damages	2,513,011	(35,141)	2,477,871	6,789	204.50	1,388,344	1,407,976	(19,632)
8	Other O&M	82,190,722	(15,098,524)	67,092,198	183,814	(0.16)	(29,358)	(35,965)	6,607
9	Total Operation and Maintenance	$ 167,562,411	$ (15,654,204)	$ 151,908,207	$ 416,187		$ 6,242,312	$ 3,666,005	$ 2,576,307
10	**Taxes and Interest Expense**								
11	Local Property	47,399,353	-	$ 47,399,353	129,861	71.20	$ 9,246,483	$ 9,246,483	$ 0
12	Payroll Taxes	5,138,032	(315,641)	4,822,391	13,212	33.82	446,767	476,018	(29,251)
13	Federal Income Taxes	6,648,231	-	6,648,231	18,214	15.78	287,423	287,423	(0)
14	NH Profit and Enterprise Taxes	2,823,270	-	2,823,270	7,735	13.80	106,741	106,741	0
15	Income Taxes (Staff's Adjustments)		4,148,823	4,148,823	11,367	15.78	179,375		179,375
16	Interest Synchronization		486,960	486,960	1,334	15.78	21,051		21,051
17	Total Taxes and Interest Expense	$ 62,008,886	$ 4,320,142	$ 66,329,028	$ 181,723		$ 10,287,841	$ 10,116,665	$ 171,176
18	Weighted Net Lag Days						27.65	21.91	
19	Percentage						7.57%	6.00%	
20	Working Capital						$ 16,530,152	$ 13,782,670	$ 2,747,482

Notes and Sources
Columns A, E, G: Schedule EHC/TMD-41 (Perm) November 4, 2019 Update

Interest Synchronization

	w/o Int Sync	w/ Int Sync	Int Sync
Income Taxes	4,148,823	4,635,783	486,960

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 4
Adjustments from March 25, 2020, Audit Report-New

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Audit Issue #6-Artwork/Murals	$ 14,824	$ (14,824)	$ -
2	Audit Issue #8-Expenses to be Booked Below the Line			
3	Account 580000 includes $2,650 for holiday breakfasts.	$ 2,650	$ (2,650)	$ -
4	Account 588000 includes $1,852 for dashboard sticky pads.	1,852	(1,852)	-
5	Account 588152 includes $18,935 for physical therapy services.	18,935	(18,935)	-
6	Account 908000 includes $10,144 in Community Programs - Sponsorship	10,144	(10,144)	-
7	Account 921000 includes $3,909 in event sponsorships.	3,909	(3,909)	-
8	Account 923000 included $7,555 for jackets.	7,555	(7,555)	-
9	Account 926000 includes $17,559 in employee service awards.	17,559	(17,559)	-
10	Account 930200 includes $5,000 for a gala sponsorship.	5,000	(5,000)	-
11	Account 930200 Includes $40,050 in chamber of commerce memberships	40,050	(40,050)	-
12	Subtotal Audit Issue 8-Expenses to be Booked Below the Line	$ 107,654	$ (107,654)	$ -
13	Audit Issue #10-State Education Tax	$ 29,909	$ (29,909)	$ -
14	Audit Issue #12-O&M Expenses			
15	Account 589003-Expenses Outside Test Year	$ 7,725	$ (7,725)	$ -
				-
16	Total Audit Issues	$ 160,112	$ (160,112)	$ -
17	NH Income Tax	7.70%		7.70%
18	Effect on NH income tax expense	$ (12,329)	$ 12,329	$ -
19	Federal Taxable	$ 147,783		$ -
20	Federal Income Tax Rate	21%		21%
21	Effect on Federal income tax expense	$ (31,034)	$ 31,034	$ -
22	Total Taxes	$ (43,363)	$ 43,363	$ -
23	**Impact to Operating Income**	$ (116,749)	$ 116,749	$ -

Notes and Sources
NHPUC Audit Staff Audit Report dated March 25, 2020

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 5
Payroll

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
	Payroll			
1	Incremental FTEs-Cyber Security	$ 99,671	$ (56,955)	$ 42,716
2	Incremental FTEs-Troubleshooters and SOC	528,231	(317,170)	211,061
3	Severed Employees	8,476	(8,476)	-
4	Total Payroll	$ 636,378	$ (382,601)	$ 253,777
	Payroll Taxes			
5	Total Payroll	$ 636,378		$ 253,777
6	Composite Payroll Tax Rate	7.67%		7.67%
7	Total Payroll Taxes	$ 48,833	$ (29,359)	$ 19,474
	Income Taxes			
8	Total Payroll & Payroll Taxes	$ 685,211		$ 273,251
9	NH Income Tax	7.70%		7.70%
10	Effect on NH income tax expense	$ (52,761)	$ 31,721	$ (21,040)
11	Federal Taxable	$ 632,450		$ 252,211
12	Federal Income Tax Rate	21%		21%
13	Effect on Federal income tax expense	$ (132,814)	$ 79,850	$ (52,964)
14	Total Income Taxes	$ (185,575)	$ 111,571	$ (74,004)
15	**Impact to Operating Income**	$ (499,636)	$ 300,389	$ (199,247)

Notes and Sources

Attachment EHC-TMD-1, Schedule EHC/TMD-14 November 4, 2019 Update
Lines 1-2: Eversource response to OCA 1-024
Column B, Line 1: Eversource response to Staff TS 2-010

Cybersecurity FTEs	Planned	Unfilled
Total Salary	99,671	56,955
Number of Positions	14	8
Average Salary	7,119	

Column B, Line 3: Eversource response to Staff TS 2-011; 3 positions remain unfilled.
Line 3: Severance - Eversource response to Staff 12-1
Line 6: Composite Payroll Tax Rate (Eversource response to Staff 5-14)

FTEs Payroll Adjustment	528,232
FTE Payroll Taxes	40,534
	7.67%

	Total Payroll	Planned FTEs	Actual FTEs
Incremental FTEs-Cyber Security	99,671	14	6
Incremental FTEs-Troubleshooters and SOC	528,231	5	2

Eversource response to Staff TS 2-010 and Staff TS 2-011

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 6
Incentive Compensation

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
	Incentive Compensation			
1	Employee Incentive	$ 3,962,425	(1,941,588)	$ 2,020,837
2	Executive Incentive	1,409,087	(690,453)	718,634
3	Executive Stock Incentive	1,902,217	(932,086)	970,131
4	Director RSU's	340,097	(166,648)	173,449
5	Total Incentive Compensation	$ 7,613,826	$ (3,730,775)	$ 3,883,051
	Payroll Taxes			
6	Total Variable Compensation	7,613,826		3,883,051
7	Composite Payroll Tax Rate	7.67%		7.67%
8	Total Payroll Taxes	$ 584,249	$ (286,282)	$ 297,967
	Income Taxes			
9	Total Incentive Comp & Payroll Taxes	8,198,075		4,181,018
10	NH Income Tax	7.70%		7.70%
11	Effect on NH income tax expense	$ (631,252)	$ 309,314	$ (321,938)
12	Federal Taxable	$ 7,566,823		$ 3,859,080
13	Federal Income Tax Rate	21%		21%
14	Effect on Federal income tax expense	$ (1,589,033)	$ 778,626	$ (810,407)
15	Total Income Taxes	$ (2,220,285)	$ 1,087,940	$ (1,132,345)
16	**Impact to Operating Income**	$ (5,977,790)	$ 2,929,117	$ (3,048,673)

Notes and Sources

Column A, Lines 1–5: Attachment EHC/TMD-1, Schedule EHC/TMD-15 (Perm) November 4, 2019 Update and Eversource response to OCA 1-030

Adjustment:
49% based on weighting of Financial Goals (EPS and Dividend Growth)

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 7
Severance

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Severance associated with			
2	Involuntary-Mutual Agreement	$ 28,334	$ (28,334)	$ -
3	Involuntary-Workforce Reduction	25,962		25,962
4	Severance paid in Test Year	54,296		25,962
5	Residual O&M Inflation			
6	Involuntary-Mutual Agreement	1,482	(1,482)	-
7	Involuntary-Workforce Reduction	1,358		1,358
8	Total Severance Rate Year	$ 57,136	$ (29,816)	$ 27,320
9	NH Income Tax	7.70%		7.70%
10	Effect on NH income tax expense	$ (4,399)	$ 2,295	$ (2,104)
11	Federal Taxable	$ 52,737		$ 25,216
12	Federal Income Tax Rate	21%		21%
13	Effect on Federal income tax expense	$ (11,075)	$ 5,780	$ (5,295)
14	Total Taxes	$ (15,474)	$ 8,075	$ (7,399)
15	**Impact to Operating Income**	$ (41,662)	$ 21,741	$ (19,921)

Notes and Sources

Lines 1–4: Eversource response to Staff 5-012
Line 6–7: Schedule EHC/TMD-27 (Perm) November 4, 2019 Update, page 2 of 2
Inflation Factor 5.23%
Line 8: Eversource response to OCA 1-068

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 8
Remove SERP

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	SERP	$ 764,925	$ (764,925)	$ -
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	$ (58,899)	$ 58,899	$ -
4	Federal Taxable	$ 706,026		$ -
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	$ (148,265)	$ 148,265	$ -
7	Total Taxes	$ (207,164)	$ 207,164	$ -
8	**Impact to Operating Income**	$ (557,761)	$ 557,761	$ -

Notes and Sources

Line 1: Attachment EHC/TMD-1 November 4, 2019 Update (page 4 of 15 (Bates 000112)

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 9
Sharing of D&O Liability Insurance

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	D&O Liability Insurance	$ 70,281	$ (35,141)	$ 35,141
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	$ (5,412)	$ 2,706	$ (2,706)
4	Federal Taxable	$ 64,869		$ 32,435
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	$ (13,622)	$ 6,811	$ (6,811)
7	Total Taxes	$ (19,034)	$ 9,517	$ (9,517)
8	**Impact to Operating Income**	$ (51,247)	$ 25,624	$ (25,624)

Notes and Sources

Line 1: Attachment EHC/TMD-1, WP EHC/TMD-13 (Perm) November 4, 2019 Update

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 10
Vegetation Management

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Vegetation Management-Test Year	$ 14,016,121		$ 14,016,121
2	Consolidated Unpaid Contribution	1,213,743	$ (1,213,743)	-
3	Vegetation Mgmt Capital-Transfer to O&M	16,800,000	(12,500,000)	4,300,000
4	Total Vegetation Management	$ 32,029,864	$ (13,713,743)	$ 18,316,121
5	NH Income Tax	7.70%		7.70%
6	Effect on NH income tax expense	$ (2,466,300)	$ 1,055,959	$ (1,410,341)
7	Federal Taxable	$ 29,563,564		$ 16,905,780
8	Federal Income Tax Rate	21%		21%
9	Effect on Federal income tax expense	$ (6,208,348)	$ 2,658,134	$ (3,550,214)
10	Total Taxes	$ (8,674,648)	$ 3,714,093	$ (4,960,555)
11	**Impact to Operating Income**	$ (23,355,216)	$ 9,999,650	$ (13,355,566)

Notes and Sources

Lines 1–3: Attachment EHC/TMD-1, WP EHC/TMD-20 (Perm) November 4, 2019 Update
Lines 2–3: Attachment EHC/TMD-1, Schedule CHC/TMD-5 (Perm) November 4, 2019 Update

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 11
Remove Amortization of Merger Cost to Achieve

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Total Merger Cost to Achieve	$ 125,903,082	$ (125,903,082)	$ -
2	Allocation Rate (gross plant allocator)	7.22%		7.22%
3	Total Amount Allocated to PSNH	$ 9,090,203		$ -
4	Amortization Period (years)	10		10
5	Annual Amortization	$ 909,020	$ (909,020)	$ -
6	NH Income Tax	7.70%		7.70%
7	Effect on NH income tax expense	$ (69,995)	$ 69,995	$ -
8	Federal Taxable	$ 839,025		$ -
9	Federal Income Tax Rate	21%		21%
10	Effect on Federal income tax expense	$ (176,195)	$ 176,195	$ -
11	Total Taxes	$ (246,190)	$ 246,190	$ -
12	**Impact to Operating Income**	$ (662,830)	$ 662,830	$ -

Notes and Sources
Lines 1–5: Attachment EHC/TMD-1, WP EHC/TMD-30 (Perm) November 4, 2019 Update, page 3 of 4

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 12
Depreciation Expense-Whole Life-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
	Depreciation			
1	Reserve Imbalance		$ -	$ -
2	Recovery Period (years)		10	10
3	Annual Amortization of Reserve Imbalance		-	-
4	Depreciation Expense-Remaining Life	$ 70,541,805		$ 70,541,805
5	Depreciation Expense-Whole Life (without Reserve Imbalance)	-	-	-
6	Annual Depreciation Expense	$ 70,541,805		$ 70,541,805
7	Less Depreciation on Transportation Equipment-Remaining Life	$ (1,361,860)		$ (1,361,860)
8	Less Depreciation on Transportation Equipment-Whole Life	-	-	-
	Annual Depreciation Expense without Transportation Equipment	$ 69,179,945		$ 69,179,945
	Vehicles			
9	Depreciation Expense-Remaining Life	$ 684,012		$ 684,012
10	Depreciation Expense-Whole Life	-	-	-
11	Annual Depreciation	$ 69,863,957	$ -	$ 69,863,957
12	NH Income Tax	7.70%		7.70%
13	Effect on NH income tax expense	$ (5,379,525)	$ -	$ (5,379,525)
14	Federal Taxable	$ 64,484,432		$ 64,484,432
15	Federal Income Tax Rate	21%		21%
16	Effect on Federal income tax expense	$ (13,541,731)	$ -	$ (13,541,731)
17	Total Taxes	$ (18,921,256)	$ -	$ (18,921,256)
18	**Impact to Operating Income**	$ (50,942,701)	$ -	$ (50,942,701)

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 13
Environmental Reserve–Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Environmental Reserve Balance 12/31/18	$ 9,164,729		$ 9,164,729
2	Amortization Period (Years)	4.00	2.00	6.00
3	Annual Amortization	$ 2,291,182	$ (763,727)	$ 1,527,455
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	$ (176,421)	$ 58,807	$ (117,614)
6	Federal Taxable	$ 2,114,761		$ 1,409,841
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	$ (444,100)	$ 148,033	$ (296,067)
9	Total Taxes	$ (620,521)	$ 206,840	$ (413,681)
10	**Impact to Operating Income**	$ (1,670,661)	$ 556,887	$ (1,113,774)

Notes and Sources

Column A, Lines 1–2: Attachment EHC/TMD-1, WP EHC/TMD-30, page 4 of 4 November 4, 2019 Update
Column B: Eversource response to Staff 5-17, isolated "Record stipulated rate of return" - See Schedule 3.13 WP

Carrying costs are calculated on actual expenditures and not estimates.

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Schedule 3.14
Page 1 of 1

Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 14
Enterprise IT Expense

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Enterprise IT Projects Expense	$ 4,151,778	$ (1,384,781)	$ 2,766,997
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	$ (319,687)	$ 106,628	$ (213,059)
4	Federal Taxable	$ 3,832,091		$ 2,553,938
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	$ (804,739)	$ 268,412	$ (536,327)
7	Total Taxes	$ (1,124,426)	$ 375,040	$ (749,386)
8	**Impact to Operating Income**	$ (3,027,352)	$ 1,009,741	$ (2,017,611)

Notes and Sources

Line 1: Attachment EHC/TMD-1, Schedule EHC/TMD-16 (Perm) November 4, 2019 Update
Column C: 3 year average from Eversource response to Staff 5-019, Attachment Staff 5-019A (see below)

	2015	2016	2017	2018
Total Enterprise IT Project Expense	$ 11,050,149	$ 20,786,008	$ 35,904,377	$ 47,300,244
Allocated to PSNH	1,350,612	2,212,896	3,660,498	4,291,690
Less: Capitalized Portion	(147,622)	(260,679)	(772,365)	(831,049)
Net Enterprise IT Project Expense	$ 1,202,990	$ 1,952,217	$ 2,888,133	$ 3,460,641
3-Year Average (2016–2018)				$ 2,766,997

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 15
Healthcare

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Medical/Prescription	7,914,642	(308,891)	7,605,751
2	Dental	333,162	13,117	346,279
3	Vision	34,770	1,333	36,103
4	401K	2,536,647	133	2,536,780
5	Total Healthcare and 401K	10,819,221	(294,308)	10,524,913
6	Pension	2,715,195		2,715,195
7	Other Account Activity	1,983,481		1,983,481
8	Total Employee Benefits	$ 15,517,897	$ (294,308)	$ 15,223,589
9	NH Income Tax	7.70%		7.70%
10	Effect on NH income tax expense	$ (1,194,878)	$ 22,662	$ (1,172,216)
11	Federal Taxable	$ 14,323,019		$ 14,051,373
12	Federal Income Tax Rate	21%		21%
13	Effect on Federal income tax expense	$ (3,007,834)	$ 57,046	$ (2,950,788)
14	Total Taxes	$ (4,202,712)	$ 79,708	$ (4,123,004)
15	**Impact to Operating Income**	$ (11,315,185)	$ 214,600	$ (11,100,585)

Notes and Sources

Column A, Lines 1-8: Attachment EHC/TMD-1, attachment EHC/TMD-12 (Perm) November 4, 2015 Update
Column B, Lines 1-5: Attachment EHC/TMD-1, attachment EHC/TMD-12 (Perm)

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Schedule 3.16
Page 1 of 1

Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 16
Storm Costs-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Storm Reserve Accural	$ 8,000,000	$ 4,000,000	$ 12,000,000
2	Media Communications-Audit Denied Recovery	69,523		69,523
3		$ 8,069,523	$ 4,000,000	$ 12,069,523
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	$ (621,353)	$ (308,000)	$ (929,353)
6	Federal Taxable	$ 7,448,170		$ 11,140,170
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	$ (1,564,116)	$ (775,320)	$ (2,339,436)
9	Total Taxes	$ (2,185,469)	$ (1,083,320)	$ (3,268,789)
10	**Impact to Operating Income**	$ (5,884,054)	$ (2,916,680)	$ (8,800,734)

Notes and Sources

Line 1: Attachment EHC/TMD-1, Schedule EHC/TMD-25 (Perm) November 4, 2019
Line2: Attachment EHC/TMD-1, Schedule CHC/TMD-5 (Perm) November 4, 2019 Update
Line 2: Eversource response to Staff 5-20

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 19-057
Schedule 3.17
Page 1 of 1

Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 17
New Start Arrearage Forgiveness

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Regulatory Asset-New Start Set Up	$ -	$ 1,700,000	$ 1,700,000
2	**Total Impact to Rate Base**		$ 1,700,000	$ 1,700,000
3	Regulatory Asset-New Start Set Up	$ -	$ 1,700,000	$ 1,700,000
4	Recovery Period (Years)	-	5.00	5.00
5	Annual Amortization	$ -	$ 340,000	$ 340,000
6	Expected Arrearage Forgiveness	$ -	$ 4,176,985	$ 4,176,985
7	Recovery Period (Years)		4.50	4.50
8	Annual Recovery through Base Rates		928,219	928,219
9	Annual Avoided Costs		(86,222)	(86,222)
10	Total Forgiveness Recovery with Avoided Costs		$ 841,997	$ 841,997
11	Total Expense	$ -	$ 1,181,997	$ 1,181,997
12	NH Income Tax	7.70%		7.70%
13	Effect on NH income tax expense	$ -	$ (91,014)	$ (91,014)
14	Federal Taxable	$ -		$ 1,090,983
15	Federal Income Tax Rate	21%		21%
16	Effect on Federal income tax expense	$ -	$ (229,106)	$ (229,106)
17	Total Taxes	$ -	$ (320,120)	$ (320,120)
18	**Impact to Operating Income**	$ -	$ (861,877)	$ (861,877)

Notes and Sources

See the testimony of Staff Witness Richard Chagnon

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 19-057
Schedule 3.18
Page 1 of 1

Public Service Company of New Hampshire d/b/a Eversource Energy
Adjustment 18
Interest Synchronization-Revised

Line	Description	Company Proposed (A)	Adjustment (B)	Staff Adjusted (C)
1	Rate Base	$ 1,215,689,670	(42,511,861)	1,173,177,810
2	Interest Component of Rate of Return	4.24%		4.24%
3	Interest Attributable to Rate Base	51,484,458		49,686,427
4	NH Income Tax	7.700%		7.700%
5	Effect on NH income tax expense	$ (3,964,303)	$ 138,448	$ (3,825,855)
6	Federal Taxable	$ 47,520,155		$ 45,860,572
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	$ (9,979,232)	$ 348,512	$ (9,630,720)
9	Total Taxes	$ (13,943,535)	$ 486,960	$ (13,456,575)
10	**Impact to Operating Income**	$ 13,943,535	$ (486,960)	$ 13,456,575

Notes and Sources

Column A and C, Line 2: Schedule 2
Column B, Lines 1: Schedule 1.1

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 25, 2020
AT (OFFICE): NHPUC

FROM: NH PUC Audit Staff

SUBJECT: Public Service Company of New Hampshire d/b/a Eversource Energy
Rate Case DE 19-057
FINAL Audit Report

TO: Tom Frantz, Director Electric Division
Rich Chagnon, Assistant Director

INTRODUCTION

On April 26, 2019, Public Service Company of New Hampshire (PSNH, Eversource, or the Company) filed with the New Hampshire Public Utilities Commission (Commission), a Petition for Temporary Delivery Rates and Notice of intent to File Rate Schedules. The filing for permanent rates was made on May 28, 2019. The test year for this filing was the twelve months ending December 31, 2018.

PUC Electric Division Staff, the Office of the Consumer Advocate, and Interveners issued fifteen sets of detailed data requests, to which the Company responded. The Audit Division therefore offers this Audit Report as a supplement to discovery already conducted, but does not offer an opinion on the discovery responses directly. In addition, direct conclusions regarding all accounts and all activity cannot be made due to the volume of entries over the ten-year timeframe since the prior rate case audit.

Segments of PSNH during the test year were Distribution, Transmission, and Generation. Within docket DE 17-096, Public Service Company of New Hampshire Petition for Finding of Fact and Issuance of Financial Order, is a summary of several dockets and related settlement agreements and Orders relating to the divestiture of the Generation segment of the Company. Sale of the Generation segments occurred with transaction closings in November 2017, January 2018, and August 2018. A docket was opened, DE 20-005, relating to the divestiture and rate reduction bonds and the PUC audit required to review the amounts included within the petition for recovery. That audit is ongoing.

According to the FERC Form 1 page 102, for 2018, the controlling organization of PSNH is: "*Eversource Energy, a Massachusetts business trust and voluntary association headquartered in Boston, Massachusetts and Hartford, Connecticut,* [which is] *a public utility holding company subject to regulation by the FERC under the Public Utility Company Holding Act of 2005, which wholly and directly owns the respondent…*via *common stock*." Eversource Energy provides centralized accounting, administrative, engineering, financial, information technology, legal, operational, planning, purchasing, and other services to affiliated companies.

Internal Audit Reports

Audits and Reviews

NHPUC Audit requested a listing of the internal audits conducted in 2018 by the Company's Internal Audit division.

2018	Description	Date	Type
18-03	Employee Expense Report Audit	1/17/2018	Review
18-04	IT Vendor Staffing Compliance (H-1B) Review	1/31/2018	Review
18-05	NH Overhead Maintenance Audit	1/31/2018	Audit
18-07	Treasury Operations Audit	1/31/2018	Audit
18-10	2017 Contract Compliance Review	2/7/2018	Review
18-11	Disaster Recovery Maturity Assessment Review	2/9/2018	Review
18-13	CT, NH, MA, West, Inactive Accounts Audit	3/14/2018	Audit
18-14	Eversource Pension Plan Benefit Administration Audit	3/13/2018	Audit
18-15	UVL Audit	3/1/2018	Audit
18-16	Payroll Audit	3/23/2018	Audit
18-18	Database Administration	3/22/2018	Audit
18-20	NH Substation Construction Audit - New Eagle Substation	4/9/2018	Audit
18-22	Electronic Security Perimeter Configurations Standards	5/10/2018	Audit
18-24	Clean Harbors Vendor Review	5/16/2018	Review
18-26	NH ARM Audit	8/21/2018	Audit
18-29	NH Electric Facilities Compliance Audit	8/16/2018	Audit
18-32	Sustainability Report Review	9/20/2018	Review
18-33	Mobile Device Outage Management System (OMS)	10/9/2018	Audit
18-34	IT Support Center Audit	12/11/2018	Audit
18-35	Social Media Audit	10/30/2018	Audit
18-38	Internet Security Vulnerability Assessment Audit	11/28/2018	Audit
18-40	Inventory Audit	11/21/2018	Audit
18-41	Managed Staffing Provider Audit	11/28/2018	Audit
18-49	Environmental Audit of NH Electric Substations	12/20/2018	Audit
18-EA-01	Environmental Process Audit - Spill Response	1/12/2018	Audit
18-EA-03	Environmental Process Audit - Enviance Compliance Obligations	2/8/2018	Audit
18-EA-05	Environmental Training Process Audit	3/1/2018	Audit

Audit met with the Company on-site to review the Audit Committee's confidential minutes to Committee meetings. A total of six meetings were held in 2018. Discussions related to PSNH included the approval of Deloitte and Touche as the Company's auditors for 2018, the Tax Cuts and Jobs Act of 2017, Northern Pass, and cyber-security for 2018 and 2019. The Audit Committee found no significant issues at year-end.

Board of Directors

The OCA requested copies of the Board minutes, which were provided in response to OCA 1-003 for the years 2016, 2017, and 2018.

Actuarial Reports were requested and provided in response to OCA 1-007. Refer to the Operations and Maintenance portion of this report for review of Pension and Benefit expenses.

ELECTRICAL DISTRIBUTION BUDGETS

Operation & Maintenance

Audit reviewed the electrical distribution operating budget for the 2018 test-year and compared the budgeted dollar amounts to the actual dollar amounts for the year. The following is a summary of operations and maintenance expenses that were requested and provided in response to OCA 1-008 B:

PSNH Operations and Maintenance Expenses O&M by Area (Non-Tracked)	2018 Budget	2018 Actual	2018 Variance Over(Under)	Percentage Increase/(Decrease)
Customer Group & Corporate Relations	23,469,952	24,394,213	924,261	4%
Chief Executive Officer Group	109,839	107,428	(2,411)	-2%
Chief Financial Officer Group	17,539,409	17,708,281	168,872	1%
Human Resources & Information Technology	10,896,175	10,502,964	(393,211)	-4%
Corporate Cost Area	36,800,431	38,893,144	2,092,713	6%
General Councel	1,639,461	1,909,574	270,113	16%
Enterprise Energy Strat & Buisiness Development	95,841	98,600	2,759	3%
Operations	61,036,821	58,606,680	(2,430,141)	-4%
Total O&M by Area (Non-Tracked)	**151,587,929**	**152,220,884**	**632,955**	**0.42%**

PSNH Operations and Maintenance Expenses O&M by Cost Category (Non-Tracked)	2018 Budget	2018 Actual	2018 Variance Over(Under)	Percentage Increase/(Decrease)
Total Labor	55,796,273	61,590,777	5,794,504	10%
Non-Labor:				
Employee Expenses	3,010,816	4,350,388	1,339,572	44%
Fees and Payments	12,487,846	13,091,900	604,054	5%
Materials	1,793,383	2,188,548	395,165	22%
Outside Services	38,175,623	56,883,561	18,707,938	49%
Reimbursements	(3,732,685)	(5,543,952)	(1,811,267)	49%
Vehicles	6,337,549	6,127,979	(209,570)	-3%
Benefits	23,653,549	23,082,997	(570,552)	-2%
All Other (Includeds Storm Deferral)	14,065,575	(9,551,314)	(23,616,889)	-168%
Total Non-Labor	95,791,656	90,630,107	(5,161,549)	-5%
Total O&M by Cost Category (Non-Tracked)	**151,587,929**	**152,220,884**	**632,955**	**0.42%**

The Company provided a reconciliation showing the below-the-line accounts that were included in OCA 1-008 B for reporting purposes and which are not included in the filing schedule EHC/TMD-1. Total Operation & Maintenance expense for the test-year was $149,976,022 shown below:

	Non Tracked	
417111:Nonutility Oper Exp - Non Oper Prop	$7,904	
426401:Expend for Civic + Pol Act Lob Fed	$6,722	
403100:NUSCO Depreciation-Transfer Credit	($5,541,889)	
403200:Depreciation Expense- NUSCO	$6,277,162	
426100:Corporate Donations	$96,615	
426400:Expend for Civic + Political Activities	$495,949	
426500:Other Deductions	$905,245	
Total Excluded	$2,247,709	
Total Per Att. OCA 1-008B	$152,220,883	
Less: Accounts above	$2,247,709	*included in OCA 1-008, not included in EHC/TMD-1
Subtotal	$149,973,174	
Plus: LOB 11100, acct 555000:Purchased Power Energy	$2,848	*included in EHC/TMD-1, not included in OCA 1-008
EHC/TMD-1 per initial filing	$149,976,022	

Capital Expenditures

Audit reviewed the electrical distribution budget for the 2018 test-year and compared the budgeted dollar amounts to the actual dollar amounts for the year. The following is a summary of capital expenditures that were requested and provided in response to OCA 1-008 A:

PSNH Capital Expenditures Spending Category	2018 Budget	2018 Actual	2018 Variance Over(Under)	Percentage Increase/(Decrease)
3rd Party/Joint Owner Work	400,207	722,367	322,160	80%
Basic Business Other	370,166	1,307,432	937,266	253%
Capitalized Vehicles	4,052,000	3,532,337	(519,663)	-13%
Capital Tool Purchases	1,344,752	1,283,462	(61,290)	-5%
Emergency Equipment Failures - Line	7,625,774	19,517,516	11,891,742	156%
Emergency Equipment Failures - Substation	0	704,281	704,281	100%
Environmental	74,927	117,271	42,344	57%
Insurance Claim/Keep Cost	500,134	118,010	(382,124)	-76%
Lighting	430,300	480,391	50,091	12%
Line Relocation/Act of Public Authority	3,124,996	7,337,742	4,212,746	135%
Meters - Electric	2,320,000	2,347,644	27,644	1%
Pre-Cap Line Transformers	10,000,000	11,747,962	1,747,962	17%
Total Basic Business - Electric Distribution	30,243,256	49,216,415	18,973,159	63%
Customer Driven	8,000,208	11,947,415	3,947,207	49%
Distributed Generation	0	(197,304)	(197,304)	100%
Total New Customer - Electric Distribution	8,000,208	11,750,111	3,749,903	47%
Capacity - Other	0	0	0	0%
Distribution Line Capacity	1,128,020	2,418,582	1,290,562	114%
Substation Capacity	2,256,567	1,461,027	(795,540)	-35%
Total Peak Load Capacity-Electrical Distribution	3,384,587	3,879,609	495,022	15%
Regulatory Commitments - Other	0	(5,952)	(5,952)	100%
Reliability Enhancement Program	9,000,616	6,836,411	(2,164,205)	-24%
System Resiliency	2,750,031	464,875	(2,285,156)	-83%
Total Regulatory Commitments-Electrical Distribution	11,750,647	7,295,334	(4,455,313)	-38%
4kV Conversion	2,995,295	2,922,612	(72,683)	-2%
Distribution Automation	18,500,625	18,089,168	(411,457)	-2%
Distribution Line Reliability	9,305,498	11,185,924	1,880,426	20%
Enhanced Tree Trimming/Removal	19,000,000	11,440,417	(7,559,583)	-40%
Network Reliability	1,699,940	1,444,397	(255,543)	-15%
Obsolete Equipment - Line	0	0	0	0%
Obsolete Equipment - Substation	804,175	1,429,689	625,514	78%
Reliability - Other	3,991,282	3,886,062	(105,220)	-3%
Substation Reliability	28,211,724	29,609,831	1,398,107	5%
URD/DB Cable Improvements	0	93,575	93,575	100%
Total Reliability - Electrical Distribution	84,508,539	80,101,675	(4,406,864)	-5%
Total Electric Distribution	**137,887,237**	**152,243,144**	**14,355,907**	**10.41%**
Total Facilities	5,527,001	4,311,859	(1,215,142)	-22%
Total Information Technology	0	1,201,917	1,201,917	100%
Total Corporate Other	50,000	49,325	(675)	-1%
Total Expense Only	0	34,348	34,348	100%
	5,577,001	5,597,449	20,448	0.37%
Total Parent Project Structure	**143,464,238**	**157,840,593**	**14,376,355**	**10.02%**

The total capital expenditures for the distribution company was $157,840,590 ($3 rounding difference). The distribution construction budget for 2018 when compared to the actual amounts at year-end shows a net increase of $14,376,355 or 10.02%.

General Ledger to FERC

Audit requested and was provided with Excel versions of the summary general ledger for each segment of the Company, in order to verify the reported figures on the FERC Form 1 to the Company's financial records. The segments provided were:

06 Distribution
6T Transmission
6F Generation

Gross Plant $3,513,072,799

The FERC Form 1 figure of $3,513,072,799 was verified to

Account 101	$3,045,662,147
Account 105	$ 9,100,645
Account 106	$ 458,310,007
Total	$3,513,072,799

Refer to the Plant in Service portion of this report for details regarding the Filing figures.

The totals of each segment for the Company follow, with the account numbers relating to the Distribution segment of the Company's general ledger. For **account #101 $3,045,662,147**, the following was noted:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
101010	$2,008,997,779	$1,033,424,785	$ -0-	$3,042,422,564
101100	$ 837,463	$ -0-	$ -0-	$ 837,463
101200	$ 988,956	$ -0-		$ 988,956
101E1X	$ 574,601	$ 838,563		$ 1,413,164
101E9E	$ -0-	$ -0-		$ -0-
Total	$2,011,398,799	$1,034,263,348	$ -0-	**$3,045,662,147**

The account numbers noted for the Distribution and Transmission segments were the same. The Generation segment reflected only accounts 101010 and 101100. The activity in those Generation accounts reflected:

	101010	101100
Beginning Balance	$ 1,167,070,649	$ 1,572,993
Debits	$ 3,736,054	$ -0-
Credits	$(1,170,806,703)	$(1,572,993)
Ending Balance	$ -0-	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation units, completed during 2018.

FERC **account #102 has a zero** balance. That was verified to the Generation segment account number 102000 which reflected a beginning balance of $0.36, debits of $77,114,742.00, and credits of $(77,114,742.36), netting to zero. The Distribution and Transmission segments did not have an account 102, Electric Plant Purchased or Sold.

The Electric Plant Held for Future Use in **account #105, $9,100,645** was verified to two Distribution segment accounts as well as accounts relating to Transmission:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
105010	$700,254	$6,944,457	$ -0-	$7,644,711
10501X		$1,211,494		$1,211,494
105020	$225,148	$ 19,292		$ 244,440
Total	$925,402	$8,175,243	$ -0-	**$9,100,645**

The Generation segment had only account 105010. The activity during 2018 reflected:

Beginning Balance	$ 621,321
Debits	$ -0-
Credits	$(620,321)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation units, completed during 2018. Refer to the Plant section of this report for Distribution accounts.

The total of the Completed Construction not Classified in **account #106, $458,310,007** was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
106010	$161,473,020	$296,836,987	$ -0-	$458,310,007
106500	$ -0-			$ -0-
Total	$161,473,020	$296,836,987	$ -0-	**$458,310,007**

The Transmission segment and Generation segment had only account 106010. The Generation segment activity during 2018 reflected:

Beginning Balance	$ 3,903,841
Debits	$ 1,226,357
Credits	$(5,130,198)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation units, completed during 2018.

For detailed testing of Plant in Service, refer to the Plant section of this report.

Construction Work in Progress, Account #107 $133,629,093

The FERC Form 1 reflects the total CWIP of $133,629,093. Audit verified the (rounded) total of the three segments' 107 accounts as follows:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
107010	$51,675,059	$82,084,502	$(4,682)	$133,754,879
107100	$ 27,762	$ 20,088	$ -0-	$ 47,850
107ES0	$ 1,973,260	$ (2,146,895)	$ -0-	$ (173,635)
107NSC	$ (1,881,075)	$ (180,763)	$(9,842)	$ (2,071,680)
107SVC	$ 1,881,075	$ 180,763	$ 9,842	$ 2,071,680
Total	$53,676,081	$79,957,695	$(4,682)	**$133,629,094**

Refer to the Plant section of this report for additional information regarding the Distribution segment.

Accumulated Provision for Depreciation, Amortization, Depletion Accounts #108, #110, #111, 115 $(793,817,094)

The FERC Form 1 total of $(793,817,094) was verified to the sum of accounts #**108** and #**111**:

108 Accumulated Provision for Depreciation	$(740,353,954)
111 Accumulated Provision for Amortization	$ (53,463,142)
Total FERC (rounded)	$(793,817,096)

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
108010	$(555,911,762)	$(184,233,869)	$389	$(740,145,242)
108030	$ -0-	$ -0-	$ -0-	$ -0-
108040	$ -0-	$ -0-	$ -0-	$ -0-
108AR0	$ (208,712)	$ -0-	$ -0-	$ (208,712)
Total	$(556,120,474)	$(184,233,869)	$389	**$(740,353,954)**

The Generation segment's account activity during 2018 was:

	108010	108030	108040	108ARO
Beg. Balance	$ (579,662,877)	$ -0-	$ -0-	$ (707,886)
Debits	$ 1,657,618,759	$ 16,053,509	$ 539,247,512	$1,570,062
Credits	$(1,077,955,492)	$(16,053,509)	$(539,247,512)	$ (862,176)
End Balance	$ 389	$ -0-	$ -0-	$ -0-

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
111010	$(46,514,955)	$(6,923,463)	$-0-	$(53,438,418)
111020	$ (24,724)	$ -0-		$ (24,724)
Total	$(46,539,679)	$(6,923,463)	$- 0-	**$(53,463,142)**

The Generation segment had only account 111010, with activity during the 2018 test year of:

Beginning Balance	$(1,505,765)
Debits	$ 1,619,257
Credits	$ (113,492)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation units, completed during 2018.

Testing of the Accumulated Depreciation, and Amortization of Electric Utility accounts was performed within the Plant portion of this report.

Non-utility Property, Account #121 $2,290,364 was verified from the FERC Form 1 to the general ledger accounts below:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
121010	$1,440,037	$850,327	$ -0-	**$2,290,364**

The Generation segment began the year with a balance of $136,861 which was credited in February and September resulting in the zero balance at year-end. The $136,861 is included in the DE 20-005 docket relating to the sale of all generation assets. The amount was cleared to the Distribution segment account 182RRB. Refer to docket DE 20-005 regarding the divestiture of the Generation units, completed during 2018, and subsequent audit. Refer to the Plant section of this report for additional information regarding the Distribution segment.

Accumulated Provision for Depreciation and Amortization Account #122 $(185,171) relating to Non-utility property was verified from the FERC Form 1 to the general ledger:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
122010	$(185,171)	$ -0-	$ -0-	**$(185,171)**

The Transmission segment reflected no balance or activity. The Generation segment began the year with $(113,468) plus debits of $127,732 less credits of $(14,264) for the zero balance at year-end. Refer to docket DE 20-005 regarding the divestiture of the Generation units, completed during 2018.

Investments in Subsidiary Companies, Account #123.1 $3,362,342 noted on the FERC Form 1 was verified to only general ledger accounts associated with the Distribution segment:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
12301X	$3,040,291	$ -0-	$ -0-	$3,040,291
123CC0	$ 96,956			$ 96,956
123MY0	$ 120,717			$ 120,717
123YY0	$ 104,377			$ 104,377
Total	$3,362,342	$ -0-	$ -0-	**$3,362,342**

Audit requested clarification of account 12301X, Investments in Subsidiaries, and was told that the balance represents the credit balance in Properties Inc. of $(138,025) and a debit balance investment in PSNH Funding, LLC 3 of $3,178,316. PSNH Funding, LLC is the entity created for the Rate Reduction Bonds resulting from the divestiture of the Generation segment. The NH Secretary of State's website indicates that the LLC is in good standing and was created as a "*special purpose subsidiary of Public Service Company of New Hampshire for the purpose of acquiring and holding Rate Reduction Bond property and certain other collateral and to issue and sell Rate Reduction Bonds*". Refer to docket DE 20-005.

The three accounts below the Investments in Subsidiaries represent PSNH's allocated accumulated earnings in Connecticut Yankee, Maine Yankee, and Yankee Atomic.

The Transmission segment reflected a zero beginning balance with debit and credit totals of $36,250,000 resulting in a year-end zero balance. The Company indicated the activity was a mispost due to "wrong accounting work order mapping", with a resulting "journal entry booked to move the amount to the correct account". Audit requested clarification of the account to which the entry was corrected, and verified the correction to Transmission segment account 211000.

The Generation segment did not reflect any balance or activity during the test-year.

Other Investments, Account #124 $5,062,504, per the FERC Form 1, was verified to Distribution and Transmission general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
124010	$ 100,150	$1,047,057		$1,147,207
124120	$3,915,297		$ -0-	$3,915,297
124SS0	$ -0-	$ -0-	$ -0-	$ -0-
Total	$4,015,447	$1,047,057	$ -0-	**$5,062,504**

Regarding Distribution, account 124010, noted as investment held at cost, $100,000, in Amoskeag Industries which is an economic development entity in the city of Manchester and $150 related to the Franklin Development, Inc. Account 124120, Rabbi Trust Investment SERP, represents an investment made originally in 1995 to establish a trust account at Fleet Bank to support the Company's supplemental executive retirement obligations. Audit requested clarification of the accounts used to offset the Distribution 124120 account activity, and was directed to Interest Income, account 419040, Dividend Income 419000, Realized Gain/Loss account 42111R, Bank Fees account 426500, and Unrealized Gains/Loss accounts 219080 and 190CP0. The activity in the Distribution 124120 account was:

Beginning Balance	$2,598,269
Debits	$2,050,420
Credits	$ (733,392)
Ending Balance	$3,915,297

Audit reminds the Company and reader that activity related to the SERP should be booked below the line, as the above identified accounts are.

The Distribution segment 06 included account #129030, that had a zero balance at the beginning of the year, no activity during 2018, thus zero balance at 12/31/2018, which agrees with FERC Form 1. Neither the Transmission nor Generation segment included the account within its general ledger.

Cash, Account #131 $1,213,944 per FERC Form 1 was verified to general ledger accounts within each segment:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
131010	$2,070,350	$(2,074,162)	$1,217,756	**$1,213,944**

The FERC Form 1 total of $1,213,944 was verified to the filing schedule 1604.01(a)(1), attachment 3, page 2 of 8 and the general ledger accounts within each segment shown below:

The Company states that each specific segment of PSNH has its own concentration bank account and a controlled disbursement account associated with it. The concentration account is the main bank account for each entity. Through this account are processed all the receipts, electronic payments such as ACH and wire transfers and check clearing, both received and paid. The controlled disbursement account is for vendor check payments only but are funded from the concentration account.

The Company explained that the primary source of funding for the Distribution Company are customer receipts from customer billing. *"If the customer receipts are not enough to cover its daily working capital costs, then the Distribution Company would borrow internally from Eversource Energy. Alternatively, if customer receipts are enough to cover daily working capital costs then the Distribution Company would pay back Eversource Energy for any outstanding borrowings. Costs to cover would essentially include all working capital related costs: vendor check payments, vendor electronic payments, state tax payments, dividends, and intercompany settlement payments. Intercompany settlement payments would include costs such as payroll, benefits and other administrative costs paid by Eversource Energy Services Company on behalf of all Eversource Energy's subsidiary entities."*

Distribution 06, Cash - Account #131010 - $2,070,350

The Filing Requirement Schedule 1604.019(a)(1), Attachment 3, pages 2 of 8, reports total year-end distribution cash 06, in the amount of $2,070,350. This amount agrees with the December 31, 2018 bank reconciliation and the general ledger account #131010.

The Company states that the cash accounts are reconciled monthly for all wholly owned subsidiaries and that cash receipts are deposited daily. The Company also states that those authorized to sign checks are the CFO, Treasurer, Assistant Treasurer. In addition, cash management personnel have the authority to wire transfer funds amongst bank accounts.

Special Deposits, Accounts #132 - #134 $5,007

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
134010	$5,007	$ -0-	$ -0-	$5,007
134AB0	$ -0-	$ -0-	$ -0-	$ -0-
134P60			$ -0-	$ -0-
134WG0			$ -0-	$ -0-
134WP0			$ -0-	$ -0-
Total	$5,007	$ -0-	$ -0-	**$5,007**

The Transmission segment reflected the accounts with zero balances and no activity.

The Generation segment's combined accounts reflected the following during the test-year:

Beginning Balance	$ 1,129,159
Debits	$ 1,000,081
Credits	$(2,129,240)
Ending Balance	$ -0-

The Generation segment's beginning balance of $1,129,159 was verified to three accounts included within the DE 20-005 filing:

Account 134P60	$857,261	
Account 134AB0	$218,612	Cleared to Distribution 182RRB 9/2018
Account 134WP0	$ 53,366	

Additional testing of the transfers resulting from the Generation divestiture will be conducted as part of the audit in docket DE 20-005.

Audit verified the FERC Form 1 reported total of $5,007 to the Distribution segment general ledger account #134010, Restricted Cash – ISO, to the Filing Requirement Schedules, Permanent Rates, 1604-01(a)(1) Attachment 3, page 2 of 8, described as ISO deposit and the general ledger at year-end 2018. The Company explained that the activities in the account are investments used as security to comply with the ISO-NE Financial Assurance Policy (FAP). Under the ISO-NE FAP, the Companies are required to provide assurance of their ability to satisfy their obligations to ISO-NE.

Audit requested an explanation for debit entries in January and March 2018 in the amount of $5,000,000 and described as Blackrock Collateral. The Company explained that *"around the time of the $5,000,000 deposit to the ISO Blackrock account, the so-called Market Bucket for PSNH showed variations with items directly associated with costs of power distribution and forward capacity market obligations. PSNH posted funds in that investment account to cover minimum FAP requirements and provide additional financial cushion to mitigate any potential unforeseen events affecting its obligations."*

Audit sought information about the relationships with other entities and affiliates relating to the ISO Blackrock account. The Company stated that *"each Eversource subsidiary that is a market participant in the ISO system is also a separate legal entity and therefore cannot share funds posted with Blackrock. No, entity can utilize the unsecured credit assigned to another. The allocation of unsecured credit from ISO is the only issue where our affiliates share a resource. FERC Order 741 mandated that affiliated entities within a single corporate family are limited as a group to $50 million of unsecured credit in the ISO system. At the time of the $5,000,000 deposit, PSNH was assigned $7 million out of the $50 million limit. Its affiliates were assigned the remaining $43 million."*

<u>Customer Accounts Receivable, Account #142 $79,894,503</u> on the FERC Form 1 was verified to the following general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
142001	$ (193,242)		$ -0-	$ (193,242)
142002	$ (14,935)		$ -0-	$ (14,935)
142010	$79,949,679	$ -0-	$ -0-	$79,949,679
142040	$ -0-	$ -0-	$ -0-	$ -0-
142CD0	$ 153,002	$ -0-	$ -0-	$ 153,002
Total	$79,894,503	$ -0-	$ -0-	**$79,894,503**

Testing of the Customer Accounts Receivable for the <u>Distribution</u> segment was done within the <u>Revenue</u> portion of this report.

Within the <u>Transmission</u> segment accounts, only account 142CD0 had activity. It began the year with a zero balance, and had equal debits and credits of $2,703,059,947, resulting in the year-end balance of $-0-.

The combination of the five Generation accounts reflected:

Beginning Balance	$ 27,330,459
Debits	$ 3,348,944,200
Credits	$(3,376,274,659)
Ending Balance	$ -0-

Refer to the audit in DE 20-005 relating to the divestiture of the Generation segment's assets.

Other Accounts Receivable, Account #143 $35,142,237 per FERC Form 1 was verified to the following general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
143070	$(1,020)	$-0-	$-0-	$ (1,020)
143490	$3,364,850	$13,321,403	$(64,000)	$16,622,253
143950	$(5,000)	$-0-	$-0-	$ (5,000)
143990	$12,844,061	$ 4,178,001	$-0-	$17,022,062
143CA0	$1,099,665	$-0-	$-0-	$ 1,099,665
143ET0	$68,880			$ 68,880
143GAA	$123,636,315	$-0-	$(123,716,962)	$ (80,647)
143GSP			$ 213,848	$ 213,848
143HSE			$ 172,924	$ 172,924
143TR0	$-0-	$ 29,270	$ -0-	$ 29,270
Total	$141,007,752	$17,528,674	$(123,394,189)	**$35,142,237**

There are an additional seven accounts within the general ledger that had zero balances at year-end, and are not reflected in the above grid.

Account 143990, Sundry AR, represents "*miscellaneous receivables for non-energy and non-real estate customer accounts, such as property damage reimbursements, pole attachment fees, sale of Renewable Energy Credits, etc. The offsets to these receivables vary greatly by the nature of each individual account, but are made up of mostly credits to utility plant FERC accounts (101 to 107) for property damage claims, Capital for Contributions in Aid of Construction (CIAC) FERC accounts 908 and 451 for EPO Metering, FERC account 593 for Tree Trimming, then various expense accounts for cost reimbursements*

The 143GAA account represents Miscellaneous Accounts Receivable. Audit reviewed the activity in both the Distribution segment and the Generation segment and requested clarification. The Company indicated that "*the majority of this account relates to intracompany payables and receivables between our distribution line of business in the amount of $123,716,961.96. The lines of business amounts eliminate in consolidation at the FERC Form 1 level, with no impact to rates billed to customers, and will be settled through accounting journal entries once the generation line of business is dissolved. The remaining net $80,646.66 balance relates to non-qualified benefit payments that were reclassified to the Eversource Energy Service Company in 2019, leaving the net balance at zero as of December 31, 2019 for these payments. Generally, this account has limited activity.*" The Company further indicated that the limited activity was primarily actuarial variances resulting from timing of death certificates, or similar items. Audit was provided with the adjusting entries, posted for month end August 2019, December 2019 and February 2020.

Accumulated Provision for Uncollectible Accounts, #144 $(11,065,497) per FERC Form 1 was verified to the general ledger:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
144010	$(10,283,080)		$ -0-	$(10,283,080)
144040	$ (782,417)	$ -0-	$ -0-	$ (782,417)
144HW0	$ -0-			$ -0-
Total	$(11,065,497)	$ -0-	$ -0-	**$(11,065,497)**

Refer to the Revenue section of this report and the Operations and Maintenance section for additional details.

Notes Receivable from Associated Companies Account 145 $-0- per the FERC Form 1 was verified to the Distribution segment only. Account 14507X had a zero beginning balance and no activity during 2018.

Accounts Receivable from Associated Companies, Account #146 $8,700,443 per the FERC Form 1 was reconciled to the general ledger by eliminating intercompany receivables. The consolidation occurs "*above the trial balance in HFM*" per the Company.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
14601X	$55,591,361	$18,336,770	$12,977,433	$ 86,905,564

Intercompany (PSNH specific) elimination	06 Intercompany with 6F	$(33,562,758)
	06 Intercompany with 6T	$(14,793,634)
	6T Intercompany with 06	$(16,748,282)
	6T Intercompany with 6F	$ (131,737)
	6F Intercompany with 06	$(12,968,711)
	Reconciliation	$(78,205,121)
	Net reported on FERC Form 1	**$ 8,700,443**

Refer to docket DE 20-005 regarding the divestiture of the Generation assets, Rate Reduction Bonds, and related audit.

Fuel Stock, Account #151 reflects zero on the FERC Form 1. The Distribution segment included accounts 151C10 and 151D10. Neither account had balances or activity during 2018.

The Transmission segment did not include any accounts identified as 151.

The Generation segment reflected a total of 14 accounts for 151XXX. The two account numbers noted for Distribution were also noted within the 14 for Generation. The combined 14 accounts in the Generation segment reflected:

Beginning Balance	$ 84,638,755
Debits	$ 6,639,406
Credits	$(91,278,161)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation assets, Rate Reduction Bonds, and related audit.

Fuel Stock Expenses Undistributed, Account #152 reflects zero on the FERC Form 1. The zero balance was verified to accounts on the Distribution and Generation segments only:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
152010	$ -0-		$ -0-	$-0-
152020	$ -0-		$ -0-	$-0-
152030	$ -0-		$ -0-	$-0-
152080	$ -0-		$ -0-	$-0-
152100	$ -0-		$ -0-	$-0-
Total	$ -0-		$ -0-	$-0-

The Distribution segment's five accounts began the year with zero balances. None had any activity during the year, thus ended the year at zero. The Transmission segment did not include any accounts related to FERC 152.

The Generation segment included five general ledger accounts, none with beginning balances, and each with identical debits and credits that netted to zero. The combined activity was $4,758,009. Refer to docket DE 20-005 regarding the divestiture of the Generation assets, Rate Reduction Bonds, and related audit.

Account #153 on the FERC Form 1, showing zero for 12/31/2018, did not have any Distribution, Transmission, or Generation accounts associated with it

Plant Materials and Operating Supplies, Account #154 reflects $23,983,769 on the FERC Form 1. That was verified to the general ledger:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
154000	$ (187)	$ -0-		$ (187)
154010	$11,861,558	$11,882,340	$ -0-	$23,743,898
154070	$ 182,436	$ -0-	$ -0-	$ 182,436
154080	$ 464,871			$ 464,871
154PC0	$ (407,299)	$ 50	$ -0-	$ (407,249)
Total	$12,101,379	$11,882,390	$ -0-	**$23,983,769**

There are seven additional 154 accounts with zero balance at year-end, thus not reflected on the grid above.

Refer to the Plant in Service portion of this report for additional information relating to the Distribution segment's accounts.

The Generation segment includes seven general ledger accounts with activity netting to zero. Combined, the activity during the year showed:

Beginning Balance	$ 30,085,503
Debits	$ 1,422,030
Credits	$(31,507,533)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation assets, Rate Reduction Bonds, and related audit.

Allowances, Account #158.1 and #158.2 $13,494,667 per the FERC Form 1 were verified the Distribution segment of the general ledger.

Account #	Distribution 06	Generation 6F	Total
158310	$10,337,007		$10,337,007
158320	$ 77,925	$-0-	$ 77,925
158330	$ 2,033,678	$-0-	$ 2,033,678
158340	$ 745,657	$-0-	$ 745,657
158350	$ 300,401	$-0-	$ 300,401
	$13,494,667	$-0-	$13,494,667

The are seven additional general ledger accounts, each with zero balance, thus not reflected in the grid above.

The Transmission segment did not have any accounts on the general ledger associated with FERC 158.

Distribution FERC account 158.1 is Allowance Inventory, and 158.2 is Allowances Withheld. The FERC does not reflect 158.3. Audit noted that the 158.3 accounts represent:

158310	Transition SCRC-CTA-CTC Class 1 Renewable Energy Certificates-Current
158330	Distribution Other Class 3 Renewable Energy Certificates-Current
158340	Distribution Other Class 4 Renewable Energy Certificates-Current
158350	Distribution Other Green Rate Recs-Current

Audit requested clarification of the accounts to which offsetting entries for the Distribution 1583XX accounts are posted, and was told that the costs of meeting REC requirements are posted to account 555, using the Energy Service line of business 12790, and the Stranded Cost Recovery Adjustment line of business 12310 as tracking mechanisms. Any sale of REC sold is recorded to account 456020, using line of business 12310.

The Generation accounts combined, reflected:

Beginning Balance	$ 40,876,823
Debits	$ 67,645,843
Credits	$(108,522,666)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation assets, Rate Reduction Bonds, and related audit.

Stores Expense Undistributed, Account #163 $25,994 per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
163010	$13,069	$12,925	$-0-	$25,994
163020	$ -0-			$ -0-
Total	$13,069	$12,925	$-0-	$25,994

Review of the activity in these accounts was not conducted.

Prepayments, Account #165 $43,548,920 per the FERC Form 1 were reconciled to the general ledger:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
165000	$ 3,696	$ 4,616	$-0-	$ 8,312
165010	$ 483,413	$188,838	$-0-	$ 672,251
165110	$ 15,202	$ 166	$(182)	$ 15,186
165125	$ 347,690			$ 347,690
165140	$ 46,023	$ 43,415	$-0-	$ 89,438
165960	$ 1,004		$-0-	$ 1,004
165RC0	$ 481,812		$-0-	$ 481,812
165VC0	$ 195,394	$ -0-	$-0-	$ 195,394
Total	$1,574,234	$237,035	$(182)	**$1,811,087**

There were an additional twelve accounts with no activity or ending balances.

The **reconciliation** of the actual general ledger for 165 to the FERC Form 1 for 165 is:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
236080	$25,219,785	$4,523,165	$(3,127,134)	$26,615,816
236180	$ 9,175,518	$5,930,999		$15,106,517
236280	$ 22,000		$ (10,000)	$ 12,000
236340	$ 3,500			$ 3,500
236xxx	$34,420,803	$10,454,164	$(3,137,134)	$**41,737,834**
165xxx	**$ 1,574,234**	**$ 237,035**	**$ (182)**	**$ 1,811,087**
				$**43,548,921**

Account 236080 is the Federal Income Tax liability account; account 236180 is the Local Property Tax liability account; 236280 is the Mass Domestic Bus+Mfg Corp Exc liability account; and account 236340 is the Maine Income Tax Accrual liability account. See also the Taxes Accrued account 236 section and the Tax section of this report for additional information.

The Prepayments figure on the FERC Form 1 reflects the GAAP movement of some debit balance accounts from the liability side of the balance sheet to the asset side, if at the consolidated company level the balance is "upside down". **Audit Issue #1**

Interest and Dividends Receivable, Account #171 $862,322 on the FERC Form 1 was verified to the general ledger for Distribution and Generation. The Transmission segment did not include account 171.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
171010	$862,322		$-0-	$862,322

Audit requested clarification of this account and was informed it represents the receivables from retail customers for late payment charges billed. Refer to the Revenue section of this report regarding past due accounts.

Rents Receivable, Account #172 $20,423 per FERC Form 1 was verified to the general ledger as follows:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
172990	$17,506	$2,917	$-0-	$20,423
Total	$17,506	$2,917	$-0-	$20,423

Two additional 172 accounts were noted within the general ledger, both with zero balances at the end of the year.

Account 172990, Other Rents Receivable represents "*rents receivable or accrued on property rented or leased to customers or others. Actual billed amounts vary month to month as the billing may be processed on a monthly/quarterly/annual basis. Monthly accruals are booked separately to ensure proper revenue recognition. The majority of the offsets to these receivables are to 454 rental revenue FERC accounts*". Additional detailed review of this account was not conducted.

Accrued Utility Revenues, Account #173 $47,145,012 per the FERC Form 1 was verified to the general ledger for Distribution and Generation. The Transmission segment did not reflect any account related to #173.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
173010	$47,145,012		$-0-	$47,145,012

Refer to the Revenue portion of this report for details regarding the Accrued Utility Revenues.

Miscellaneous Current and Accrued Assets, Account #174 $9,375,448 noted on the FERC Form 1 was verified to the general ledger

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
174990	$-0-	$-0-	$-0-	$-0-
174RRB	$9,375,448			$9,375,448
Total	$9,375,448	$-0-	$-0-	$9,375,448

The 174RRB, Miscellaneous Current Asset-RRB relates to the calculation of the accumulated deferred income taxes associated with the rate reduction bond due to the generation sale. Refer to the audit in DE 20-005.

Unamortized Debt Expense, Account #181 $1,825,596 per the FERC Form 1 was the sum of the following general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
181CV0	$ 23,861	$11,471	$-0-	$ 35,332
181NR0	$ 111,598	$73,294	$-0-	$ 184,892
181NS0	$ 126,664	$57,849	$-0-	$ 184,513
181P40	$ 149,429	$68,246	$-0-	$ 217,675
181SF0	$ 748,965	$454,219	$-0-	$1,203,184
Total	$1,160,517	$668,079	$-0-	$1,828,596

Eleven additional general ledger accounts were reflected in the general ledger, each with zero balance at the end of the year.

The total $1,828,596 was verified to the filing Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-40 (Perm) page 2 of 2, because Eversource reflects debt on the consolidated PSNH basis, not by segment.

The Generation segment reflected a combined 181 account as follows:

Beginning Balance	$ 1,488,567
Debits	$ 2,059,435
Credits	$(3,548,002)
Ending Balance	$ -0-

Refer to docket DE 20-005 regarding the divestiture of the Generation assets, Rate Reduction Bonds, and related audit.

Other Regulatory Assets, Account #182 $861,804,708 listed on the FERC Form 1 was verified to the following general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
182302*	$ 3,323,174	$ -0-	$-0-	$ 3,323,174
182315	$ 47,780			$ 47,780
1823H0*	$137,973,073	$7,234,234	$-0-	$145,207,307
1823J0	$ 2,414,115	$ -0-	$-0-	$ 2,414,115
1823K0*	$ 17,647,131	$1,207,549	$-0-	$ 18,854,680
1823M0*	$ (85,211)	$ (1,916)	$-0-	$ (87,127)
1823Z0*	$ 552,397	$ -0-	$-0-	$ 552,397
182990	$ 511,341	$ 122,198	$-0-	$ 633,539
182B40	$ 572,016			$ 572,016
182B90	$ 555,823			$ 633,539
182DK0*	$ 12,194,445	$3,571,439	$-0-	$ 12,194,445
182EL0	$ 9,164,729			$ 9,164,729
182KT0	$ 15,468			$ 15,468
182LBR	$ 187,697			$ 187,697
182NHA	$ 52,427			$ 52,427
182P30*	$ -0-		$-0-	$ -0-
182P40*	$ (3,093,429)		$(1,057,619)	$ (4,151,048)
182RRB	$608,350,380			$608,350,380
182RRT	$ 60,258,340	$	$	$ 60,258,340
Total	$850,641,697	$12,133,504	$(1,057,619)	$861,717,582
Add back the credit balances in account 1823MO				$ 87,127
Total Reported 182 on the FERC Form 1 **Audit Issue #1**				$861,804,708

*Indicates that a portion of the amount included in the Distribution segment relates to the Generation segment accounts which were cleared during 2018. Refer to docket DE 20-005, Attachment RAB-1. Each of the asterisk accounts is being reviewed as part of the audit in DE 20-005.

Audit reviewed the $9,164,729 December 31, 2018 Environmental Reserve Balance, included on EHC/TMD Schedule 30 (perm) WP EHC/TMD Schedule 30, updated November 4, 2019, page 4 of 4, to the 06 distribution GL account 182EL0.

Distribution account 182LBR represents the rolling over/under reconciliation of the annual lost base revenue calculation, reimbursed through the System Benefits Charge. Refer to the annual NHSaves audits.

The $(87,127) credit balance in account 1823M0 is included in account 254, Other Regulatory Liabilities, on the FERC Form 1. Refer to **Audit Issue #1**.

The 182RRB and 182RRT relate to the securitization of the generation segment sale.

The Distribution segment general ledger included 26 additional accounts. None had a beginning balance or any activity during the year. Four additional accounts, not included in the listing above, had no beginning balance, but did reflect debit and credit activity, but netted to zero. Audit requested clarification of where within the rate filing any actual Lost Base Revenue was identified (refer to account 182LBR) and was told that Lost Base Revenue is identified through the line of business 12230. Monthly estimates are identified through line of business 12205. Both lines of business post to revenue accounts 440000, 442010, 442020, and 444000. For 2018, the actual LBR were calculated to be $(2,288,882). Because the LBR are reconciled and collected through the annual rate setting for the System Benefits NHSaves program, the Company indicated that the revenue is not included within the rate filing. Refer to the Revenue section of this report for additional information.

The Transmission segment general ledger included two additional accounts that did not have a beginning balance or activity during the year.

The Generation segment general ledger included four additional accounts that did not have a beginning balance or activity during the year. One account, 182GDV, State NOL Unavailable reflected no beginning balance but equal debits and credits of $627,516,958.14, resulting in a zero balance at year-end. It is included on page 5 of 13 of Attachment RAB-1 in the filing for DE 20-005. Accounts 182P30, ES Regulatory Asset and 182P40, Forgone Equity per Docket DE 14-238 are included within the DE 20-005 filing, netting to $73,213,258. Refer to the audit conducted in DE 20-005.

Preliminary Survey and Investigation Charges, Account #183 $358,953 per the FERC Form 1 was verified to general ledger accounts for Distribution and Transmission. Generation did not have account 183 in its general ledger.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
183011	$20,000	$338,953		$358,953

Specific testing of this account was not conducted.

Clearing Accounts, Account #184 $214,087 on the FERC Form 1 were verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
184010	$ (11,987)	$-0-	$-0-	$ (11,987)
184050	$(201,250)			$(201,250)
184110	$ 135,103			$ 135,103
184800	$ 247,447			$ 247,447
184820	$ 16,027			$ 16,027
184830	$ (4,605)		$-0-	$ (4,605)
184900	$ 33,432		$-0-	$ 33,432
184OB0	$ (79)			$ (79)
Total	$ 214,087	$-0-	$-0-	$214,087

There are three additional general ledger accounts, each with a year-end balance of zero.

Three of the four Transmission segment accounts had no beginning balance and no activity during the year. The fourth account, 184010 had zero beginning balance, debit and credit activity of $388,709, which netted the account to zero.

Four of the six Generation segment accounts had no beginning balance. Three of those had no activity during the year. 184010 reflected debit and credit entries of $36,071, which netted the account to zero. The other two accounts had a combined:

Beginning balance	$ 325,243
Debits	$ 48,844
Credits	$(374,087)
Ending balance	$ -0-

Refer to the audit conducted in DE 20-005 for Generation related accounts.

Temporary Facilities, Account #185 on the FERC Form 1 shows a zero balance. That was verified to the Distribution segment account 185010. The Transmission and Generation segments general ledgers did not include an account #185. Activity in the Distribution segment for the year was:

Beginning Balance	$ -0-
Debits	$ 7,507,376
Credits	$(7,507,376)
Ending Balance	$ -0-

Miscellaneous Deferred Debits Account #186 $117,436,896 per FERC Form 1, the total in the Miscellaneous Deferred Debit account is $117,436,896. Audit verified the total to the general ledger accounts for all three segments of the Company:

06-Distribution	$116,490,639
6T-Transmission	$ 945,927
6F-Generation	$ 330
Total 186	$117,436,896

At the total company level, the account decreased from the 2017 balance of $156,805,141 by $39,368,245 or 25%. The general ledger, by Company segment, reflects:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
186000	$ 3,172,346	$ -0-		$ 3,172,346
186009	$ 279,306			$ 279,306
186020	$ 6,779	$ -0-	$ -0-	$ 6,779
186430	$114,987,268			$114,987,268
186434	$ 21,724			$ 21,724
186440	$ (7,890,074)	$ -0-		$ (7,890,074)
186460	$ 2,053,497		$ -0-	$ 2,053,497
18651X	$ 3,009,755	$804,890	$ -0-	$ 3,814,645
186950	$ 1,869	$ -0-	$ -0-	$ 1,869
186AX0	$ 269,328	$ 10,651	$ -0-	$ 279,979
186EAP	$ 75,602			$ 75,602
186R60	$ (327,234)			$ (327,234)
186RC0	$ 514,225			$ 514,225
186RV0	$ 163,229	$163,229	$ -0-	$ 326,458
186ST0	$ 153,018	$ (32,843)	$330	$ 120,505
Total	$116,490,639	$945,927	$330	$117,436,896

Twelve additional accounts were noted within the segments' general ledgers, with zero balance and/or activity during the year.

Account 186430 The storm reserve account holds a balance of $114,987,268. This amount includes the 2016-2017 storm events, currently being audited, that are subject to the filing docketed as DE 19-050, and any subsequent 2018 storm activity and related carrying charges. The approval for recovery of storm-related costs is detailed in Order 25,465, issued on 2/26/13 in docket DE 12-320. Audit understands that the carrying costs associated with the storm events accrue on a monthly basis. Within docket DE 18-058, via Secretarial Letter 3/26/2019, the Company was required to annually offset the storm cost account #186430 by the funds in the #228430 funding account (MSCR), and file annually by May 1 for storm costs incurred for the prior calendar. For 2018 only, the report was to be filed by June 1, 2019. The filing was made in May 2019 and docketed as DE 19-105. All portions of the annual reconciliation are subject to audit once the reconciliation is filed.

Account 186EAP $75,602 reflects IT software upgrade costs relating to the Electric Assistance Program. Within docket DE 18-057, the EAP was expanded to include discounts for eligible customers on both the delivery portion of the customer bill as well as the supplier portion. The Company will collect the $75,602 from the SBC during calendar year 2020.

Unamortized Loss on Reacquired Debt Account 189 $3,362,614

The FERC Form 1 balance in the Unamortized Loss on Reacquired Debt was verified to the Distribution and Transmission segments of the Company. The general ledger accounts below reflect the balances at 12/31/2018:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
189ND0	$ 136,514	$ 62,347	$-0-	$ 198,861
189NE0	$ 79,525	$ 36,319	$-0-	$ 115,844
189PA0	$ 199,495	$ 91,112	$-0-	$ 290,607
189PC0	$ 713,027	$ 325,646	$-0-	$1,038,673
189QA0	$ 109,473	$ 73,226		$ 182,699
189QB0	$1,054,382	$ 481,547	$-0-	$1,535,929
189RC0	$ -0-			$ -0-
Total	$2,292,417	$1,070,197	$-0-	$3,362,614
226XXX	$ 390,977	$ 261,485	$-0-	$ 652,462
Total	$2,683,394	$1,331,682	$-0-	$4,015,076

There are two additional 189 accounts within the general ledger, both of which have a zero balance at 12/31/2018.

The filing Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-40 (Perm) page 2 of 2 reflect total Unamortized Loss on Reacquired Debt as $(4,015,076). The $652,462 difference between the filing and this 189 general ledger account is noted to be Unamortized Discount on Long-term Debt, accounts 226XXX. See **Audit Issue #1**
Audit reviewed the accounts but did not perform detailed testwork.

Unamortized Discount on Long-term Debt Account 226 $652,462 per FERC Form 1 was verified to the following:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
226CV0	$ 10,421	$ 6,969	$ -0-	$ 17,390
226NR0	$ 58,505	$ 39,129	$ -0-	$ 97,634
226NS0	$ 31,033	$ 20,755	$ -0-	$ 51,788
226P40	$ 26,007	$ 17,393	$ -0-	$ 43,400
226SF0	$265,011	$177,239	$ -0-	$442,250
Totals	$390,977	$261,485	$ -0-	$652,462

There are three additional accounts with zero balances, relating to Debt that has matured, and the related unamortized discount was been reduced to zero prior to the test year.

Audit requested the identification of the debt to which the Unamortized Loss and Debt Discount was associated. The Company indicated:

Company	Description	Amount Issued	Principal	Debt Discount	Offset
PSNH	PSNH 4.5% FMB, 2009 Series P	$ 150,000,000.00	221CV0	226CV0	428000
PSNH	PSNH 5.60% FMB, 2005 Series M	$ 50,000,000.00	221P40	226P40	428000
PSNH	PSNH 3.2% FMB, 2011 Series R	$ 160,000,000.00	221NR0	226NR0	428000
PSNH	PSNH 4.05% FMB, 2011 Series Q	$ 122,000,000.00	221NS0	226NS0	428000
PSNH	PSNH 3.5% fmb, 2013 Series S	$ 250,000,000.00	221SF0	226SF0	428000
PSNH	PSNH 3.5% fmb, 2013 Series S reopening	$ 75,000,000.00	221SF0	225SF0	429000
		$ 807,000,000.00			

2018 activity in the 226 accounts reflected the following, by segment:

	06-Distribution	6T-Transmission	6F-Generation	Total
Beginning Balance	$ 599,755	$ 229,684	$ 249,003	$1,078,442
Debits	$ 2,354	$ 92,786	$ 6,806	$ 101,946
Credits	$(211,132)	$ (60,985)	$(255,809)	$ (527,926)
Ending Balance	$390,977	$ 261,485	$-0-	$ 652,462

Accumulated Deferred Income Taxes Account 190 $189,145,688

Accumulated Deferred Income Taxes per the FERC Form 1 is comprised of several general ledger account balances in each segment of the Company:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
190000	$ 74,830,815	$ 5,736,518	$(7,822,182)	$ 72,745,151
190080	$ 597,807			$ 597,807
190CP0	$ 1,076,455	$ 224,108	$ -0-	$ 1,300,563
190DG0	$ 57,274,249	$31,838,399	$ -0-	$ 89,112,648
190DK0	$ 2,784,965		$ -0-	$ 2,784,965
190GN0	$ 22,577,848			$ 22,577,848
190IT0	$ 25,744	$ 961	$ -0-	$ 26,705
Total	$159,167,883	$37,799,986	$(7,822,182)	$189,145,688

Three additional accounts, not included above, had zero balances at year-end. Refer to the Tax section of this report for additional information regarding those accounts with activity and balances.

Common Stock Issued Account 201 $(301) per the FERC Form 1 was verified to :

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
201000	$(139)	$(64)	$(98)	$(301)

The balance in the Common Stock account has not changed since the prior rate case, 12/31/2008.

Premium on Capital Stock Account 207 $(127,999,706) per the FERC Form 1 was verified to the following:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
207010	$(59,109,499)	$(27,215,884)	$(41,674,323)	$(127,999,706)

The balance in the Premium on Capital Stock account has not changed since the prior rate case 12/31/2008.

Other Paid-in Capital Account 211 $(550,134,144) per FERC Form 1 was verified to the following (rounded to nearest dollar):

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
211000	$(553,541,450)	$(279,314,102)	$285,523,731	$(547,331,821)
211150	$ (2,100,520)	$ (216,423)	$ (485,381)	$ (2,802,324)
	$(555,641,970)	$(279,530,525)	$285,038,350	$(550,134,144)

Since the prior rate case 12/31/2008, the balance in the Other Paid-in Capital account per each year's FERC Form 1 has been:

12/31/2008	$(223,244,868)
12/31/2009	$(292,169,188)
12/31/2010	$(451,577,610)
12/31/2011	$(572,283,726)
12/31/2012	$(573,052,587)
12/31/2013	$(573,911,527)
12/31/2014	$(620,239,449)
12/31/2015	$(620,634,144)
12/31/2016	$(715,134,144)
12/31/2017	$(715,134,144)
12/31/2018	$(550,134,144)

The reduction from 2017 to 2018, $165,000,000 was the result of:

Account 211000	Distribution 06	Transmission 6T	Generation 6F	Total
Beginning Balance	$(352,291,450)	$(159,564,102)	$(200,476,269)	$(712,331,821)
Debits	$ -0-	$ 36,250,000	$1,060,000,000	$1,096,250,000
Credits	$(201,250,000)	$(156,000,000)	$(574,000,000)	$(931,250,000)
Ending Balance	$(553,541,450)	$(279,314,102)	$ 285,523,731	$(547,331,821)

Account 211000 is Other Paid-in Capital account. The three segments' combined total of $(547,331,821) was noted in the filing 1604.01(a)(1) Attachment 1, page 14 of 17.

Audit requested clarification of the offsetting accounts and was provided:
Credit entries within Distribution were offset to account 142CD0, Undistributed Cash Deposits
Debit entries within Transmission were offset to account 12301X Investment in Subsidiaries
Credit entries within Transmission were offset to account 142CD0, Undistributed Cash Deposits
Correcting entries within Generation were offset $530,000,000 debit and credit to 211000
Debit entry of $530,000,000 within Generation was offset to 438000 Dividends Declared-Common Stock
Credit entry within Generation $44,000,000 was offset to 142CD0, Undistributed Cash Deposits.

Account 211150	Distribution 06	Transmission 6T	Generation 6F	Total
Beginning Balance	$(2,100,520)	$(216,423)	$(485,381)	$(2,802,324)
Debits	$ -0-	$ -0-	$ -0-	$ -0-
Credits	$ -0-	$ -0-	$ -0-	$ -0-
Ending Balance	$(2,100,520)	$(216,423)	$(485,381)	$(2,802,324)

Account 211150 is ESOP Adjustment (Employee Stock Option Program). As above, the combined total of $(2,802,324) was included within the 1604.01(a)(1) Attachment 1, page 14 of 17.

Beginning and ending balances of both accounts, summarized below, were verified to the 2017 and 2018 FERC Form 1.

Combined	Distribution 06	Transmission 6T	Generation 6F	Total
Beginning Balance	$(354,391,970)	$(159,780,525)	$(200,961,650)	$(715,134,145)
Debits	$ -0-	$ 36,250,000	$1,060,000,000	$1,096,250,000
Credits	$(201,250,000)	$(156,000,000)	$(574,000,000)	$(931,250,000)
Ending Balance	$(555,641,970)	$(279,530,525)	$ 285,038,350	$(550,134,145)

The filing Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-40 (Perm), page 2 of 2 reflects a Capital Surplus total in Column A of $(678,133,850). Audit verified that total to all three segments' totals for the following:

207010 Premium on Capital Stock	$(127,999,706)
211000 Other Paid-in Capital	$(547,331,821)
211150 ESOP Adjustment	$ (2,802,324)
Capital Surplus	$(678,133,850)

Retained Earnings Accounts 215-216 $(628,942,777) per the FERC Form 1 reflects:

$ (628,942,777)	FERC Form 1 page 112 line 11
$ 1,685,122	FERC Form 1 page 112 line 12
$ (627,257,655)	Retained Earnings

The net of lines 11 and 12 was verified to:

$ -0-	GL 215xxx balances
$ (511,381,866)	GL 216xxx balances
$ (115,875,789)	2018 net income
$ (627,257,655)	Retained Earnings

The $(627,257,655) was noted within the Cost of Capital in the filing on Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-40 (Perm) page 2 of 2.

The combined Retained Earnings figure was verified to the following segment specific general ledger accounts:

The Distribution segment general ledger reflected five accounts beginning with 215. None had a beginning balance or any activity, so ended the year with zero balances. The Transmission segment general ledger did not reflect any accounts beginning with 215. The Generation segment reflected the following:

Generation		Beg. Balance		Debits		Credits		End Balance
215130	$	(7,489,652)	$	7,656,216	$	(166,564)	$	-
215140	$	(1,424,150)	$	1,475,143	$	(50,993)	$	-
215150	$	(373,851)	$	390,022	$	(16,171)	$	-
215160	$	(1,443,800)	$	1,528,796	$	(84,996)	$	-
215170	$	(3,543,429)	$	3,589,506	$	(46,077)	$	-
	$	(14,274,882)	$	14,639,683	$	(364,801)	$	-

The 216 balance was verified to the following:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
216010	$(186,971,419)	$(236,911,011)	$(87,646,709)	$(511,529,139)
216100	$ 2,943,068	$ (473,452)	$ (733,739)	$ 1,735,877
216480	$ (1,479,904)	$ (119,537)		$ (1,599,441)
216CC0	$ 36,448			$ 36,448
216MY0	$ (31,927)			$ (31,927)
216YV0	$ 6,316			$ 6,316
	$(185,497,418)	$(237,504,000)	$(88,380,448)	$(511,381,866))

Activity within the 216 accounts, by segment, reflected:

06-Distribution

	Beginning	Debits	Credits	Ending Balance
216010	$(183,190,060)	$ 8,948	$(3,790,306)	$(186,971,415)
216100	$ (1,248,899)	$4,191,967	$ -0-	$ 2,943,068
216480	$ (1,479,904)	$ -0-	$ -0-	$ (1,479,904)
216CC0	$ 40,501	$ -0-	$ (4,053)	$ 36,448
216MY0	$ (26,373)	$ -0-	$ (5,554)	$ (31,927)
216YY0	$ 5,657	$ 659	$ -0-	$ 6,316
Totals	$(185,899,078)	$4,201,574	$(3,799,914)	$(185,497,418)

Audit requested clarification of debit activity in accounts 216010 and 216100, identified as “post close”, and the offsetting accounts to which the entries were booked. The Company provided the following:

				OFFSET to Account(s):
06 216010	Unappropriated Retained Earnings	$ 8,948.00	201801	216CC0, 216MY0, 216YYO
06 216010	Unappropriated Retained Earnings	$ (336,898.90)	201801	216200
06 216010	Unappropriated Retained Earnings	$ (3,453,407.60)	201801	433000 Retained Earnings
06 216100	Unapp Undistributed Sub Earnings	$ 5,400,000.00	201801	433000 Retained Earnings
06 216100	Unapp Undistributed Sub Earnings	$ 336,898.90	201801	216010 Unappropriated Retained Earnings
06 216100	Unapp Undistributed Sub Earnings	$ (1,544,932.12)	201801	433000 Retained Earnings
06 216CC0	OP COMPANY RE IN CY	$ (4,053.00)	201801	216010 Unappropriated Retained Earnings
06 216MY0	OP COMPANY RE IN MY	$ (5,554.00)	201801	216010 Unappropriated Retained Earnings
06 216YY0	OP COMPANY RE IN YA	$ 659.00	201801	216010 Unappropriated Retained Earnings

The entries closed out the 2017 earnings, reclassified certain equity items, cleared subsidiary income, and the $336,898.90 was an entry to "*exclude eliminated intercompany gain on sale of property from segment 07 to 06*". Clarification of this portion of the entry was requested. The Company indicated that "*the $336,898.90 primarily relates to the tax impacts for the Federal Rate Tax change at Properties, Inc., a wholly owned subsidiary of PSNH. In the PowerPlan system, the entity code for Properties, Inc. is 07*". Properties, Inc. is a corporation in good standing according to the NH Secretary of State's Business name lookup on the State's website. The Corporation was formed in 1924, and provided the first annual report to the Secretary of State in 1983. Annual reports have been filed since that time.

6T-Transmission

	Beginning	Debits	Credits	Ending Balance
216010	$(209,740,520)	$ -0-	$(27,170,491)	$(236,911,011)
216100	$ (473,452)	$ -0-	$ -0-	$ (473,452)
216480	$ (119,537)	$ -0-	$ -0-	$ (119,537)
Totals	$(210,333,509)	$ -0-	$(27,170,491)	$(237,504,000)

6F-TGeneration

	Beginning	Debits	Credits	Ending Balance
216010	$(138,044,574)	$65,037,548	$(14,639,683)	$(87,646,708)
216100	$ (733,739)	$ -0-	$ -0-	$ (733,739)
216480	$ -0-	$ -0-	$ -0-	$ -0-
Totals	$(138,778,313)	$65,037,548	$(14,639,683)	$(88,380,448)

Accumulated Other Comprehensive Income Account 219 $2,851,150 per the FERC Form 1 is comprised of net debit balances:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
219080	$ 22,130	$ 5,918	$ -0-	$ 28,048
219NE0	$1,691,689	$1,131,414	$ -0-	$2,823,103
	$1.713,819	$1,137,332	$ -0-	$2,851,511

Activity in each segment was noted to be:

06-Distribution

	Beginning	Debits	Credits	Ending Balance
219080	$ (2,211)	$ 222,219	$ (197,879)	$ 22,130
219NE0	$1,368,622	$1,523,889	$(1,200,821)	$1,691,689
Totals	$1,366,411	$1,746,108	$(1,398,700)	$1,713,819

6T-Transmission

	Beginning	Debits	Credits	Ending Balance
219080	$ (1,010)	$ 67,678	$ (60,750)	$ 5,918
219NE0	$841,685	$590,525	$(300,796)	$1,131,414
Totals	$840,675	$658,204	$(361,547)	$1,137,332

6F-Generation

	Beginning	Debits	Credits	Ending Balance
219080	$ (15650)	$ 30,853	$ (29,288)	$ -0-
219NE0	$1,716,693	$ -0-	$(1,716,693)	$ -0-
Totals	$1,715,128	$ 30,853	$(1,745,981)	$ -0-

Bonds Account 221 $(807,000,000) per the FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
2216A0	$-0-	$-0-	$-0-	$-0-
2219A0	$ 89,884,527	$ 60,115,473	$-0-	$ 150,000,000
2219B0	$ (89,884,527)	$ (60,115,473)	$-0-	$(150,000,000)
221CV0	$ (89,884,527)	$ (60,115,473)	$-0-	$(150,000,000)
221NF0	$-0-	$-0-	$-0-	$-0-
221NR0	$ (95,876,829)	$ (64,123,171)	$-0-	$(160,000,000)
221NS0	$ (73,106,082)	$ (48,893,918)	$-0-	$(122,000,000)
221P30	$-0-	$-0-	$-0-	$-0-
221P40	$ (29,961,509)	$ (20,038,491)	$-0-	$ (50,000,000)
221SF0	$(194,749,809)	$(130,250,191)	$-0-	$(325,000,000)
	$(483,578,756)	$(323,421,244)	$-0-	$(807,000,000)

The total of the three segments, $(807,000,000) was noted on Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-40 (Perm) page 2 of 2, column A. The Company indicated that Cost of Capital calculations use the full PSNH rather than Distribution only.

Audit requested the term sheets for all bonds, as well as the docket and Order that authorized each. The Company provided:

Bond Identification	Yr Issued	Docket	Order	Amount	Coupon Rate	Maturity
Series L	2004	DE04-039	24,328	$ 50,000,000	4.75%	5/5/2014
Series N	2007	DE07-070	24,781	$ 70,000,000	6.15%	9/1/2017
Series O	2008	DE07-070	24,781	$ 110,000,000	6.00%	5/1/2018
	Matured prior to 12/2018			$ 230,000,000		
Series M	2005	DE05-107	24,505	$ 50,000,000	5.60%	10/5/2035
Series P	2009	DE09-033	25,021	$ 150,000,000	4.50%	12/1/2019
Series Q	2011	DE10-299	25,199	$ 122,000,000	4.05%	6/1/2021
Series R	2011	DE10-122	25,178	$ 160,000,000	3.20%	9/1/2021
Series S	2013	DE13-156	25,577	$ 250,000,000	3.50%	11/1/2023
Re-opening Series S	2013	DE13-156	25,577	$ 75,000,000	3.50%	11/1/2023
	Outstanding as of 12/31/2018			$ 807,000,000		

The 2004 and 2007 instruments matured prior to the test year. The 2008 issuance matured during the test year. The remaining bonds were outstanding at the end of 2018.

Refer to the Unamortized Debt Discount account 226 and Unamortized Premium on Long-term Debt account 225, as well as interest expense, account 427000 Interest on Long-term Debt and interest payable accounts 237xxx.

Advances from Associated Companies Account 223 $(608,350,380) per the FERC Form 1 was verified to Distribution segment account only. Transmission and Generation general ledgers did not include a 223 account. The Distribution segment reflects the following activity:

	Beginning	Debits	Credits	Ending Balance
223RRX	$ -0-	$23,898,717	$(632,249,098)	$(608,350,380)

In June 2018, when all generation sales were completed, the credit $(632,249,098) entry in the 6F-223RRX account RRB Transitional Asset Obligation was debited to the Distribution segment's account 06-223RRX. Refer to the audit work in docket DE 20-005.

Other Long-term Debt Account 224 $-0- per the FERC Form 1 was verified to the following accounts that had activity during 2018:

Segment Account	Beginning	Debits	Credits	Ending Balance
06-224QA0	$(41,233,500)	$ 75,862,500	$(34,629,000)	$-0-
6T-224QA0	$(18,831,750)	$ 35,771,400	$(16,939,650)	$-0-
6F-224QA0	$(29,184,750)	$ 29,184,750	$ -0-	$-0-
	$(89,250,000)	$140,818,650	$(51,568,650)	$-0-

In June 2018, when all generation sales were completed, the debit $29,184,750 entry in the 6F-224QA0 account PSNH 2001 AuctSerAPCRB Due05-2021 was credited to the Distribution segment's account 06-224QA0. Refer to the audit work in docket DE 20-005.

Unamortized Premium on Long-term Debt Account 225 $(651,063) per the FERC Form 1 was verified to the following:

Segment Account	Beginning	Debits	Credits	Ending Balance
06-225SF0	$-0-	$ 40,359	$(430,496)	$(390,137)
6T-225SF0	$ (785,766)	$ 524,840	$ -0-	$(260,926)
6F-225SF0	$ (523,844)	$ 531,327	$ -0-	$ -0-
	$(1,309,610)	$565,199	$(430,496)	$(651,063)

Audit requested the identification of the debt to which the Unamortized Premium was associated. Refer to the Bonds account 221 section above.

Obligations under Capital Leases Non-current Account 227 $(890,331) per FERC Form 1 was verified to:

Segment Account	Beginning	Debits	Credits	Ending Balance
06-227100	$-0-	$870,460	$(1,760,791)	$(890,331)
6T-227100	$-0-	$ 21,741	$ (21,741)	$ -0-
	$-0-	$892,201	$(1,782,531)	$(890,331)

The account represents the long-term portion of the lease agreement related to the Derry NH area work center. The lease was renewed for a 5-year term on 10/1/2018. The short-term portion of the lease obligation was posted to account 243100. The combined accounts were reported to be offset to Plant in Service, account 101200. The lease retirement of $738,593, and the renewal $(743,638) and reinstatement $(911,527) were reported to be offset to Plant in Service account 101200. Refer to the Plant section of this audit. Audit was unable to verify those figures to the general ledger detail provided, but cannot conclude that the information is either accurate or inaccurate.

Accumulated Provision for Property Insurance Account 228.1 $-0- per FERC Form 1 was properly reflected, as none of the segments' general ledger accounts included 228.1.

Accumulated Provision for Injuries and Damages Account 228.2 $(10,350,039) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
228200	$ (7,285,179)	$-0-	$ -0-	$ (7,285,179)
228230	$ (1,010,638)	$-0-	$(726)	$ (1,011,364)
228260	$ (2,053,497)	$-0-	$ -0-	$ (2,053,497)
Totals	$(10,349,313)	$-0-	$(726)	$(10,350,004)

The Transmission segment reflected the accounts, but none had any balances or activity. Activity for the Distribution 06 segment was noted:

Account #	Begin Balance	Debit	Credit	End Balance
228200	$(5,975,835)	$1,416,684	$(2,726,028)	$ (7,285,179)
228230	$ (808,340)	$ 273,253	$ (475,552)	$ (1,010,638)
228260	$(2,791,518)	$ 891,727	$ (153,706)	$ (2,053,497)
Totals	$(9,575,693)	$2,581,664	$(3,355,286)	$(10,349,314)

Refer to the Operations and Maintenance section of this report for additional information regarding expenses associated with Injuries and Damages.

The 6F-Generation segment reflect the following activity:

Account #	Begin Balance	Debit	Credit	End Balance
228200	$(364,777)	$452,974	$ (88,170)	$ -0-
228230	$ 57,950	$ 92,757	$(151,432)	$(726)
228260	$(153,706)	$153,706	$ -0-	$ -0-
	$(460,533)	$699,409	$239,602	$(726)

Accumulated Provision for Pensions and Benefits Account 228.3 $(130,486,598) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
228310	$ (2,536,000)	$-0-	$-0-	$ (2,536,000)
228330	$ (91,454,414)	$(6,947,074)	$-0-	$ (98,401,488)
228340	$ (1,525,662)	$-0-	$-0-	$ (1,525,662)
228370	$ (5,654,990)	$-0-	$-0-	$ (5,654,990)
2283A0	$ (19,104,530)	$(1,580,648)	$-0-	$ (20,685,178)
2283B0	$ (804,672)	$ (47,700)	$-0-	$ (852,372)
2283I0	$ (1,013,498)	$ (102,119)	$-0-	$ (1,115,617)
2283L0	$ 284,709			$ 284,709
Totals	$(121,809,057)	$(8,677,541)	$-0-	$(130,486,598)

There were seven additional 2283xx accounts included within the general ledgers, but with zero balances. Activity across the three segments is summarized as:

Segment	Beg. Balance	Debits	Credits	Ending Balance
Distribution	$ (90,972,653)	$16,805,662	$(47,642,066)	$(121,809,057)
Transmission	$ (8,526,176)	$ 1,003,818	$ (1,155,182)	$ (8,677,541)
Generation	$ (31,365,830)	$35,953,932	$ (4,588,102)	$ -0-
Total	$(130,864,659)	$53,763,412	$(53,385,350)	$(130,486,598)

Account 228330, Accrued Pension Non-current, represents 75% of the overall $(130,486,598) balance. Account 2283A0, Other Post-Employment Benefits Liability represents another 15% of the overall total. Refer to the Operations and Maintenance portion of this report, as well as Discovery in the fifteen sets of Data Requests issued throughout this docket.

Accumulated Miscellaneous Operating Provisions Accounts 228.4 and 228.5 $(51,552,245) per FERC Form 1 was verified to the following Distribution segment accounts. The Transmission and Generation segments' general ledgers did not include any accounts 2284xx or 2285xx.

Account #	Beginning	Debits	Credits	Ending Balance
228430	$(79,641,902)	$47,640,117	$(14,511,128)	$(46,512,913)
228460	$ (453,913)	$ 133,623	$ (52,830)	$ (373,121)
228.4	$(80,095,817)	$47,773,740	$(14,563,958)	$(46,886,034)
228500	$ (74,949)	$ 74,949	$ -0-	$ -0-
228510	$ (5,020,671)	$ 455,701	$ (350,022)	$ (4,914,992)
228EN0	$ 1,494,000	$ 2,274,562	$ (3,519,781)	$ 248,781
228.5	$ (3,601,620)	$ 2,805,212	$ (3,869,803)	$ (4,666,211)
Combined	$(83,697,437)	$50,578,952	$(18,433,760)	**$(51,552,245)**

Audit reviewed account 228430, Storm Reserve Trans Distr Provision. The beginning balance was included within the Storm Fund audit report for years 2013 – 2016, with the Audit report issued on January 9, 2019. Refer to docket DE 18-058.

Accumulated Provision for Rate Refunds Account 229 $(12,388,978) per FERC Form 1 was verified to the Distribution segment only. Transmission and Generation segments did not include accounts 229xxx in the general ledger.

Account #	Beginning	Debits	Credits	Ending Balance
229040	$-0-	$3,265,416	$ (3,069,000)	$ 196,416
229TXD	$-0-	$ -0-	$(12,585,394)	$(12,585,394)
	$-0-	$3,265,416	$$(15,654,394)	$(12,388,978)

Refer to the Revenue portion of this report.

Asset Retirement Obligations Account 230 $(3,951,926) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
230010	$(3,951,926)	$-0-	$-0-	$(3,951,926)

Activity within each segment was summarized within the general ledgers to be:

	Beg. Balance	Debits	Credits	Ending Balances
06-Distribution	$ (3,726,524)	$ 151	$(225,553)	$(3,951,926)
6T-Transmission	$ -0-	$ 26	$ (26)	$ -0-
6F-Generation	$(21,289,270)	$21,554,801	$(265,531)	$ -0-
Total	$(25,015,794)	$21,554,978	$(491,110)	$(3,951,926)

Asset Retirement Obligations were identified by the Company to be spread among sixteen generation assets, which at the settlements of the sales (January 2018, June 2018) were cleared; and the increase to the liability within the Distribution segment related to eight specific pieces of equipment. Types of hazards noted were asbestos, lead, soil contaminants, and storage tanks.

Accounts Payable Account 232 $(111,270,495) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
232000	$ (2,459,716)	$ (16,109)	$-0-	$ (2,475,825)
232010	$(15,556,156)	$(11,956,236)	$(2,072,004)	$ (29,584,396)
232050	$ (94,951)			$ (94,951)
232100	$ (1,381,814)	$ (1,182,328)	$ (336,003)	$ (2,900,145)
232160	$-0-		$ (731)	$ (731)
232260	$ (1,893,796)		$-0-	$ (1,893,796)
232500	$(10,977,130)		$-0-	$ (10,977,130)
232CA0	$(33,247,716)			$ (33,247,716)
232PA0	$ (142,794)	$ (10,085)	$ (6,526)	$ (159,405)
232UL0	$ (9,184,142)	$(19,123,096)	$(1,629,162)	$ (29,936,400)
Totals	$(74,938,214)	$(32,287,854)	$(4,044,427)	$(111,270,495)

There are six additional 232 accounts with zero balances at year-end, not reflected in the grid above.

Detailed testing of the Distribution segment's accounts payable balances has been done within the Operations and Maintenance portion of this audit report.

Notes Payable to Associated Companies Account 233 $(57,000,000) per the FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
23301X	$ -0-	$(57,000,000)	$ -0-	$(57,000,000)

While the balance in segment 06 is zero, activity within the account for the year reflected:

Beginning Balance	$(107,800,000)
Debits	$ 918,977,302
Credits	$(811,177,302)
Ending balance	$ -0-

In order to validate the beginning balance, and ensure that none of the balance exceeded one year, Audit requested a detailed listing of the activity since inception of the account, 2016. Based on a review of that listing, Audit cannot conclude that some portion of the balance may or may not have exceeded 365 days.

Accounts Payable to Associated Companies Account 234 $(25,995,990) per the FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
234000	$ (1,685)		$-0-	$ (1,685)
23401X	$(49,666,696)	$(20,607,706)	$(33,921,587)	$(104,195,989)
234160	$ (3,439)			$ (3,439)
234MPX	$ -0-			$ -0-
	$(49,671,819)	$(20,607,706)	$(33,921,587)	$(104,201,113)

Detailed testing of the Accounts Payable to Associated Companies was not conducted. However, refer to the Operations and Maintenance section of this report for testing of expenses.

Customer Deposits Account 235 $(7,630,455) per the FERC Form 1 was verified to Distribution only, account 235010, $(7,630,455). Refer to the Revenue portion of this report regarding past due accounts. That figure was verified to a customer deposit listing for C2 (residential, C&I, industrial, municipal) dated 12/28/2018 and a listing for the Large Power Billing customers dated 12/31/2018. Timing differences with the C2 listing result in the variance of $15,962:

C2	$(7,355,852)
Large Power	$ (258,641)
	$(7,614,493)
Timing	$ (15,962)
FERC Total	$(7,630,455)

Refer to the Revenue portion of this report regarding past due accounts.

Taxes Accrued Account 236 $(1,609,189) per FERC Form I was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
236010	$ (14,262)	$ (2,128)	$ -0-	$ (16,390)
236020	$ (494,564)	$ (68,789)	$ -0-	$ (563,353)
236050	$ (115,665)	$ (16,087)	$ -0-	$ (131,752)
236060	$ (7,722,443)	$(3,483,671)	$10,311,345	$ (894,769)
236250	$ (2,550)	$ (377)		$ (2,927)
Subtotal	$(8,349,484)	$(3,571,052)	$10,311,345	$ (1,609,191)
The 236 accounts below were rolled into the summary of Prepaid accounts, #165:				
236080	$25,219,785	$ 4,523,165	$ (3,127,134)	$26,615,816
236180	$ 9,175,518	$ 5,930,999		$15,106,517
236280	$ 22,000	$ -0-	$ (10,000)	$ 12,000
236340	$ 3,500			$ 3,500
Subtotal	$ 34,420,803	$10,454,164	$ 7,174,211	$41,737,834
TOTAL 236	$26,071,320	$ 6,883,113	$ 7,174,211	$40,128,644

Distribution included seven additional 236 accounts, none of which had a balance or any activity during the test year. Transmission included an additional four 236 accounts, none of which had a balance or any activity during the year. Generation included five additional 236 accounts, three of which reflected beginning balances, but were zeroed during the test year. Two Generation accounts had no beginning balance nor ending balance.

Refer to the Prepaid accounts, #165 summary for those accounts that sum to a debit balance of $41,737,834 at year-end and **Audit Issue #1**. Also, refer to the Tax section of this report.

Interest Accrued Account 237 $(5,582,934) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
237900	$ (306,184)	$ -0-	$-0-	$ (306,184)
237CV0	$ (337,169)	$ (225,331)	$-0-	$ (562,500)
237NR0	$(1,022,686)	$ (683,981)	$-0-	$(1,706,667)
237NS0	$ (246,808)	$ (164,942)	$-0-	$ (411,750)
237P40	$ (419,461)	$ (280,539)	$-0-	$ (700,000)
237SF0	$(1,136,040)	$ (759,793)	$-0-	$(1,895,833)
Total	$(3,468,348)	$(2,114,586)	$-0-	$(5,582,934)

237900, Accrued Interest Customer Deposits could not be tested. Audit requested the customer deposit listing, which was provided, along with the manner in which interest on deposits is applied. A narrative indicated: "*(i)n accordance with the New Hampshire Code of Administrative Rules chapter PUC 1200 Sec 1203.03 (l) (2-7) deposits held accrue simple interest from the date the deposit is received until the date of termination. The interest is applied* *annually to a customer's account in January. If the customer's service ends, any applicable interest is calculated up to the service end date and is applied to the account at the time the deposit is refunded and the final billing occurs. If the customer has satisfactory payment history and the deposit is refunded the interest is calculated up to the date of the refund and applied to the account. The interest rate used in the calculation is equal to the quarterly prime rate that the PUC identifies on its website https://www.puc.nh.gov/Consumer/PrimeRates.html."*

237990 Interest Payable ended the year with a zero balance, but reflected activity of $53,907 to clear it.

237CV0 PSNH 4.5% 2009 SerP Due12-2019-I reflected monthly activity throughout the year, and was reviewed for reasonableness.

237NF0 PSNH 6.00% 2008 SerO Due05-2018-I reflected monthly activity from January through May 2018, when the debt matured.

237NR0 PSNH 3.2% 2011 SerR Due09-2021-I reflected monthly activity throughout the year, and was reviewed for reasonableness.

237NS0 PSNH 4.05% 2011 SerQ Due06-2021-I reflected monthly activity throughout the year, and was reviewed for reasonableness.

237P40 PSNH 5.60% 2005 SerM Due10-2035-I reflected monthly activity throughout the year, and was reviewed for reasonableness.

237SF0 PSNH 3.5% 2013 SerS Due11-2023-I reflected monthly activity throughout the year, and reviewed for reasonableness.

Interest on Long Term Debt, Expense Account 427 per the FERC Form 1 reflected $35,487,297

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
427000	$19,147,220	$10,956,620	$5,409,403	$35,513,244
427200	$ (25,947)			$ (25,947)
	$19,121,273	$10,956,620	$5,409,403	$35,487,297

Audit recalculated the interest for each of the bonds. The $35,513,244 is reasonable, although the recalculation was not identical. Audit determined the interest expense should be $35,386,000, or $101,297 less than the FERC Form 1. The Audit calculation used the coupon rate for each bond. One bond matured during the test year, thus there was not a full year's worth of interest incurred.

Interest on Debt to Associated Companies, Account 430 $17,493,650 per the FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
427RRB	$14,369,619			$14,369,619
43001X	$ 496,895	$2,627,089	$47	$ 3,124,031
Total	$14,866,514	$2,627,089	$47	$17,493,650

The Distribution 427RRB relates to the Rate Reduction Bond, which is the subject of an audit in docket DE 20-005. Audit concurs that the interest relates to Associated Companies, although indicates that the account number should identify it as such.

Account 43001X was verified to daily interest calculations, divided by 360, rounded to two decimal places.

Within the Generation segment was another account, 430TX2, with $201 for the year. It was not included within the total for account 430, but is considered immaterial.

Tax Collections Payable Account 241 $(1,520,926) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
241010	$ (148,585)	$ (21,989)	$ (325)	$ (170,899)
241020	$ (294,463)	$ (44,276)	$(1,488)	$ (340,227)
241040	$ (32,162)	$(221,798)	$ (42)	$ (254,002)
241050	$ (2,761)	$ (515)	$-0-	$ (3,276)
241080	$ (34,422)	$ (5,142)	$ (196)	$ (39,760)
241110	$ (2,876)	$ -0-		$ (2,876)
241MU0	$ -0-	$ (139)		$ (139)
241NA0	$ (706,745)			$ (706,745)
	$(1,225,014)	$(293,860)	$(2,052)	$(1,520,926) rounded

Refer to the Tax section of this report for additional information.

Miscellaneous Current and Accrued Liabilities Account 242 $(32,712,569) per FERC Form 1 was verified to:

Distribution segment	$(29,652,998)	51 accounts
Transmission segment	$ (1,333,251)	30 accounts
Generation segment	$ (1,726,320)	35 accounts
Total 242xxx	$(32,712,569)	116 accounts

Distribution account 242RN0, Renewable Liability, $(17,871,140) represents 60% of the Distribution portion of the 242 account, and 55% of the combined segments' balances. Audit requested clarification of the account itself, and was informed that "*Account 242RN0 includes the liability to the State of New Hampshire related to the Renewable Portfolio Standards. PSNH makes an annual filing to report how PSNH has met the recent annual obligation. The obligation is met with a combination of purchasing various classes of Renewable Energy*

Certificates (REC) and a cash payment if the Company does not have a sufficient quantity of REC. The cost of compliance is recovered in the Energy Service and Stranded Cost Recovery Charge tracking rate mechanisms. PSNH accounts for the annual liability by recording a monthly accrual to Purchased Power expense account 555, based on an estimated cost of compliance. The journal entry debits account 555 and credits account 242RN0. The liability is trued up after the annual filing."

Audit reviewed a portion of the annual E2500 form 2018 Compliance filing, as well as a sample December 2018 journal entry. The filing indicated alternative compliance payments of $308,938 were due, and $18,368,067 costs incurred to purchase certificates for 2018 compliance.

The sample entry reviewed was:

06-12790-555000 Renewable Energy Expense	$941,354	
06-12790-242RN0 RPS Liability		$(941,354)

The RPS is audited annually, thus additional review of this account has not been done as part of this audit.

Obligations under Capital Lease Account 243 $(78,221) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
243100	$(78,221)	$-0-		$(78,221)

The Transmission account reflected identical debit and credit totals, and a zero beginning balance, resulting in zero at year-end. The Generation segment did not include any 243 accounts. This account represents the current portion of the long-term capital lease of the Derry area work center discussed in the 227100 account narrative of this report.

Customer Advances for Construction Account 252 $(3,585,641) per FERC Form 1 was verified to accounts within the Distribution and Transmission segments. The Generation segment did not include any 252 accounts:

Account #	Distribution 06	Transmission 6T	Total
252010	$-0-		$ -0-
252020	$(770,502)		$ (770,502)
252040		$(2,815,138)	$(2,815,138)
Total	$(770,502)	$(2,815,138)	$(3,585,641)

Refer to the Plant in Service section of this report for capital additions and capitalization policies.

Other Deferred Credits Account 253 $(7,291,905) per FERC Form 1 was verified to:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
253000	$(5,000,000)			$(5,000,000)
253010	$ (391,418)	$ (1,745)	$(5,604)	$ (398,767)
253090	$ (282,682)			$ (282,682)
253C1X	$ (211,598)			$ (211,598)
253DC0	$ (553,042)			$ (553,042)
253ISX		$(50,074)		$ (50,074)
253P10	$ (17,370)			$ (17,370)
253RC0	$ (765,996)			$ (765,996)
253Y2X	$ (12,366)			$ (12,366)
Total	$(7,234,481)	$(51,820)	$(5,604)	$(7,291,905)

The Distribution 253000, Other Deferred Credits, $(5,000,000) represents the Clean Energy Fund, as negotiated during the settlement discussions related to generation divestiture.

6F represents Generation, 06 represents Distribution. Line of Business 21100 represents "Regulatory PSNH Total Energy Service". Line of Business 11100 represents "Non-tracked Distribution". Line of Business 24000 represents "Generation-Other".

The activity creating the fund was booked:
June 2015 within the Generation segment:

6F-21100-426500 SCRC Deferral-Other Deductions	$5,000,000	
6F-21100-242990 Interest SCRC Deferral-Misc Current+Accrd Liab-Other		$(5,000,000)

The account was then transferred to a long-term liability in June 2015, within Generation:

6F-21100-242990 Interest SCC Deferral-Misc Current+Accrd Liab-Other	$5,000,000	
6F-21100-253000 Interest SCRC Deferral- Other Deferred Credits		$(5,000,000)

After the actual generation sales, the liability was transferred from the 6F Generation segment to the 06 Distribution segment, in June 2018:

6F-24000-253000 Interest SCRC Deferral - Other Deferred Credits	$5,000,000	
06-11100-253000 Interest SCRC Deferral- Other Deferred Credits		$(5,000,000)

Subsequent to the test year, an additional $200,000 was added to the Clean Energy Fund, through a journal entry in January 2020:

06-11100-426500 Other Deductions	$200,000	
06-11100-253000 Interest SCRC Deferral-- Other Deferred Credits		$(200,000)

Refer to the filing and related audit in docket DE 20-005.

Other Regulatory Liabilities Account 254 $(438,991,697) per FERC Form 1 was verified to:

Distribution segment	$(317,162,435)	25 accounts
Transmission segment	$(121,741,995)	6 accounts
Generation segment	$ (140)	10 accounts
Total 242xxx	$(438,904,570)	41 accounts
1823M0	$ (87,127)	Refer to **Audit Issue #1**
	$(438,991,697)	

The $(87,127) credit balance in account 1823M0 is included in account 254, Other Regulatory Liabilities, on the FERC Form 1. Refer to **Audit Issue #1**.

Distribution segment account 254TXA, Federal Tax Rate Chg, began the year with zero, ended the year with a credit balance of $(194,823,667). The activity was offset to account 254TAX Federal Tax Rate Change within the Distribution segment, which ended the test year with a zero balance.

Combined, the 254TXA Federal Tax Rate Chg account represented 70% of the overall account 254 $(438,904,570):

Distribution	$(194,823,667)
Transmission	$(112,824,446)
Generation	$ -0-
Total	$(307,648,113)

$101,057,052 within the Generation 254TXA account was both debited and credited during the calendar year 2018, resulting in a zero balance at 12/2018. Refer to the ongoing DE 20-005 audit relating to the divestiture of the Generation assets.

Accumulated Deferred Investment Tax Credits Account 255 $(98,599) per FERC Form 1 is included within the Tax section of this report. The general ledger supports the FERC Form 1 balance:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
255000	$(95,055)	$(3,544)		$(98,599)

Accumulated Deferred Income Taxes –Other Property Account 282 $(402,683,244) per the FERC Form 1 is included within the Tax section of this report.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
282000	$(365,751,598)	$(234,326,324)	$ 40,064	$(600,037,858)
282DK0	$ 119,655,687	$ 77,698,927	$ -0-	$ 197,354,614
Total	$(246,095,911)	$(156,627,397)	$ 40,064	$(402,683,244)

Accumulated Deferred Income Taxes Other Account 283 $(266,348,952) per FERC Form 1 is included within the Tax section of this report.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
283990	$(100,006,926)	$(6,531,933)	$(4,497,563)	$(111,036,422)
283DG0	$(5,804,536)			$ (5,804,536)
283GN0	$(225,661,044)	$(2,258,166)		$(227,919,210)
283GN1	$60,312,532	$ 1,990,435		$ 62,302,967
	$(255,051,725)	$(6,799,664)	$4,497,563)	$(266,348,952)

Three additional accounts with zero balances were noted within each segments' general ledger.

PLANT

Depreciation and Amortization Expense Account 403 $86,138,596

The $86,138,596 Depreciation Expense per FERC Form 1, Line 6 was verified to the general ledger. Audit was provided with a Depreciation activity report that verified the $86,138,596 to page 336 of the 2018 FERC Form 1.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
403000	$56,313,874	$ 27,468,710	$1,640,979	$85,423,563
403100	($5,541,889)	$(1,140,680)	-0-	$(6,682,569)
403200	$6,277,162	$945,358	-0-	$7,222,520
403700	$168,419	$6,662	-0-	$175,081
Total	$57,217,566	$27,280,051	$1,640,979	**$86,138,596**

Depreciation Expense and Amortization of Intangible Plant within the filing on schedule EHC/TMD-28 line 19 reflects a total of **$62,325,389**, which was verified to the Distribution segment's general ledger accounts:

Account #	Distribution 06
403000	$56,313,874
403700	$168,419
404000	$5,843,096
Total	**$62,325,389**

The activity on the filing schedule EHC/TMD-28 reflected the PSNH Depreciation expense for the year, Amortization of Limited Electric Plant, and Depreciation Expense of Capital Leases. Audit also reviewed the filing schedule EHC/TMD 29 $6,277,162 Enterprise IT Projects Depreciation Expense.

Accumulated Provision for Depreciation, Depletion, Amortization Accounts 108, 110, 111, and 115 $(793,817,094) per the FERC Form 1 was verified to:

Account #	Distribution	Transmission	Generation	Total Account 108
108010	$(559,911,762)	$(184,233,869)	$389	$(740,145,242)
108AR0	$ (208,711)	$	$-0-	$ (208,711)
Total 108	$(556,120,474)	$(184,233,869)	$389	$(740,353,953)

111010	$(46,514,955)	$ (6,923,463)	$-0-	$ (53,438,418)
111020	$ (24,724)			$ (24,724)
Total 111	$ (46,539,679)	$ (6,923,463)	$-0-	$ (53,463,142)
Combined	$(602,660,153)	$(191,157,332)	$389	**$(793,817,095)** rounded

Audit reviewed the Depreciation Reserve $617,218,020 on Filing Schedule EHC/TMD-28. The Filing Schedule EHC-TMD-38 indicates the Depreciation Reserve is $602,635,428. Audit was provided an updated depreciation reserve activity report that indicated the correct balance is $617,113,264. The reason for the $14,686,547 difference is due to RWIP entries to accounts 364 and 365. The Filing Schedule EHC-TMD-28 indicates the depreciation reserve balance is $617,218,020 compared to the correct $617,113,264 reserve balances provided in the activity reports provided to Audit by the Company. The ($104,755) difference is a credit that is due to an account 303 transfer on a NBV depreciation study that was not done for a consultant. The adjusting entry to the GL was done in January 2019 but not filing schedule EHC-TMD-28. The Filing Schedule EHC-TMD-28 will need to be adjusted. The Company also used the remaining life method that is not approved and will require adjustments Audit is not able to quantify. **Audit Issue # 2**

	2018 GL Balance	**EHC-TMD-38**	
UTILITY PLANT	**General Ledger**	**Filing at 12/31/2018**	**GL-FERC**
Intangible Plant			
303 Miscellanous Intangible Plant	$ 46,159,377.46	$ 46,514,955.00	$ (355,577.54)
Distribution and Transmission General Plant			
390 Structures and Improvements	$ 15,489,612.55	$ 15,134,035.01	$ 355,577.54
391 Office Furniture and Equipment	$ 1,310,985.33	$ 1,310,985.33	$ -
392 Transportation Equipment	$ 23,270,988.37	$ 23,270,988.37	$ -
393 Stores Equipment	$ 723,284.79	$ 723,284.79	$ -
394 Tools, Shop, and Garage Equipment	$ 3,214,073.86	$ 3,214,073.86	$ -
395 Laboratory Equipment	$ 328,849.71	$ 328,849.71	$ -
396 Power Operated Equipment	$ 103,591.51	$ 103,591.51	$ -
397 Communication Eqipment	$ 7,991,789.89	$ 7,991,789.89	$ -
398 Miscellanous Equipment	$ 494,102.91	$ 494,102.91	$ -
Total General Plant	$ 52,927,278.92	$ 52,571,701	$ 355,577.54
Distribution			$ -
360 Land and Land Rights	$ -	$ -	
361 Structures and Improvements	$ 6,382,081.52	$ 6,382,081.52	$ -
362 Station Equipment	$ 62,750,120.49	$ 62,750,120.49	$ -
364 Poles Towers and Fixtures	$ 144,088,111.62	$ 136,744,837.95	$ 7,343,273.67
365 Overhead Conductors and Wires	$ 120,942,294.10	$ 113,599,020.43	$ 7,343,273.67
366 Underground Conduit	$ 5,592,977.09	$ 5,592,977.09	$ -
367 Underground Conductors and Devices	$ 41,987,652.98	$ 41,987,652.98	$ -
368 Line Transformers	$ 78,706,998.75	$ 78,706,998.75	$ -
369 Services	$ 35,251,692.43	$ 35,251,692.43	$ -
370 Meters	$ 17,296,814.87	$ 17,296,814.87	$ -
371 Installations on Customer Premisies	$ 1,207,154.67	$ 1,207,154.67	$ -
373 Street Lighting and Signal Systems	$ 3,820,709.25	$ 3,820,709.25	$ -
374 ARO		$ -	
Total Distribution	$ 518,026,607.77	$ 503,340,060.43	$ 14,686,547.34
Total Depreciation Reserve Balance Per EHC-TMD-38	**$ 617,113,264.15**	**$ 602,426,716.81**	**$ 14,686,547.34**
Total Depreciation Reserve Balance Per EHC-TMD-28 W/ RWIP		$ 14,686,547.34	
Less: account 303 credit adjustment incorrectly booked EHC-TMD-28		$ 104,755.85	
Correct GL Balance per GL and Activity Reports	**$ 617,113,264.15**	**$ 617,218,020.00**	**$ (104,755.85)**

The $6,378,063 Amortization and Depletion of Utility Plant Property per FERC Form 1, Line 8 was noted in:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
404000	$5,843,096	$ 421,474	$113,492	$6,378,063

The $80,977,627 Regulatory Debits per FERC Form 1, Line 12, was noted in accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
407000	$(125,168)			$(125,168)
407300	$39,978,145		$(22,363,667)	$17,614,478
407301	$29,717,610			$29,717,610
407306	$161,004			$161,004
407325	$563,856			$563,856
407350	$(34,044)			$(34,044)
407370	$16,145			$16,145
407RRB	$33,063,746			$33,063,746
Total	$103,341,294	$-0-	$(22,363,667)	**$80,977,627**

The distribution activity per the FERC Form 1 consists of regulatory debits, amortization of property loss unrecoverable plant and regulation study, other regulatory debits, recovery FAS109, un-securitized regulatory assets, Rehabilitation Tax Credit, FAS 109, and rate reduction bonds. The generation activity consisted of regulatory debits.

Audit reviewed filing schedule EHC/TMD-30, proforma amortization of deferred assets. The amortization expenses for the test year, $1,068,755 are part of the overall $103,341,294. The specifics on page 2 of the same filing schedule that consisted of $1,068,755 in total amortization expense:

407300 Amortization of REP	$1,271,930 filtered on 11600 REP LOB
407301 Amortization Medicare Asset	$ (344,978)
407306 Amort. Flow through credit	$ 161,004
407350 Amort. Rehab tax credit	$ (34,044)
407370 Amort. FAS 109	$ 14,843
	$1,068,755

Audit reviewed $1,271,930 the Amortization of the Reliability Enhancement Program to account # 407300 that consists of vegetation management tree trimming that reduces power outages, right of way clearing, and the troubleshooter program. The associated REP dockets are DE 17-076, DE 17-196, and DE 18-177. 100% of the expenses were proformed out of the test year.

Audit reviewed the ($344,978) credit to Medicare Asset account # 407301 that was the result of a change in the 2010 healthcare law Patient Protection and Affordable Care Act. 100% of the credit amount was debited back, resulting in a proformed test year balance of $0.

Audit reviewed the $161,004 former Transmission Flow-through Credit to account 407306 that was authorized for recovery in rates per docket DE 06-028. The amortization ends in February 2019. 100% was debited back, resulting in a proformed test year balance of $0.

Audit reviewed the ($34,044) credit booked account # 407350 that was for the rehabilitation tax credit on PSNH 2002 tax return. The amortization ends in June 2041. There was not a proforma adjustment associated with this amortization.

Audit reviewed the $14,843 that was booked to account #407,370 for amortization of FAS 109 costs. The line of business was filtered on 11100, Non-tracked Distribution. 100% was proformed out of the test year, bringing the figure to $0.

Audit reviewed the December 2018 Summary Report in the CPR records to the most recent approved depreciation Study in DE 03-200. The Company on Filing Schedule EHC/TMD-28 used the remaining life method when the Whole Life method is supposed to be in conformance with PUC 308.08 and Form E-25E. **Audit Issue # 2**

The Company also included Land and Land rights on the Filing Schedule EHC/TMD-28. The land accounts are account numbers 360 and 389. On Column K, the Depreciation Reserve, that Company did not include any depreciation on the land, as there is no depreciation expense associated with land.

Plant in Service $2,171,862,864

The filing schedule EHC/TMD-37 does not include CWIP balance or Property Held under Capital Leases. Audit was able to verify the $2,171,862,864 reported Plant in Service at 12/31/2018 on the filing to the PowerPlan detail. The general ledger includes the account 101 balances. Audit was provided with the PowerPlan GL detail that rolls up to the 101 accounts.

UTILITY PLANT	General Ledger	FERC at 12/31/2018
Utility Plant (101-106, 114)	:	
Intangible Plant		
301 Organization-	$ 45,057.00	$ 45,057
303 Miscellanous Intangible Organization	$ 52,915,065.00	$ 52,915,065
Total Intangible Plant	$ 52,960,122.00	$ 52,960,122.00
Distribution General Plant		
389 Land and Land Rights-	$ 4,833,969.00	$ 4,833,969.00
390 Structures and Improvements-	$ 84,414,330.00	$ 84,414,330.00
391 Office Furniture and Equipment	$ 11,442,230.00	$ 11,442,230.00
392 Transportation Equipment	$ 44,177,361.00	$ 44,177,361.00
393 Stores Equipment	$ 3,257,905.00	$ 3,257,905.00
394 Tools, Shop, and Garage Equip	$ 14,194,678.00	$ 14,194,678.00
395 Laboratory Equipment	$ 2,072,747.00	$ 2,072,747.00
396 Power Operated Equipment	$ 159,421.00	$ 159,421.00
397 Communication Equipment	$ 28,188,997.00	$ 28,188,997.00
398 Miscellaneous Equipment	$ 1,279,169.00	$ 1,279,169.00
Total General Plant	$ 194,020,807.00	$ 194,020,807.00
Distribution		
360 Land and Land Rights	$ 9,953,053.00	$ 9,953,053
361 Structures and Improvements	$ 26,387,975.00	$ 26,387,975
362 Station Equipment	$ 306,248,377.00	$ 306,248,377
364 Poles Towers and Fixtures	$ 303,587,829.00	$ 303,587,829.00
365 Overhead Conductors and Wires	$ 582,095,624.00	$ 582,095,624.00
366 Underground Conduit	$ 38,757,668.00	$ 38,757,668.00
367 Underground Conductors and Devices	$ 133,741,822.00	$ 133,741,822.00
368 Line Transformers	$ 262,481,158.00	$ 262,481,158.00
369 Services	$ 158,352,446.00	$ 158,352,446.00
370 Meters	$ 90,764,200.00	$ 90,764,200.00
371 Installations on Customer Premisies	$ 6,563,782.00	$ 6,563,782.00
373 Street Lighting and Signal Systems	$ 5,130,537.00	$ 5,130,537.00
374 ARO Distribution Plant	$ 837,463.00	$ 837,463.00
Total Distribution	$ 1,924,901,934.00	$ 1,924,901,934.00
Total 2 Utility Plant (101-106, 114)	**$ 2,171,882,864.00**	**$ 2,171,882,864.00**

Project Authorization Policy

Prior to 2015

Audit reviewed the Approval of Capital Work Orders attachment ELM-4 from June 2013 that was the approval guidelines manual for PSNH Capital Projects. The policy was first created in June 2003 with 9 subsequent revisions. The document indicates the work orders must be approved and authorized by management within PSNH that has budget accountability for the work order/project. Prior to 2015 projects were approved by the Capital Budget Review Committee that meets monthly. The reason for the change in 2015 was to harmonize procedures throughout Eversource Energy for project authorization and funding. Capital Budgeting within PSNH is a continuous annual process that starts in the beginning of the year with any changes reviewed during monthly meetings. The monthly meetings discuss the status and costs of individual projects. Any increase costs from the original authorization amount require a supplemental form to be approved.

Project Identification/Budget Process

The Company prepares the forecast based on 5-year plan based on estimated Company capital assets in services on a 5-year cycle. Starting in July of each capital budget year departments are required to update budgeted costs/estimates. Prior to October 15th, a capital budget challenge session is scheduled for all electric distribution departments for the purpose of reviewing projects. During mid-October through the end of November a review of all submitted projects is undertaken and the inclusion into the capital budget that is finalized by the Manger of System and Strategy.

Once the projects are finalized, Project Manager are notified to submit a CBRC project approval forms to the System Planning Manager with specific monthly cash flows, including prior and estimated future cash expenditures. Approved capital budget projects for the year are submitted with cash flows to Budget Services that enters the data into preliminary CBRC by late January. During December through the middle of January, a 5-year budget plan with specific projects for the first two period. The estimated projects included plant in service and expected cash flow balances.

Work Order Approval for Budgeted Distribution Projects

Work orders under $7,000 are automatically approved in the system. The Project Coordinator approves work orders between $7,000 and $25,000. The Operations Manager approves projects that are between $25,000 and $50,000. The Department Manager approves projects that are between $50,000 and $500,000. The PSNH President approves projects greater than $500,000.

Work Order Approval for Unbudgeted Distribution Projects

Work Orders that are less than $50,000 are charged to an annual project. The Department Manager approves projects that are $50000-$500,000. The PSNH President approves all work orders/projects greater than $500,000.

PAP Post 2015

Audit reviewed the Project Authorization Policy ELM-5 from October 2017 that is the current version of the PAP that went into effect in 2015. The Project Authorization includes the evaluation, decision-making, and approval of all capital projects that have an economic impact on the Company, customers, and/or is required by policy or regulatory standards regardless of size or cost. A PAF is not required for distribution projects direct cost under $100k and $500k for the Transmission and Corporate Shared Services project total cost. The PAF applies to the following capital projects. The purchase of construction plant assets, purchase or lease of land and facilities, IT, environmental projects, purchase of equipment, vehicles, fixed assets, shared projects, non-routine maintenance, and Energy Efficiency special projects.

Projects are authorized by completing a Project Authorization Form. The PAF must include sufficient detail and explanations so the project approver is able to make fully informed and educated decisions for approval. The PAF must be approved and signed by the project initiator, Project Manager, Plant Accounting, Director, Investment Planning or their designees. The cost details are to represent the entire cost of the project that include direct costs, internal indirect costs, an estimate of capitalized interest or AFUDC, CIAC as applicable, and any other reimbursement. The project initiator is responsible for working with plant accounting to ensure the project has the proper breakout in PowerPlan the system of record for project cost documentation and approvals. The Project Manager is also responsible for preparing the project to the subsidiary boards that may require approval and performing any enterprise risk management that is needed. The project classifications include specific projects, annual programs that are small, similar, and routine, in nature, and specific gas and electric projects.

Approvals

If a project is expected to exceed the original authorized dollar amount, then the project manager is responsible for submitting a Supplement Request Form (with a new total requested dollar amount and justification as soon as it is likely that the project cost is expected to increase from the original authorized dollar amount in accordance with the following criteria:

For Corporate Shared Services Projects:
For projects \$500K to \$10M - An increase in total authorized cost > 15% or;
For projects > \$10M - An increase in total authorized cost > \$1.5M

For Distribution Operations Projects:
For projects <= \$250K - An increase in direct costs >= \$25K or;
For projects >\$250K - An increase in direct costs >10%

For Transmission Operations Projects:
For projects <= \$500K – An increase in total authorized cost >= \$75K
For projects \$500K to \$16.5M- An increase in total authorized cost > 15% or;
For projects > \$16.5M - An increase in total authorized cost > \$2.5M

The supplemental authorization should include an estimate of the additional costs expected to complete the project. Prior to spending any additional funds, the Supplemental Request Form should be routed to and approved by the appropriate approvers in accordance with the DOA based on the total project cost including the supplement. If the supplement request triggers Subsidiary Board approval, when not previously required, a Subsidiary Board presentation will be needed. Please refer to Authorization Process section above for further details. In addition, the Vice President, Financial Planning and Analysis or a designee must approve all Supplemental Request Forms for projects with total cost increases of \$1 million and above for Distribution Operations and Corporate Shared Services projects and \$5 million and above for Transmission Operation projects. Such approval will follow at least one functional Vice President Approval and precede CFO approval if required.

Capital vs. Expense Manual

Audit reviewed the Capital versus Expense Criteria policy for December 2012. The Policy describes when to capitalize or expense expenditures for plant with regard to FERC Regulations. Repairs and maintenance are expensed as well as certain startup costs. Expenditures that are capitalized if they exceed $500 include retirements, capital projects, replacements and improvements, office furniture and equipment, tools, shop equipment, laboratory equipment, and miscellaneous equipment. The exception to the $500 limit includes items that are purchased in bulk such as office furniture and fixtures used for an initial setup of a facility or department.

Review of Cost Allocation

Audit reviewed the Eversource Energy Service Company Cost Charging and Allocation Manual that was from June 5th, 2019. This was the manual available for the 2018 test year. The manual indicates the ESCO costs are to be direct charged to the appropriate subsidiary/business segment to all transactions such as invoices, journal entries, billing, and payroll. The threshold for direct charging of labor starts when more than 4 hours a week is directly related to the subsidiary/segment. The costs are allocated using a cost code for each center that must have an appropriate work orders assigned for capital projects.

The Company utilizes causal based allocators when costs cannot be direct charged because they benefit more than one subsidiary/segment. When costs cannot be direct charged or allocated using causal-based cost charging methodologies, a common allocator should be used. There are common allocator Rate Codes available that allocate costs based on the average of gross plant assets and net income for combinations of subsidiary/business segments. The Company allocation methodologies naming convention and formulas are based on customers, gross plant and net income, facilities, customer handling time, invoices processed, labor, miscellaneous labor, direct charged costs, vehicles, and operating revenues.

Summary of Plant Activity per FERC Form 1 since the prior 2008 Test Year

TOTAL PLANT ACTIVITY 2018 - 2018

	Beginning Bal	Additions	Retirements	Adjustments	Transfers	FERC pg 207 Ending Balance	
1/1/2008	$ 1,146,685,334	$ 108,201,116	$ (5,701,964)	$ (8,536)	$ 413,147	$ 1,249,589,097	12/31/2008
1/1/2009	$ 1,249,589,097	$ 116,629,097	$ (17,073,900)	$ (5,912)	$ 615,892	$ 1,349,754,274	12/31/2009
1/1/2010	$ 1,349,754,274	$ 90,155,626	$ (19,925,143)	$ -	$ (1)	$ 1,419,984,756	12/31/2010
1/1/2011	$ 1,419,984,756	$ 88,567,572	$ (11,055,452)	$ 77,895	$ (10,513)	$ 1,497,564,258	12/31/2011
1/1/2012	$ 1,497,564,258	$ 103,792,313	$ (19,774,970)	$ 1,163,633	$ 5,028	$ 1,582,750,262	12/31/2012
1/1/2013	$ 1,582,750,262	$ 101,742,514	$ (13,820,901)	$ 1,502	$ 6,714	$ 1,670,680,091	12/31/2013
1/1/2014	$ 1,670,680,091	$ 110,041,585	$ (25,203,894)	$ 473,123	$ -	$ 1,755,990,905	12/31/2014
1/1/2015	$ 1,755,990,905	$ 140,078,922	$ (16,569,207)	$ 2,278,358	$ -	$ 1,881,778,978	12/31/2015
1/1/2016	$ 1,881,778,978	$ 174,171,821	$ (17,271,831)	$ -	$ (2,084,066)	$ 2,036,594,902	12/31/2016
1/1/2017	$ 2,036,594,902	$ 155,901,176	$ (17,356,395)	$ 879,651	$ (23,711)	$ 2,175,995,623	12/31/2017
1/1/2018	$ 2,175,995,623	$ 161,207,719	$ (64,106,191)	$ 375,019	$ (3,380,595)	$ 2,270,091,575	12/31/2018
		$1,350,489,461	$ (227,859,848)	$ 5,234,733	$ (4,458,105)		

Test of Additions Closed to Plant since the Prior Audit

Audit requested a listing of projects, which were closed to the unitized plant in service accounts in 2009-2012 that were not included in Filing Schedule ELM-2. The 2009-2012 projects included only distribution projects, general projects, and IT projects. The Filing Schedule ELM-2 includes the 2013-2018 Distribution Plant in Service accounts, general projects, and IT Projects. The chart below summarizes the project additions booked to distribution Plant in Service by year that was provided to Audit. Purchase Order and Invoice Authorization limits were provided.

2009	$ 97,356,113
2010	$ 79,786,947
2011	$ 82,890,203
2012	$ 89,663,921
2013	$ 100,278,969
2014	$ 105,274,421
2015	$ 126,606,461
2016	$ 168,123,248
2017	$ 147,178,460
2018	$ 152,948,710
Total	$1,150,107,453

The Company utilizes the PowerPlan System for capital projects since August 2014. Each project has many work orders associated with each individual project. Audit tested 21 work orders that corresponded to an individual project for 2009-2018. Prior to August 2014 MIB financial system was used for plant projects. The chart below represents the projects audit reviewed that were booked to Plant in Service per the ELM-2 filing schedule for 2013-2018 projects. The Company provided a listing of sampled projects for 2009-2012 as filing schedule ELM-2 did not include those years.

Project	Unitized 101 Amount
A09S12	$ 4,880,052
C0SOLAR	$ 355,891
A08N03	$ 739,735
PC0M6DC0	$ 485,670
A11S12	$ 357,345
UB1130	$ 127,938
EGIS6DC1	$ 500,225
LNDP6DC2	$ 79,177
UB0830	$ 561,666
UBI1162	$ 231,029
A12S14	$ 585,740
A14W18	$ 1,777,012
UB1313	$ 1,669,818
A13W02	$ 6,868,496
A08X45	$ 519,583
NHMTR18	$ 1,516,817
18707	$ 2,601,831
GE9R	$ 173,751
IT17425	$ 324,534
IT6DWANA	$ 1,348,920
R15DBR	$ 4,207,510
Total	$29,912,739

Audit reviewed the projects at the work order level. The figures in the chart below include the unitized plant in service, net of retirements, that Audit tested.

Project	Work Order #	Job Des.	Booked to Plant	$ Unitized 101
A09S12	9D910135	Elec. Cable Repl.	04/30/2010	$ 161,441
A09S12	9M910508	Rep. Prim and LF Trans.	05/31/2010	$ 112,563
C0SOLAR	C09SOLAR	Install Solar Panels	12/31/2009	$ 355,891
A08N03	A08N0301	N. Roch. S/S Transf. ad.	06/30/2010	$ 739,735
PC0M6DC0	LNDP6DC2	PSNH.COM Refresh	12/31/2010	$ 485,669
A11S12	A11S1201	Transformer Rep.	06/02/2011	$ 357,345
UB1130	9S120417	Highway Relocation.	04/30/2012	$ 127,950
EGIS6DC1	EGIS6DC1	Ent. GIS Software	12/31/2012	$ 500,225
LNDP6DC2	LLP16DC2	Cust. Exp. Landlord	01/03/2013	$ 79,177
UB0830	UB083003	Capswitcher Repl.	03/31/2013	$ 544,942
UBI1162	UB116201	Line. Rep. Polymer Insul.	01/31/2013	$ 202,351
UBI1162	UBI116202	Line Rep. Polymer Insul.	01/31/2013	$ 28,719
A12S14	9D420023	Rep. Oil Switch Gear	01/26/2017	$ 49,346
A14W18	9K420948	Asset Man. Spec S/S	06/22/2016	$ 390,852
UB1313	9L420305	Tree Trimming S/S	12/03/2014	$ 170,482
A13W02	A13W0201	Substation Equipment	11/09/2016	$ 6,868,496
A08X45	A0X4509	Steel Tower Repl.	02/12/2018	$ 405,080
NHMTR18	CFINH18A	2018 Meter Replace.	01/18/2018	$ 1,528,250
18707	RP1860601	Purch. Martins Ferry Build	12/14/2018	$ 466,042
GE9R	GE9R1802	Purchase Monitoring Equip	06/28/2018	$ 23,969
IT17425	IPC706C1	Furniture/Tools/Comm Equ.	09/11/2018	$ 324,534
IT6DWANA	NH170005	Telecom WAN Annual	06/25/2018	$ 269,848
R15DBR	9Z620016	Buried Cable Repl.	04/26/2017	$ 116,578
Total				$14,309,485

The Company files annual construction budgets with the Commission, called E-22, in compliance with Puc 308.07, that are estimated costs of capital projects in excess of $100,000. The E-22 details are rough estimates of initial constructions costs, and not identified at the individual project number. The Company for 2013-2018 included budgeted and actual plant project costs within the filing schedule ELM-3. The budgeted costs on the filing are a continuous process during the year. The Company provided Audit with an actual vs. budgeted costs for the 2009-2018 projects reviewed. A number of the projects have variances that are over/under budget by 30%. **Audit Issue # 3**

2009-2012 Projects	Actual	Budgeted	Difference	%	Blanket
A09S12	$5,153,564	$4,000,000	$1,153,364	28.4%	Yes
C09SOLAR	$355,891	$0	$355,891	100%	No
A08N03	$701,793	$694,100	$7,693	1.1%	Yes
PCOM6DC0	$485,669	$457,100	$28,569	6.3%	No
A11S12	$373,031	$0	$373,031	100%	Yes
UB1130	$129,229	$0	$129,229	100%	No
EGIS6DC1	$500,225	$398,000	$102,225	25.7%	Yes
LNDP6DC2	$79,177	$69,700	$9,477	13.6%	No
UB0830	$1,187,044	$1,435,400	($248,356)	-17.3%	Yes
UB1162	$268,467	$145,000	$123,467	85.2%	Yes

2013-2018 Projects	Actual	Budgeted	Difference	%	Blanket
A12S14	$572,859	$1,346,673	($773,814)	-57.5%	Yes
A14W18	$1,811,013	$1,166,971	$644,043	55.2%	Yes
UB1313	$1,686,972	$1,371,168	$315,804	23.0%	Yes
A13W02	$6,868,496	$7,350,387	($481,890)	-6.6%	Yes
A08X45	$630,589	$1,357,644	($727,055)	53.6%	Yes
NHMTR18	$1,516,817	$2,320,000	($803,184)	-34.6%	No
18707	$2,702,825	$1,877,000	$825,824	44.0%	No
GE9R	$173,751	$274,594	($100,843)	-36.7%	Yes
IT17425	$337,779	$425,900	($88,122)	-20.7%	Yes
IT6DWANA	$1,860,885	$2,196,668	($335,803)	-15.3%	Yes
R15DBR	$4,388,536	$4,586,653	($198,117)	-4.3%	Yes

Review of 2009-2012 Projects/Work Orders

The Filing Schedule ELM-2 that lists the unitized amount for projects for 2013-2018. Audit requested a list of unitized projects for 2009-2012. Audit selected 10 projects to review asking for a list of charge detail that includes work order level detail. The Company provided the Capital Budget Review Committee detail for each project. The CBRC is similar to the PAF in that it includes project details and budget signoff and authorization amounts. The Company provided monthly meetings of the Capital Budget Review Committee that meets monthly. The meetings were very general in nature and did not focus on the project level detail for the projects reviewed. Audit reviewed the year-end summary of capital expenditures. These were very general in nature and not relevant in the review of individual project detail. The meetings facilitate how the Company spends its resources for capital assets during the year. The CRBC reports are not very detailed and in some cases not signed off by management. There is not real detailed justifications for why authorizations are increased or decreased. It appears management generally signs off on the projects. Audit tested invoices, payroll, overhead, and materials details to the project work order level only.

Project A09S12 W/O 9D910135 and W/O 9M910508 CBRC

Audit reviewed the CBRC PAF from 2009-2012 that is for the annual replacement of failed buried cables. The PAF were approved by management. These are annual projects. The cumulative effort for the four years budgeted $4 million. The actual spending for all for years was $5,153,564. This is a difference of $1,153,364 or a 28.63% increase. The documents indicate the reason for the overrun was storm related and increased resources to meet budget goals for the year. The increased expenditures are very general in nature.

Review of W/O 9D910135 Cost Detail

Labor	$4,368	
Materials	$11,285	
Vehicles	$2,101	
Loaders and Overheads	$91,794	
AFUDC	$486	
Contractors	$51,407	
Total	$161,441	Unitized to 10151 PIS 10/5/2010

Based on a review of Contractor Labor the GL lists East Coast Utilities, which is a subsidiary of RH White Construction.

Audit reviewed the bid detail that indicated the work order was for manhole repairs. The bid information indicates three bidders were invited to bid with only one bidder responding. The winning bidder East Coast Utilities only provided an hourly labor rate for the project and other hourly burden rates for equipment/materials.

Audit reviewed an invoice from RH White Construction that was for installation of cable and removal of old wire. The invoice was part of a contract of negotiated rates in the contract. There was also charges related to excavation. Audit verified the $54,961.41 invoice was correctly calculated.

Review of W/O 9M91508 Cost Detail

Labor	$3,324	
Materials	$7,024	
Vehicles	$1,276	
Loaders and Overheads	$66,921	
AFUDC	$261	
Contractors	$24,873	
Total	$112,563	Unitized to 10151 PIS 6/2/2010

Audit reviewed bid information for the work order for Asplundh Tree for a contract not to exceed $200,000 for tree trimming related to the project. Audit reviewed bid information for the work order. There were two rounds of bidding with the first round receiving eight bids. There was a second round of bidding conducted with three bidders submitting the same bid. The winning bid was to Carolina Pole. Based on the summary sheet given, Carolina Pole is not listed as a bidder for the project but ultimately won the work order. The Company sent a paint file of the signed contract but the file was corrupt. **Audit Issue # 4**

Audit reviewed pricing quotes from three vendors for spacer cable. The Company received Purchase Orders from three bidders Marmon Utilities, Hendrix, and Borealis. Hendrix was selected as the winning bidder.

Audit reviewed a $1,707.54 invoice from Asplundh Tree service that was for cutting down trees associated with the work order.

Project C0SOLAR W/O C09SOLAR

This was not a planned project and done during 2009. The project is for the installation of solar panels at Energy Park roof turbine according to a work order estimate. The work order indicates the solar panels were estimated to cost $472,771. The work order lists most of the expenses as materials and labor to install the panels. The actual cost of the project is $355,891. The Company indicated the solar panels were booked to the structures account # 39089, as the solar panels are part of the building and contribute to net metering.

Review of W/O C09SOLAR Cost Detail

Labor	$1,804	
Materials	$235,486	
Employee Reim.	$40	
Loaders and Overheads	$5,301	
AFUDC	$4,438	
Contractors	$108,822	
Total	$355,891	Unitized to 10151 PIS 12/31/2009

The Company received four bid results for the installation of solar panels. The winner was the lowest bidder KW Management.

Audit reviewed two invoices from KW Management. The invoices were billed as progress payments. The first invoice was from June 2009 for $144,891.94 and a second invoice from May 2009 that was for $50,543.70. The invoices were for the installation of Sun Power PV Modules, inverters, mounting unit to roof, and any associated components.

Project A08N03 W/0 A08N0301

Audit reviewed a CBRC PAF from 2009 that indicated the project was for the installation of a second transformer in North Rochester to split the 39W1 and 39W2 circuits and swap load from 39W4 at Portland to 39W1. The project was approved for $625,000 for the calendar year and up to $670,000 for the entire project was approved. The 2010 CBRC PAF indicates the original transformer received in 2009 had to be returned due to a defect. Most of the work was started in late 2009 with physical construction. The 2010 costs consisted of testing, and cleanup. The PAF authorized up to $732,000 for the project. Management signed the document.

Review of W/O A08N0301 Cost Detail

Labor	$43,943	
Materials	$433,124	
Vehicles	$5,565	
Loaders and Overheads	$98,200	
AFUDC	$14,276	
Contractors	$144,627	Unitized to 10151 PIS 7/2/2010
Total	$739,735	

Audit received bid information that was of no relation to the work order but applied to the project as a whole. There was a signed contract from the Guidant Group to do testing related to the transformer with a signed extension in 2012. The work order tested was for 2009 and 2010.

Audit reviewed an invoice from E.S. Boulos Company that was labor, materials, and equipment rentals for $35,984.76. Audit verified the invoice calculations.

Audit reviewed a material requisition ticket of a transformer from Niagara Power that was from October 2009 for $420,224.

Project PC0M6DC0 W/O LNDP6DC2

This was part of an Enterprise GIS IT PSNH Application Project. Audit reviewed work order LNDP6DC2 that was for the refresh of PSNH.COM. Audit did not receive any CBRC for this project. **Audit Issue # 4**

Review of W/O LNDP6DC2 Cost Detail

Labor	$181,264	
Employee Exp.	$670	
Loaders and Overheads	$169,993	
AFUDC	$8,323	
Contractors	$125,419	
Total	$485,669	Unitized to 10151 PIS 12/31/2010

Audit reviewed a contract from Connelly Partners that was for the redesign of PSNH.COM. The contract was a sole source based on meeting the needs and technicalities of PSNH. The contract was for $150,000 signed in October 2009.

Audit reviewed a payroll report for an exempt employee as well as a non-productive time overhead sample calculation. The payroll transactions summed to $1,908. Audit verified the $1,632.32*0.1689 non-productive payroll rate to arrive at the $275.70 non-productive period calculation.

Project A11S12 W/0 A11S1201

Audit reviewed a CBRC PAF for 2010 to replace a failed 34.5-kV at Malvern St with a spare transformer from stock. The document was signed in December 2010 by management for approval up to $550,000. The project was not budgeted, as the project was a result of a malfunction.

Review of W/O A11S1201 Cost Detail

Labor	$45,023	
Material	$214,753	
Vehicles	$10,228	
Loaders and Overheads	$67,093	
AFUDC	$954	
Contractors	$19,294	
Total	$357,345	Unitized to 10151 PIS 5/31/2011

Audit reviewed bid information for this work order that listed Laboratory Analytical Services as the winner to do testing for the installation of the new transformer. The bid information was not helpful as there was no analysis as to why decisions were made. **Audit Issue # 4**

Audit reviewed a material requisition ticket of a transformer from Niagara Power that was from May 2011 for $185,000. Audit reviewed another Material Requisition Ticket from $21,663 for a recloser vacuum from December 2010.

Project UB1130 W/0 9S120417

Audit received a PSNH Budget Review Committee Document from April 2011 that listed project UB1130 that is a 2500' off road relocation on Bracket Rd. in Wakefield. Poles and wires will be relocated along the roadway. The budget document lists $200,000 was authorized during the budget meeting as part of $4.516.700 spent on capital projects for the month.

Review of W/O 9S120417 Cost Detail

Labor	$16,076	
Vehicles	$12,037	
Loaders and Overheads	$45,726	
AFUDC	$1,218	
Contractors	$52,893	
Total	$127,950	Unitized to 10151 PIS 5/3/2012

Audit reviewed bid information for flagging services. The Company received five bids. Liberty Security and Traffic Control of Keene was the lowest bidder with the lowest hourly rate. There was no document listing a winner or a signed contract. The GL of the work order only describes the expense as PSNH Traffic Control Services.

Audit reviewed two invoices for Asplundh Tree Cutting Services for $5,340 from July 2011 and another for $4,425 for the same month. Audit reviewed the invoice and hours worked without exception.

Project EGIS6DC1 W/O EGIS6DC1

This was part of an Enterprise GIS IT PSNH Application Project. Audit reviewed work order EGIS6DC1. Audit did not receive any CBRC for this project or PAF. **Audit Issue # 4**

Review of W/O EGIS6DC1 Cost Detail

Labor	$27,194	
Materials	$205,097	
Employee Expenses	$1,219	
Loaders and Overheads	$12,519	
AFUDC	$8,715	
Contractors	$223,879	
Total	$500,225	Unitized to 10151 PIS 12/31/2012

The project was awarded to Epoch Solutions Group as part of a sole source contract justified by unique skills and exclusive capability. The sole source was signed in July 2011 for $302,960.

Audit reviewed an invoice from Environmental System Research Instruments for $160,000 for ArcGIS Server Advanced Enterprise for Windows up to four licenses. The invoice was from September 2011. Audit reviewed an invoice from Epoch Solutions Group for $62,430 that was for task II for eGIS support. Audit reviewed the travel expenses and employee hours associated with the invoice from February 2012.

Audit reviewed a general service overhead transaction from December 2011 that was for $2,234. This was based on $3,197 multiplied by the .699 general overhead rate for 2011.

Project LNDP6DC2 W/O LLP16DC2

This was part of a Customer Experience Landlord phase 1-3 software project. Audit reviewed work order LLP16DC2. Audit did not receive any PAF or CBRC for this project. **Audit Issue # 4**

Review of W/O LLP16DC2 Cost Detail

Labor	$10,545	
Loaders and Overheads	$45,726	
AFUDC	$142	
Contractors	$22,764	
Total	$79,177	Unitized 10151 PIS 12/31/2012

Audit reviewed a contract with the Guidant Group that is an IT outsourcing firm. The contract was from August 2011. The contract extension from October 2012 listed pricing based upon an agreed markup rate of 30% based on complexity requirements that must be met. Audit also reviewed another IT Staffing Contract with Infosys that is for IT maintenance, antivirus, and computer troubleshooting. The contract was signed in April 2010 and is a general labor contract.

Audit reviewed a May 2012 $129,448 invoice from Infosys for IT work. The work consisted of computer maintenance, OpenSpan Maintenance, Landlord Portal, Account Reconciliation, and efficiency 2.0 reporting.

Audit reviewed a general service overhead transaction from September 2012 that was for $391. This was based on $500 multiplied by the .7683 general overhead rate for 2012.

Project UB0830 W/O UB083003

This was a Whitefield Capacitor switcher replacement that replaced 21 obsolete capacitor switchers. Audit reviewed the 2009-2012 CBRC PAF that were signed and approved by Management. The documents indicated this was a reliability enhancement project and was funded out of those corporate funds. The entire project budgeted $1,435,400 and the actual cost of the project was $1,187,044. The reason for the ($248,356) difference was the result of lower than anticipated contractor costs.

Review of W/O UB083003 Cost Detail

Labor	$37,355	
Materials	$84,274	
Vehicles	$4,243	
Loaders and Overheads	$94,770	
AFUDC	$1,855	
Contractors	$322,445	
Total	$544,942	Unitized to 10151 PIS 4/2/2013

The bid information provided was from the Guidant Group an IT staffing firm for a contract signed in August 2011. During the review of the work order Audit did not see the Guidant Group as a vendor.

Audit reviewed a November 2012 TRC Engineering Invoice for $117,312 for the Capacitor switcher replacement. The invoice included labor and materials to install the new unit. Audit verified the hours worked on the invoice were correctly calculated.

Audit reviewed an inventory ticket from August 2012 for a capacitor switcher for the Whitefield Capacitor switcher project. The Company had one unit that was valued at $78,813.

Project UBI1162 W/O UB116201

This was to remove and replace polymer insulators that experienced failure. The polymer insulators are located on the 321 line. Audit reviewed CBRC PAFs for 2011 and 2012. The documents were approved by management. The project was budgeted to cost $145,000 and the actual cost was $268,467. This is an overage of $123,467. The reason for the increase was due to increased materials costs. The other was utility poles that had to be removed due to clearance issues along a double-circuited line.

Review of W/O UB116201 Cost Detail

Labor	$24,262	
Employee Expense	$63	
Vehicles	$957	
Loaders and Overheads	$87,366	
AFUDC	$1,134	
Contractors	$88,569	
Total	$202,351	Unitized to 10151 PIS 1/31/2013

Audit reviewed an inventory sheet for an insulator replacement for $72,538 from October 2012. Audit reviewed an $85,200 from Evans Line Construction for completion of insulator replacement on line 321 from August 2012. Audit verified the line items were correctly calculated.

Review of W/O UB116202 Cost Detail

Labor	$200	
Vehicles	$41	
Loaders and Overheads	$9,401	
Contractors	$19,077	
Total	$28,719	Unitized to 10151 PIS 1/31/2013

Audit reviewed bid information that listed Gray Bar as a sole source provider for $4 million as part of an alliance agreement. There was no sole source justification form attached. **Audit Issue # 4** There were bids for cable wire from Alcan and Southwire. They were priced closely to one another and the Company chose the cable needed for the specific circumstance of each job.

Audit reviewed a $1,472.34 lobby stock loader allocation from April 2012. This was based on $5,889 store inventory expense multiplied by the 0.25 lobby stock rate for the year. Audit reviewed a $582.72 stores expense transaction from September 2012. This was based on $4,162 of inventory multiplied by the .014 the stores rate for 2012.

Review of 2013-2018 Projects/Work Orders

The Filing Schedule ELM-2 lists the unitized amount for projects for 2013-2018. Audit requested a list of unitized projects for 2009-2012. Audit selected projects to review asking for a list of charge detail that includes work order level detail. The Company provided the Project Authorization Form detail for each project. The PAF detail includes project details and budget signoff and authorization amounts. Audit tested invoices, payroll, overhead, and materials details to the work order level only.

Project A12S14 W/O 9D420023 Project Authorization Form

Audit reviewed a PAF for $2,731,400 reliability annual project for replacement of oil filled switchgear, steel towers, degraded vault tops, cable after failed testing, and other items addressing the degradation of line equipment due to age and performance. The project covers construction remedy conditions that cause specific segments of the distribution facilities to perform below levels defined by system reliability and targets the worst performing circuits. The project included multiple projects. Project AI2S14 was budgeted $281,600. The project was not identified during the budget cycle but came about due to the monitoring of the system during the year. The PAF was initiated by Erica Menard on February 19, 2016 and approved by Joseph Purington VP of Electrical Operations with an estimated completion date of December 31, 2016. The PAF covered seven projects and audited sampled Project A12S14 that the PAF indicates was $281,600 out of the $2,731,400 for the entire project.

The Company received six bidders for the project. Five of the bidders were moved to the second round of bidding. RH White Construction was chosen based on pricing, and technical ability to perform the work.

Review of Work Order Cost Detail

Labor	$6,523
Materials	$22,968
Loaders and Overheads	$18,102
Vehicles	$121
Meals and Mileage	$116
Contractors	$10,376
AFUDC	$157
Retirements	($9,018)
Total	$49,345

The work order 9D420023 was unitized to account 101 Plant in Service for $49,346 in January 2017. Audit reviewed an invoice from RH White Construction for $15,806 that was to install and supply a 5-inch transformer slab and bollards from April 2016. Audit reviewed a $7,425 an inventory sheet that was for a $2,226 oil filled switchgear from November 2016.

Work Order Cost Detail Report

Audit sampled the work order 9D420023 that is part of project A12S14. The Company provided the Engineering Work Request and Cost Detail sheet. The engineering work request indicates the work performed was to replace oil filled pad mounted switchgear with more modern equipment. The old switchgear was manufactured in the 1980s and experienced problems. The Company wanted to remove the old products from the system. The engineering request was from August 2013 for the work to be completed in January 2014. The Work Request Cost Detail Sheet indicates the work order actuals were $83,078.18. The updated As-Built estimated costs for the work order was $57,731.47. The reason for the $25,346.71 increase was due to overtime construction labor needed to complete the work, materials, and vehicles as Company staff performed the work.

Project R15DBR W/O 9Z620016

Audit reviewed a PAF for $2.5 million in capital work for 2015-2017 Direct Buried Cable Replacement that were part of the Reliability Enhancement Program approved as part of the divestiture settlement. The PAF also approved $124,000 in operations and maintenance work. The total cost of the PAF is $2,624,000. The cable was nearing the end of its useful life. The PAF was prepared on July 28, 2015 by the Project Manager Eric Sutton with an estimated completion date of June 30, 2017 to replace 7,000 feet of cable. The entire project indicated the cost to replace old cable with new cable is $55-65 per foot. Plant Accounting, Manager, Director, and VP of the Electrical Distribution Departments approved the PAF.

Audit reviewed a Supplemental Request Form prepared January 2019 that requested an additional $1,889,000 in capital for the project. This raised the capital request from $2.5 million to $4,389,000. The reason for the additional resources request was to replace more cable than initially anticipated at the time. There were 25 cable replacement projects originally part of project RI5DBR. The supplement form indicates the Company replaced 71,000 feet of direct cable while initially forecasting to replace only 40,000 feet of cable. The same Department Managers as the PAF approved the Supplemental Form in March 2019.

Audit reviewed an Engineering Work Request from September 2014 for W/O 9Z6200016 that indicates the work performed was replacing cable along Martin Road in Deering. The Work Request Cost Detail Report indicates the As-Built estimated cost was $234,025.27. The actual cost of the work order was $134,271.20. The reason for the cost underrun was due to design changes related to construction design.

The Company received six bidders for the project. Five of the bidders were moved to the second round of bidding. LJM Construction was chosen based on pricing, and technical ability to perform the work.

Review of Work Order Cost Detail

Labor	$20,151
Materials	$68,094
Loaders and Overheads	$30,346
Vehicles	$837
Meals and Mileage	$0
Contractors	$5,645
AFUDC	$75
Retirements	($8,569)
Total	$116,577

The work order 9Z620016 was unitized to account 101 Plant in Service for $116,577 in April 2017. Audit reviewed two invoices from LJM Construction for materials purchased. One invoice was for $18,172 from March 2017 that was rented to remove/excavate dirt and rocks to bury cable. This was done by dump trucks and excavators. Audit reviewed a second invoice from April 2017 for $15,078 also from LJM Construction. Audit sampled a $2,328 payroll loader on employee benefits and a $$15,756 Engineering and Supervisory Overhead without exception.

Project IT6DWANA W/O NH17D005

Audit reviewed a PAF from June 2017 that authorized $245,000 for an annual Telecom Wide Area Network project for 2018. The Manager, Director, and VP of Electrical Distribution approved the Project. The project is an annual project to replace antennas, sonnet nodes, microwave upgrades, and radios at various sites in remote areas to improve network operations that were experiencing communications issues. The project was anticipated to be in service in December 2017. Audit reviewed a Supplemental Form that requested an additional $428k for the project to bring the total to $673,000. The additional costs were due to additional antennas, installation of Cisco Nodes, and establishing new radio sites using UHF remote radio that were needed for the project. Audit reviewed an additional Supplemental Request Form requesting $157k to bring the project to $779,000. The Supplement forms were approved by the appropriate Management.

The Company invited three bidders to the project and received responses from two bidders, Beltronics and Aerial Site Communications. The companies were approved based on competitive pricing, history, and area of expertise to perform the work.

Review of Work Order Cost Detail

Labor	$13,994
Materials	$5,654
Loaders and Overheads	$12,861
Property Taxes	$4,004
Meals and Mileage	$71
Contractors	$233,265
Total	$269,848

The work order NH17D005 was unitized to account 106 Plant in Service for $269,848 in June 2018. Audit reviewed a $26,461 Beltronics Inc. invoice from August 2017 that was for microphones, batteries, cabinet, VHF Duplexer Rackmount, modules, mounting hardware, and cover screens. Audit reviewed a $$92,650 October 2017 Aerial Site Communications invoice for a rental of a helicopter and flight time to install telecommunications equipment on Ragged Mountain dispatch center.

Audit reviewed a $24,955 Crown Castle invoice from January 2018 for the installation of an antenna. Audit reviewed two payroll transactions that summed to $1,139 from July 2017. The labor was for installation work associated with the Ragged Mountain dispatch center. Audit verified the wages/time were calculated correctly.

Project IT17425 W/O IPC706CI

This was a Corporate Shared Services Annual Project for a replacement of 2,000 computers in 2017. The PAF was from February 2017 for $4,188,806. The Project Manager, Plant Accounting, and IT Management approved the PAF. The computers were over 5 years old and near the end of their useful life. The Company strives to replace twenty percent of the computers every five years as they are within the warranty period. Eversource indicated 60% of existing computers were using Windows 7 and needed to be upgraded to Windows 10 as Windows 7 products were no longer being serviced after 2017. The old computers could not be upgraded due to computability issues and software drivers could become unsupported and become vulnerable to security attacks. The Company planned to salvage and recycle the old computers for $40,000.

Audit reviewed a Supplemental Request Form from December 2017 requesting an additional $3,062,584. The cost of the project is now $7,251,660. The cost increase is due to the purchase of an additional 2,000 computers and any deployment costs necessary for Software and applications. The Project Manager, Plant Accounting, and IT Management approved the Supplemental Form.

The Company used a blanket contract that was competitively sourced from the Ergonomic Group. The deciding factors in the bid selection were hardware pricing, past performance, reference checks, technical capabilities, and support staff.

Review of Work Order Cost Detail

Labor	$0
Loaders and Overheads	$1,822
Property Taxes	$7,281
Software	$13,894
Hardware	$301,537
Total	$324,534

The work order IPC706C1 was unitized to account 101 Plant in Service for $324,534 in September 2018. Audit reviewed five invoices from December 2017 and January 2018 for the purchase of Lenovo laptop computers and Logitech computer peripherals from the Ergonomic Group. The five invoices summed to $251,731.

Project UBI1313 W/O IPC706C1

Audit reviewed a 2015 Capital Construction PAF to add a second circuit breaker added to the Bristol Substation for the new overbuilt Hendrix 477 line. The PAF indicated the project was to be completed by the end of 2016. Audit reviewed a Capital Budget Review Committee PAF that indicated the second circuit was needed since June 2013. The Project was allocated $1,746,485 in the budget. The Project Manager and the Electric Distribution Management approved the project.

An email indicates the work was performed internally and did not go out to bid.

Review of Work Order Cost Detail

Labor	$25,471
Materials	$44,153
Loaders and Overheads	$79,795
Vehicles	$8,974
Meals and Mileage	$112
Contractors	$23,209
AFUDC	$856
Retirements	($12,088)
Total	$170,482

The work order 9L420305 was unitized to account 101 Plant in Service for $170,482 in December 2014. Audit reviewed an invoice from the Bristol Police Department for $3,216 for traffic control in August 2014. Audit reviewed an inventory ticket that was for $13,123 for 477 spacer cable from August 2014. Audit sampled Lobby Stock Loaders and Engineering loaders without exception.

Project A13W02 W/O A13W0201

Audit reviewed a 2014 Project Approval Information Form for North Keene Substation Transmission work. The June 2014 PAF estimates the project will cost $10,019,759.61. The project was approved the Project Manager, Plant Accounting, and Transmission Department Management in October 2014. The reason for the project was Keene Substation was currently crowded with five 115kV to 12.47kV transformers which are heavily loaded and nearing their TFRAT ratings. The available fault current at the substation exceeds the interrupting rating of two of the transformer breakers and much of the switchgear. Most of the equipment at the Keene Substation was old and obsolete.

The project scope was divided between transmission and distribution. The distribution portion of the work focused on adding upgrading protection controls for switchgear/transformers, upgrades to RTU communications equipment, and underground control cable for the switchgear and transformers. The project anticipated completion by the end of 2015.

The Company received seven bids for the project and the winner was TRC based on the lowest price bid.

Review of Work Order Cost Detail

Labor	$114,045
Materials	$1,875,907
Loaders and Overheads	$771,566
Vehicles	$1,968
Meals and Mileage	($2,035)
Contractors	$3,769,852
AFUDC	$76,735
Property Taxes	$260,458
Total	$6,868,496

The work order A13W0201 was unitized to account 101 Plant in Service for $6,868,496 in November 2016.

Audit reviewed four transaction that summed to $3,419,038 from October 2015 through November 2018. The four transactions summed to $3,419,038 for the TRC Companies. The billing was done as part of a lump sum contract that was paid based upon when certain milestones of the project were completed. The work performed included program management, engineering, procurement, and testing, and any subcontractors.

Project A08X45 W/O A08X4509

Audit reviewed a PAF from September 2016 to replace 10 distribution steel lattice towers as part of a system reliability project due to the age and condition of the old ones in Hooksett. The project was authorized $400k and was anticipated to be completed by October 2016. The Project Manager, Plant Accounting, and Distribution Management approved the PAF in December 2016.

Audit reviewed an email by the Company regarding the work order A08X4509 that was tested. There was no bid information attached. The email indicates the winner for the work order Harlan Electric was based on the lowest price and previous work performed for Eversource. The (PSNH internal) email indicates the (PSNH) employee does not appear to be trained in monitoring the Company PAF and monitoring of cost information as he indicated he was the Project Manager in name only and never received any formal training. The email indicates the employee is not versed in Company procedures of monitoring the project. **Audit Issue # 4**

On a subsequent follow up Audit received the bid information from three bidders on the project. The Company chose Harlan Electric the lowest bidder.

Review of Work Order Cost Detail

Labor	$20,866
Materials	$107,857
Loaders and Overheads	$86,895
Contractors	$179,922
AFUDC	$2,372
Property Taxes	$10,336
Retirements	($3,169)
Total	$405,079

The work order A08X4509 was unitized to account 101 Plant in Service for $405,079 in February 2018. Audit reviewed two Harlan Electric invoices from January and February 2018 that summed to $91,293 for line relocation work in Hooksett. Audit reviewed a $9,153 Eversource inventory report from December 2017 for two steel weatherized utility poles.

Audit reviewed two AFUDC debt transactions. One was from November 2017 for $210 and January 2018 for $216. The interest rate charged on the debt was 6.25%. The payments were calculated correctly. Audit reviewed two Engineering and Supervisory Overhead transactions that summed to $3,165 from May and October 2017.

Project GE9R W/0 GE9R1802

The PAF for the project from January 2018 was for $50k to purchase tools and equipment for the Engineering organization. The Project Manager, Plant Accounting, and Distribution Management approved the PAF. An email provided by the Company indicates there was no bid document for this specific workorder, as it was below the $50,000 threshold. The purchases were made by the bid winner at the overall project level.

Review of Work Order Cost Detail

Contractors	$23,850
Loaders and Overheads	$119
Totals	$23,969

The work order GE9R1802 was unitized to account 106 Plant in Service for $23,969 in June 2018. Audit reviewed an invoice from February 2018 from Power Monitors Inc. that was for $23,850 that was for the purchase of PC Equipment for the engineering team. The parts were Bluetooth and wireless devices to connect to transformers.

Project NHMTR18 W/O CFINH18A

This was part of an Operations PAF from November 2017 to purchase meters. The PAF authorized $33,030,000 to be spent on meters within Eversource Energy. The amount allocated to PSNH was $2,320,000. The Project Manager, Plant Accounting, and the Electrical Operations Management approved the PAF in November 2017. The contract for the meters went to Itron that was part of a sole source justification provided from January 2019. The SSJ was because Itron was able to meet the technical specifications of the AMR meters, as they were a bridge technology based on AMR meter reading and smart grid technology. The Company originally went out to a completive RFP in 2013 for the meters and because Eversource purchased a large volume, they were able to negotiate a discount in the price. Based on an analysis by the Company the meters were still competitively priced in 2018. The Company did not provide the SSJ for 2018. **Audit Issue # 4**

Review of Work Order Cost Detail

Labor	$351,870
Materials	$913,381
Loaders and Overheads	$262,997
Total	$1,528,248

The work order CFINH18A was unitized to account 106 Plant in Service for $1,528,248 in January 2018. Audit reviewed an inventory report from August 2018 for $151,750 for 288 meters to be installed. Audit reviewed a $132,202 payroll report from November 2018. Audit verified the hours worked and the rates were charged correctly for straight time. Audit reviewed an $80,274 payroll benefits transaction from August 2018 that is for items such as insurance and employee benefits.

Project A14W18 W/O 9K420948

Audit reviewed Project A14W18 from April 2014 that was for the installation of substation infrastructure needed for a new North Keene substation and the replacement of Keene substation equipment. In order to take full advantage of the new substation an integrated circuitry plan was required for the greater Keene area. The new substation was needed to split the load in the Keene area. The Project was estimated to cost a total of $1,820,000 with $906,000 in direct costs approved. The Project Manager, Plant Accounting, and Transmission Management approved the PAF in March 2015 for $1,802,148 based on updated estimates. The project was estimated to be placed into service at the end of 2016.

Audit reviewed a Supplemental Request Form from December 2018 that indicated the project was placed into service on April 18, 2017. The supplemental indicated the total actual spending was $1,811,013 with an additional $8,865 in additional funds requested. The reason for the additional request was a net difference between direct and indirect costs.

The Company received three bidders for the five segments of the project. Asplundh Tree Services was the winner as they were the most complete bidder for all segments of the project. Northern Tree Service won another portion a segment based on being the lowest price to cut trees per mile.

Review of Work Order Cost Detail

Labor	$34,264
Materials	$61,421
Loaders and Overheads	$97,915
Vehicles	$10,645
Meals	$75
Contractors	$178,050
AFUDC	$893
Total	$383,263

Audit reviewed work order 9K420948 that was unitized to account 101 for $383,262 in June 2016. Audit tested specific transactions such as payroll charges, vendor invoices, loaders overheads, and materials expenses to source documents on the GL. The work order was for the installation of a new circuit for the N. Keene Substation.

Audit reviewed two invoices for Northern Tree Service for tree work on Route 12. One was for $44,168 and the other was for $38,912. The trees had to be cut and removed to make way for the feeder cable and substation equipment.

Audit reviewed a $1,431 payroll transaction that was for 32 hours of work installing a transformer cable. Audit reviewed a stores loader expense for $2,339 that was for the installation of an overhead conductor in inventory. Audit reviewed a $1,425 engineering and supervisory overhead associated with supervising crew members.

Project 18707

Audit reviewed a December 2017 Corporate Shared Services PAF for PSNH Distribution Building and General Facility Renovations. The project was estimated to cost $1,877,000 to be in service by December 31, 2018. The projects in the renovation included bathroom renovations, conference rooms, HVAC, chairs, ductless heat pump, snowplow purchases, and purchase of property in Hooksett for additional parking at the maintenance plant, and Energy Park artwork at the Eversource Café. The PAF was signed and approved by the appropriate management in compliance with capital policies.

Audit reviewed a January 2019 Supplemental requesting an additional $907,940 to bring the project to $2,784,940. The estimated completion date is December 31, 2019. The reason for the cost increase was the replacement of the cooling tower in Manchester Energy Park and purchase of the Martins Ferry Road property in Hooksett. The Project Manager, Plant Accounting, and Management of Corporate Supply Chain Management signed the supplemental.

The artwork was under $50k so this do not meet the Company threshold for competitive bidding per policy.

Review of Work Order Cost Detail

Loaders and Overheads	$74
Contractors	$14,750
Total	$14,824

Audit reviewed work order F1806049 that was unitized to account 106 for $14,824 in September 2018. The work performed was for a mural about the history of Eversource. The mural is located in the Eversource Energy Bar in the employee cafeteria in Manchester. The project is described as an employee engagement and appreciation project. Audit reviewed an invoice from Bailey Donovan that was for the design, framing, graphics, art, and installation of all aspects related to the mural. Pictures of murals are not a prudent use of ratepayer funds **Audit Issue # 6**

Enterprise IT

Audit was asked to review the Enterprise IT Projects that was part of Discovery in the instant docket. Information was obtained via responses to Staff data request 5-019, and OCA data requests 2-041, 7-053, 8-023, 8-024, and 8-025, among Audit questions. Refer to the Operations and Maintenance accounts 930RAX and 930300.

Overheads

The Company provided Audit with a summary of Loader and Overhead allocations. The loaders include the Stores Expense, Lobby Stock Loading, General Service Company Overhead, Payroll Benefits, and Non-Productive Employee Time. The overheads consists of Engineering and Supervision (E&S), Administrative Salaries Expenses (AS&E), Vehicle Costs Clearing, Miscellaneous Distribution Expenses, and Allowance for Funds Used During Construction (AFUDC).

Loaders

The Stores Expense loader allocates the cost of operating a storeroom, via a clearing account to the code block of the input materials issued applied to lobby stock. The loader is applied when stores is run. There is a true up to the clearing account that is performed quarterly to adjust the rate as needed. This cost element is ZST.

The Lobby Stock loader allocates the costs of high volume, low cost inventory items, via a clearing account, to the code block of the input materials. Only distribution projects/work orders are considered. This is run daily with a true-up calculation run quarterly and adjustments to the rate as needed. The cost element is ZLO.

The Non-Productive Employee loader is the costs of labor activities considered non-productive in nature such as vacation, holiday, personal, and sick time. The loader is applied when payroll is run and the rate is calculated annually based on actual time charged. The rate is adjusted as needed. The cost element is ZNP. The rate is applied at the work order level to productive labor cost elements (L11, L12, L13, L14 relating to labor straight time; L21, L22, L23 relating to overtime; and L41, L42, L43 relating to labor premium). Any non-productive labor or cost elements L31, L32, L33, L34, L35 is excluded.

The payroll benefits spreads the employee costs by operating company and business segment such as payroll taxes, workers' compensation, pension, medical, and other employee benefits. The calculation to determine initial Payroll Benefit overhead rate is calculated by the Investment Planning group based on the annual budget. If there is a significant change throughout the year, Corporate Accounting will recalculate and update as needed. The rate is applied at the work order level to productive labor cost elements (L1x, L2x, and L4x) plus the related non-productive overheads (ZNP). Any non-productive labor or cost element L3x is not included in the calculation.

The General Service Company Overhead loader applies to Eversource Energy Service Company only. This loader allocator spreads employee costs such as facilities, reprographics, depreciation, payroll taxes, workers' compensation, pension, medical, and other employee benefits in the code block to which payroll is charged. The general service company overhead is calculated by dividing the budgeted service company costs by total budgeted service company labor.

The General Service Company overhead allocation rate is set annually and updated when there are significant changes during the year. The calculation to determine initial General Service Company overhead rate is calculated by the Investment Planning group based on the annual budget. If there is a significant change throughout the year, Corporate Accounting will recalculate and update as needed. The cost element is ZGS. This rate is applied at the work order level to Eversource Service Company (Intercompany entity 61) source productive labor (cost elements L1x, L2x, and L4x) plus the related non-productive overheads (ZNP). Any non-productive labor or cost element L3x is not included in the calculation.

Overheads

The Administrative Salaries and Expenses (AS&E) costs consist of functions which support the Company's construction program that include plant accounting, payroll, and legal that are loaded onto work order costs only. This excludes cost elements related to contributions, AFUDC, and unvouchered liabilities on a work order. The fixed overhead rate is applied monthly and the rate changes monthly. The cost element is ZAS.

The Engineering and Supervision (E&S) costs consist of functions and activities that support the Company's construction program related to supervising and engineering that cannot be charged directly to a work order. This overhead excludes general and IT work. This is applied monthly and the rate could change monthly. The overhead is loaded onto internal labor plus benefits as well as certain contractor labor costs. The cost element is ZES.

The Miscellaneous Distribution Expenses overhead consists of tools that are initially charge to an expense that are used in construction projects, loaded on work order costs only. This is applied monthly and the application is similar to Engineering and Supervisory overhead. The cost element is ZMI.

The vehicle costs clearing costs represent the actual cost of vehicles that support operations, maintenance, and construction processes. The costs are accumulated by the Company and allocated to work orders based on productive labor within a vehicle cluster. The rate is applied monthly and the rate calculation is based on the monthly balance. The cost element is ZVE.

The Allowance for Funds Used During Construction (AFUDC) represents the cost of borrowing funds needed to complete construction programs; loaded on total capital costs only of a work order. This excludes unvouchered liabilities that are not loaded on work orders that have not been placed into service. The rate is applied monthly and the rate calculation changes monthly.

Continuing Property Records

The Company provided Excel Spreadsheets for each work order that detail when the projects were unitized, placed into service, and taken out of Construction Work in Progress. From the Excel spreadsheets Audit tested individual work orders and was provided with journal entries of the projects that were unitized to plant in service from PowerPlan. See the review of each work order in this report that discusses when the work orders were unitized to plant in service.

Audit reviewed a range of projects/work orders from 2009-2018. The types of work reviewed consist of IT work, solar panels, installation of cable wire, transformers, conductors, highway relocation work, substation work, polymer insulators, and cap switchers.

Cost of Removal

The Company provided the Cost of Removal detail within the CPR activity that contained a summary of the plant additions and retirements within the CPR system to the 2018 FERC Form 1 plant activity. Audit was provided a reconciliation between the GL cost repository and CPR records.

Retirements

Audit reviewed the Company retirement manuals for general and distribution plant projects. The manuals summarize how the Company retires the 300 level plant accounts. Eversource adheres to the Uniform System of Accounts which defines the 300 level of accounts used to record utility plant assets. The Account/Subaccount combinations are imbedded in the

Eversource Work Management System (STORMS) compatible units (CU), so when a job is estimated it will automatically generate the correct account codes based on the CUs selected. The Eversource Standards Group is responsible for maintaining and creating CUs as needed and assigning the account/subaccount combination. These CU's are reviewed by Plant Accounting for account correctness.

The Company provided the CPR records that were verified to the 2018 Annual Report. The retirements on the 2018, FERC Form 1 were ($54,537,258). Audit reviewed individual project/work orders in PowerPlan that debited account 108 and credited account 101 the individual asset being retired.

Audit reviewed the FERC Form 1 retirement amounts for reasonableness and on the 2018 FERC Form 1 and noticed $23,891,344 was retired to account #370 meters. This is significantly above the normal range for what is a routine annual item. No meters were retired from 2014-2017. The Company indicated the reason for this was due to an issue in PowerPlan where the activity on blanket work orders was not being closed out correctly. The issue was identified and the Company worked with a PowerPlan consultant on the matter. During this period, retirements were being held in a holding table and not being booked to the general ledger. In February 2018, the issue was resolved and the holding table used to process the retirements was entered in the Gl as a catchup retirement entry. The Company indicated this did not affect any other account except for another catchup entry related to account 370 meters when performing a reconciliation between PowerPlan Continuing Property Records and the Meter PowerTrack software for $14,327,816. Audit reviewed the correcting entries. The issue is now resolved and going forward meters are now retired on a semi-annual basis. **Audit Issue # 5**

Plant Materials and Supplies

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
154000	($187)			($187)
154010	$11,861,558	$11,882,340		$23,743,898
154070	$182,436			$182,436
154080	$464,871			$464,871
154PC0	($407,299)			($407,299)
Total	$12,101,379	$11,882,380	$0	**$23,983,769**

Audit verified the Plant Inventory GL account to FERC Form 1 line 48. Audit reviewed plant inventory selections in the review of each individual work order tested. The total on Filing Schedule EHC-TMD-36 is $12,213,448. This is $112,069 different from the FERC 06 distribution total. The reason for the difference was due to $13,069 Lobby Stock Clearing booked to account 163010 and a $99,000 out of period adjustment that was mineral oil for transformers.

Allowance for Funds Used During Construction (AFUDC)

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
419100	$518	$15,564	0	$**16,082**
432000	($553,978)	($697,595)	($12,369)	**($1,263,942)**

Audit reviewed the 419100 AFUDC Equity account to FERC Form 1 Line 38 page 117 and 432000 AFUDC Borrowed Amount to FERC Form 1 Line 69 page 117. There were no AFUDC costs listed on the filing schedules. Activity within both accounts was offset to the Construction Work in Process account 107010. See the review of individual work order in this report for review of individual AFUDC detail.

RSA 125-O:5

RSA 125-O:5 Energy Efficiency, Renewable Energy, and Conservation and Load Management Incentive allows for PSNH to *"utilize SBC funds equivalent to the unencumbered amount, if any, rolled over from the prior program year for energy efficiency projects at facilities owned and operated by PSNH, provided that the company made a good faith effort in the prior program year to meet the goals approved by the public utilities commission for its core energy efficiency programs, and provided that the SBC funds used by PSNH shall not exceed 2 percent of all SBC funds collected in the prior program year. PSNH may utilize these funds to implement approved core energy efficiency initiatives or measures at PSNH's facilities that are cost effective and which enhance the efficient use of energy at PSNH facilities. Any energy savings resulting from the use of these funds by PSNH at its facilities will not be included in the calculation of PSNH's energy efficiency program goals, any shareholder incentive, or any other incentive program. In any year that PSNH utilizes SBC funds, PSNH shall submit a report to the public utilities commission and the department detailing how these funds were utilized, and will make the report available to interested parties. Any party may request that the public utilities commission schedule a hearing to review these reports and the expenditure by PSNH of rolled over SBC funds at its facilities."* Audit requested the listing of projects completed using the 2%, and summarized them as follows:

2007 Projects	Distribution	Generation	
Automotive Maintenance Center	$ 24,975.00		lighting retrofit
Merrimack Station (job 07, entry '08)		$ 99,825.15	lighting retrofit
Rochester AWC	$ 36,768.30		lighting retrofit
2008 Projects			
73 West Brook St. Call Center	$ 54,900.00		EE lighting improvements
73 West Brook St. Call Center	$121,117.00		EE improvements
73 West Brook St. Call Center-2	$113,020.51		EE improvements
73 West Brook St. Call Center-3	$ 5,951.54		EE lighting improvements
2011 Projects			
Berlin AWC	$ 29,967.00		re-lighting project
1250 Hookset Road	$ 14,777.00		high efficient light fixtures and HVAC equipment
Chocura AWC	$ 22,055.00		re-lighting project
Lancaster AWC	$ 21,991.00		re-lighting project
Schiller Station		$ 28,170.16	re-lighting project
2012 Project			
Oprtsmouth AWC	$ 37,528.50		re-lighting project
2013 Projects			
Chocura AWC	$ 14,200.00		exterior LED
Schiller Station		$196,492.63	re-lighting project
	Distribution	Generation	
Capital using SBC 2% Set-aside	$497,250.85	$324,487.94	
Combined Distribution and Generation	$	821,738.79	

Each project (principally for the Distribution segment) was to be considered as Contributions in Aid of Construction. Journal entries for all projects were provided. Each debited the Accrued CL&M account (originally 229P9, then updated to 254P90). Credit entries were primarily booked to either Construction Work in Progress, account 10709, or Accumulated Provision for Retirements, account 10808. Audit requested clarification of the reductions to those accounts, and the Company indicated "*The offsetting credit entries were principally posted to either CWIP or Accumulated Provision – Retirements since the costs of the project were recorded to these accounts. Any SBC funds applied to these projects would be recorded as credits, and therefore, reduce the total cost of the projects recorded as plant assets.*"

REVENUE $906,870,723 per Filing Schedule PUC 1604.01(a)(1)

The account detail portion of the filing, PUC 1604.01(a)(1), attachment 4, page 2, reflects the total test year 2018 revenue of $906,870,723 for the Distribution (06) portion of the Company. Audit tied the filing to the general ledger account balances with no exceptions.

Audit noted that the total operating revenues figure of $906,870,723, reported in the filing, differed from the total operating revenue of $1,047,009,412, reported on both the 2018 FERC Form 1, page 300 of the Annual Report, as well as the revenue requirement summary within the filing, Schedule EHC/TMD-4. Upon review of the general ledger revenue account balances for the Transmission (6T) and Generation (6F) portions of the Company's revenues, Audit determined that the difference of $140,138,689, between the total operating revenues reported on the filing, PUC 1604.01(a)(1), attachment 4, page 2, and the total operating revenues from the FERC Form 1 and from the revenue requirement within the filing, is the result of excluding the 6T and 6F revenue accounts from the detailed portion of the filing, PUC 1604.01(a)(1), compared to their inclusion on the FERC Form 1 and within the filing's revenue requirement summary.

Audit calculated the variance between each of the Distribution revenue accounts and their corresponding amount reported on the FERC Form 1, and tied the individual variance amounts to the balances reported on the general ledger for either the Transmission portion, the Generation portion, or both. Audit verified that the filing accurately reports the Distribution portion of the Company's revenue accounts and understands that only the Distribution revenue accounts are included for the rate case filing.

Audit acknowledges that the 2018 FERC Form 1 total operating revenue of $1,047,009,412 is an increase of $52,798,003 over the previous year's reported total operating revenue of $994,211,409. The following depicts the side-by-side comparison of the Distribution revenue account balances submitted within the filing and the revenue account balances, which include the Transmission and Generation portions, reported on the FERC Form 1 Annual Report:

Public Service Company of New Hampshire
FERC Income Statement Trial Balance For the Year Ended December 31, 2018

	PSNH Distribution Filing	PSNH FERC Form 1
440000 Residential Sales	498,227,541	557,497,739
442010 Commercial Sales	291,888,586	312,485,488
442020 Industrial Sales	77,135,078	79,250,829
444000 Public Street + Highway Lighting	4,280,428	4,447,346
447110 Sales For Resale Energy ISO-NE	22,278,251	41,960,474
447120 Sales For Resale Misc - ISO NE	63,741	1,003,338
447210 Sales For Resale - Capacity ISO NE	20,040,713	20,081,635
447300 Sales For Resale - Requirement Service	1,965,675	1,965,675
447400 Sales For Resale- Other	2,965,726	2,965,726
449100 Provision For Rate Refunds	-12,276,000	-13,850,129
449A2X Provision For Rate Refunds-Intracompany ICP	0	0
449E1X Provision For Rate Refunds-Inter Co ICP	0	-12,137,070
450000 Late Payment Charges - Electric	959,162	959,162
451000 Miscellaneous Service Revenue	3,108,541	3,108,541
454001 Rent from Electric Property Other	23,783	30,616
454200 Rent from Electric Property PTF	5,695,107	7,578,099
45601X Electric Rec Revenues ICP	791,502	1,486,003
456020 Electric Rec Revenues	-14,771,575	-13,671,674
456120 Credits ISO-NE Reliability Issues	0	142,156
456130 Rev Trans of Elec of Others - OATT Sch 2 Rev	0	150,955
456100 Rev Transmission of Elec of Others	4,187,531	7,557,005
45611X Rev Transmission of Elec of Others- Sch 21 Intracompany ICP	0	0
45613X Rev Transmission of Elec of Others- Other Alloc RNS ICP	0	0
456140 Rev Transmission of Elec of Others- Through + Out Serv	0	312,415
45614X Rev Trans of Elec of Others- S+D for RNS ICP	0	0
456150 Rev Transmission of Elec of Others- Alloc Con RNS	0	27,356,739
45616X Intercompany Sch-21 Revs ICP	0	16,059,435
456170 Rev Transmission of Elec of Others- Sched + Disp Anc	0	38,721
45618X Rev Trans of Elec of Others- S+D for Sch 21 Intraco ICP	0	0
456190 Allocated Segmented Sched + Disp	0	-16,762
45619X Rev Trans of Elec of Others- S+D for Sch 21 Interco ICP	0	-93,694
456990 Other Electric Revenues – Other	306,934	340,645
Total Operating Revenues	906,870,723	1,047,009,412

Audit requested a description of the billing process and the Company provided the following statement:

"Customer Information System, named C2, handles customer billing for residential and small customers…C2 has a metered billing process which initiates with the entry and/or upload of batched gas and electric meter reads. The measured utility usage is calculated by deriving the difference between the previous billed meter reads and the new meter reads. If the derived usage passes a series of validations the process continues, the service rate rules are applied with the usage to generate the service account receivable amounts. Non-metered service receivables

(e.g. Streetlights) are cyclically derived based on the service rate rules and rates. Tariff defined billing calculations such as late payment charges are also performed in the C2 billing system based on the service rate rules and rates. All service account receivables are combined to generate the customer account statement amount to appear on the standard utility bill. These steps are performed each day as part of the nightly batch billing cycle for customer accounts eligible for billing within the current billing cycle for each month. At the completion of all the planned billing cycles for a given month, all of the billed revenues are summarized and sent from the C2 system to Eversource's General Ledger system, named POWERPLAN, via a monthly job run as part of the Monthly Closing billing cycle. Reconciliation and balancing between C2 and the General Ledger is performed on a monthly basis."

The Company also provided a diagram, illustrating the aforementioned billing process. Refer to the *Residential, Commercial, Industrial, Public Street and Highway Lighting, and the Sale for Resale, 440000 – 447210* section of this report for further detail regarding the billing system and process.

Audit requested the monthly general ledger and C2 reconciliations for the revenue accounts. The Company provided copies of the Customer Information System (CIS) general ledger interface reconciliation, in the form of Excel spreadsheets, for each month of 2018. Audit reviewed each month's general ledger activity to the monthly reconciliations for the revenue accounts. No exceptions were noted.

The Company also provided reports for the C2 and LPB combined unbundled revenue information for each month of test year 2018. Audit added each month's reported sales for a total of $969,068,748 in revenue for the year and noted the variance between the C2 and LPB combined unbundled revenue and the $906,870,723 total operating revenue reported in the filing Income Statement Trial Balance, PUC 1604.01(a)(1), attachment 4, page 2. Audit questioned the variance and the Company explained that the C2 and LPB unbundled revenue summary sheets contain some items that are not booked to the revenue account. For example, the consumption tax line is part of the customer-billed amount and included in the C2 and LPB unbundled summary but the Company records the consumption tax to a payable account, as it is a pass through item to the State of New Hampshire.

For further review, Audit requested a reconciliation of the filing to the FERC Form 1 and also to the C2 and LPB combined monthly revenue information summary. The Company provided a spreadsheet, detailing the requested reconciliation. Audit questioned why there were "non-tracked" amounts listed on the reconciling spreadsheet. The Company explained that the amounts listed on the reconciliation spreadsheet are, *"Items that are included in the 11100 line of business for distribution."* Audit noted that the reconciliation depicts totals that are grouped by FERC account, as well as by Line of Business Description. Audit tied all total balances to their respective summary reports.

Audit requested further clarification for what constitutes "non-tracked" items. The Company responded with the following:

"'Non-tracked' generally means Distribution items that are not captured within a separate rate mechanism, [whereas] tracked items are captured in a separate mechanism. 'Rate mechanism' was a Commission approved home for certain costs and/or revenues and a way to monitor them. Tracked items with revenues and expenses will typically have a reconciling feature as well, where any over/under recoveries are collected from or returned to customers."

Flow-Through Items

Audit noted a total distribution amount for Re-class/Remove Adjustment Clauses of ($694,676,467), as reported in the November 4, 2019 updated filing schedule EHC/TMD-4(Perm). Bates page 000079 of the direct testimony from the Company's Director of Revenue Requirements (NH) and Regulatory Projects, Eric Chung, and the Director of Revenue Requirements, Troy Dixon, explains the schedule through the following statement:

"Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-4 (Perm), page 1 shows the Test Year revenue per books in Column (B). Non-distribution revenues of ($694,676,467) that were recognized in the Test Year as distribution revenue have been removed from Test Year revenues as shown in Column (C). More specifically, as shown in lines 27 through 32, Column (C), the non-distribution revenues of ($603,842,286) that have been removed from the Test Year are recovered through other reconciling rate mechanisms established by the Commission, including transmission, Energy Efficiency, retail, electric assistance program, and Energy Service. Other Revenues shown in lines 38 through 44, Column (C) totaling ($90,834,181) were also removed from Test Year revenues."

Audit reviewed the updated schedules and requested the general ledger accounts that include any re-classed/removed adjustments. In response, the Company provided a spreadsheet of Adjustment Clauses, as well as a Reconciliation Mechanism Summary, depicting the detail of the flow-through items by FERC account and Line of Business (LoB). The FERC accounts that include re-classed/removed items are the Residential Sales, Commercial Sales, Industrial Sales, and Public Street and Highway Lighting accounts. Audit identified the following eight LoB descriptions: Retail Transmission, Energy Efficiency – NU, Energy Efficiency – SBC, Transition SCRC-CTA-CTC, Retail Revenues – ES Small Customers, Retail Revenues – ES Large Customers, EAP, and Regulatory PSNH Total Energy Service.

The following depicts the flow-through items recorded in the filing and updated on November 4, 2019, as per schedule EHC/TMD-4(Perm), Page 1 of 3:

Reconciliation Mechanism by LoB		**Re-class/Remove Adjustment**
Retail Transmission Revenue		(168,884,457)
Energy Efficiency Revenue		(23,825,806)
Transition Revenue		(96,042,501)
Retail Revenues - ES Large/Small Customers		(231,798,653)
EAP Revenue		(1,141,100)
Regulatory PSNH Total Energy Service Revenue		(82,149,769)
Total Reconciliation Mechanism	$	(603,842,286)
Other Revenues		
Sales for Resale (447)	$	(63,045,447)
Provision for Rate Refunds (449)		13,711,199
Late Payment Charges (450)		-
Misc. Service Revenues (451)		-
Rent from Electric Property (454)		(1,889,825)
Other Electric Revenue (456)		11,603,751
Revenues - Transmission of Electr of Others (456.1)		(51,213,859)
Total Other Revenues	$	(90,834,181)
Total Re-class/Remove Adjustment	$	(694,676,467)

The Reconciliation Mechanism Summary was confirmed to the general ledger totals for each FERC account and LoB, for an aggregate amount for re-classed/removed adjustment items of ($694,676,467). Audit confirmed that the total consists of ($603,842,286) in Sales Revenue accounts and ($90,834,181) in Other Revenue accounts, including Sales for Resale, Rent from Electric Property, Other Electric Revenue, Provision for Rate Refunds, and Revenue Transmission of Electric of Others accounts. Audit reviewed the provided spreadsheets for Adjustment Clauses, the Reconciliation Mechanism Summary and the Other Revenue Summary, and verified that the Total Re-class/Removed Adjustment of ($694,676,467), consisting of the Total Reconciliation Mechanism of ($603,842,286) and the Total Other Revenues of ($90,834,181), was removed from the 2018 test year distribution revenues.

Accrued Utility / Unbilled Revenues

The total unbilled revenue posted for December 2018 was $47,145,012. Audit verified this total to the filing and the FERC form 1, noting a reported net change amount of $(2,303,379) between the December 2018 balance and the December 2017 balance of $49,448,391.

Audit asked the Company for an explanation of the process for calculating the Accrued Utility revenue. The Company summarized their procedure with the following statement:

"*Unbilled revenues are recognized by allocating estimated unbilled sales volumes to the respective customer classes, and then applying an estimated rate by customer class to those sales* *volumes. Unbilled revenue estimates reflect seasonality, weather, customer usage patterns, customer rates in effect for customer classes, and the timing of customer billing."*

Audit requested the calculations for the December 2018 and January 2019 accrued revenue journal entries, depicting the detailed unbilled revenue activity, as well as spreadsheets containing the unbilled revenue calculations. Audit reviewed the provided documentation, along with detailed journal entries for both months and copies of the segmentation of accounts and LoB. Audit verified that the December 2018 journal entries, recording the unbilled revenues, did reverse in January 2019.

Audit understands that the Company estimates monthly unbilled revenues through use of the daily load calculation (DLC) method. The Company further explained the method in the following description:

"The DLC method uses daily loads to calculate the percent of usage in a billing period that is in the calendar month. This percent is multiplied by the billed sales of that read day to estimate billed sales for that read period. Each billing cycle 'billed' sales is summed."

The Company then estimates total sales usage by multiplying the monthly load by an efficiency factor and then subtracting the estimated billed sales from the estimated total sales usage to determine the unbilled sales KWH. Audit tested the Company's DLC method by reviewing the detailed journal entries and unbilled revenue calculations for December 2018 and January 2019.

Additionally, Audit randomly selected four entries from the 2018 general ledger, resulting in one entry per quarter, and requested the documentation and/or spreadsheets to support the unbilled amount recorded. The Company provided the detailed journal entries, along with copies of the billing load cycle, as they pertain to Audit's selections. Audit recalculated the percentage of usage and billed loads for verification.

Residential, Commercial, Industrial, Public Street and Highway Lighting, and the Sale for Resale, 440000 – 447210: Audit reviewed the sales transactions from each of the Residential, Commercial, Industrial, Public Street and Highway Lighting, and the Sale for Resale accounts and selected four samples, one from each reported quarter of test year 2018, to examine in relation to the amounts recorded on the general ledger. The Company provided an Excel file containing detailed journal entries for the requested sample selections.

One of the sampled amounts reported on the general ledger totaled $114,273 in residential sales. Audit reviewed the provided journal entries and noted the amount was for unbilled revenues made up of two journal entries and which comprise the aggregate general ledger recorded line item of $114,273. Audit requested further clarification regarding the generation of customer bills for the "sales" sample transactions. The Company replied with the following statement:

"The data in [the Sales account] is for the revenues associated with residential [commercial, industrial, and public street and highway sales]. The way our system works is the

bills are calculated in our customer billing system and are passed to the GL through an interface as an aggregated amount."

Audit also requested an understanding of the general billing system process. The Company provided a PowerPoint file depicting the accounting systems and their interface with one another, as well as the general diagram of how they are implemented. Audit reviewed the diagram and noted depictions of the C2 accounting system flow chart through PowerPlan. The PowerPlan System retains the detailed accounting records, which flow up from the Company's source systems, including payables, billing and AR, inventory, and cash. Furthermore, the Company provided the following description regarding the flow and purpose of the billing development and procedure:

"[The lines in the selection] are the monthly billed revenues passed from the customer billing system to the GL through an interface. It comes through as one number to the GL...[where the selected line item] is made up of individual customer bills."

<u>*Sales for Resale, 447110:*</u> Sales for Resale, in the amount of $47,314,105 for test year 2018, represents the ISO-NE sales that are part of Energy Service and Stranded Cost rates. Audit reviewed the detailed general ledger, as well as a summary sheet of the 2018 charges for the account, and observed fourteen entries between April and December of the test year. Audit questioned why there were no entries for the months of January through March 2018. The Company responded with the following:

"In January-March 2018, prior to the divestiture of Generation assets, these were part of the Energy Service and appear in [the Generation] entity 6F, line of business 21100. After the divestiture of Generation, these costs were transferred to the Stranded Cost rate and are recorded to [the Distribution] entity 06, [Line of Business] 12790 and 12310."

Audit verified the Commission approval of the transfer of costs to SCRC, as part of Docket No. DE 17-113. Additionally, Audit reviewed the general ledger transactions for entity 6F and noted the following netted amounts of ($18,441,946) recorded in January, ($475,052) recorded in February, and ($765,226) recorded in March, for a combined total of ($19,682,224) in Sales for the first quarter of 2018. Audit confirmed the Company's statement that these amounts appeared in the line of business 21100, as part of the Energy Service.

Audit then reviewed the summary reports and reconciliation for Energy Service and Stranded Cost Recovery and was able to tie the amounts of ($19,682,224) in Sales and $43,622,318 in Purchases, for a net amount of $23,940,000. Within the reconciliation report, Audit verified a recorded amount of $28,218,864 in April 2018 for the transfer of non-scrubber energy service costs to stranded cost. The Company provided support for this transfer in the three-month summary report for the Energy Service and Stranded Cost Recovery. The report identifies the non-scrubber costs, as well as the net under recovery amount of $127,898,086.

Audit verified that the total Energy Service under recovery amount of $127,898,086, included the generation costs of $92,675,700 for January through March of 2018. Audit also noted that comprising the $92,675,700 in generation costs, was the amount of $23,940,000 in Purchases and Sales for the same period of January through March of 2018.

Miscellaneous Service Revenues, 451000: Audit reviewed the general ledger Miscellaneous Revenue account, totaling $3,108,541. The majority of the postings to this revenue account were for customer reconnection and collection charges. The Company clarified that The Miscellaneous Service Revenue account, *"Is an interface from the customer billing system and the [posted amounts are] passed as one amount to the GL."* Audit understands that the amounts recorded as line items on the GL are an aggregate total and requested the detail for four sampled inter-company amounts. The Company confirmed that Audit's sample selections *"…are summarized amounts from the C2 billing system interface to the GL. These items occur in C2 on multiple accounts based upon the tariffs for reconnect fees and collection charges and are summarized and sent in total to the general ledger."* The Company provided journal entry detail, as well as a spreadsheet of the collection charges detail for two months. Audit noted that the selected entries are a debit to Customer Accounts Receivable (142010) and a credit to Miscellaneous Revenue (451000).

Audit reviewed the Tariff to ensure that the terms and conditions of any collection fees were both permitted and accurately acquired. Page 23 of the 5th revised Tariff explains the allowance of the Company to collect fees for *"…all amounts previously billed but remaining unpaid after the due date printed on the bill,"* and at a rate of 1 ½ % of any remaining unpaid and previously billed amount. Audit sampled one of the customer invoices included and confirmed the 1 ½ % late fee calculation.

Rental from Electric Property, 454001: Audit selected four transactions, one from each quarter of test year 2018, from the general ledger account and requested the supporting documentation. Audit reviewed copies of the rental bill forms, as well as the corresponding detailed general ledger entries and the Lease Fee Summary Sheets for pole attachments. Audit verified that the revenue received was for pole attachments and "apparatus" rentals from TMobile, Sprint, and Crown Castle Fiber/NEON, with the offsetting entry to Miscellaneous Revenue Receivable (1420). Additionally, Audit requested the contracts from these four companies providing the rentals, as well as any special company contracts for the rental income. The Company provided the requested applicable contracts for Audit's review.

The details outlined within the four contracts were reviewed by Audit and include site leases, for property throughout New Hampshire, *"for the purpose of installation, operation and maintenance of unmanned radio communication equipment and related telecommunications activities."* Audit noted that the master lease agreements on page 7, section 8(ii) for T-Mobile Omnipoint and section 6, exhibit B for Sprint/Nextel, outline the fee schedule and its 4% annual escalation. Additionally, the Company provided spreadsheets documenting the annual rent escalations, as per the master lease agreement for both T-Mobile Omnipoint and Sprint/Nextel. For verification, Audit recalculated the T-Mobile Omnipoint and Sprint/Nextel annual rent escalation amounts for 2003 – 2018.

The Crown Castle Occupancy Agreement was reviewed by Audit. Section 22.1 outlines the details of the annual fee and section 22.2 describes the Consumer Price Index (CPI) adjustments. The Company provided the escalation spreadsheet of the annual duct fee rate, which was at $6.58/ft. for 2018. The duct fee rate of $6.58/ft. was multiplied by the number of feet of underground cable to get to the billed amount, as reported on the customer rental bills reviewed by Audit.

Other Electric Revenue, 456100:

The revenue recorded in this account is associated with PSNH's Hydro Quebec Revenues and Support Costs. The Company provided a description of the costs and revenue within this account, as further detailed on page 4 within the testimony of Christopher Goulding, Manager of New Hampshire Revenue Requirements, filed in Docket No. DE 18-089. The following is the response of The Company regarding the description of costs:

"Hydro-Quebec support costs are costs associated with FERC approved contractual agreements between Eversource and other New England utilities to provide support for transmission and terminal facilities that are used to import electricity from HQ in Canada. Under these agreements, Eversource is charged its proportionate share of O&M and capital costs for a thirty-year period ending in 2020. Eversource's share of any revenue associated with the HQ facility was previously returned to customers through the ES rate. Effective July 1, 2010, consistent with the requirements of NHPUC Order No. 25,122, in the 2010 TCAM docket, Docket No. DE 10-158, Eversource began returning its share of any HQ facility revenues to customers as a revenue credit in the TCAM."

Audit reviewed the general ledger account, noting a balance of $4,187,531, and verified the amount against the filing. Entries within the general ledger included monthly transactions, with varying amounts recorded per month, and with the description of "Revenues Transmission of Electricity of Others." Audit questioned the nature of these recorded transactions and the Company responded with the following statement:

"*The majority of these revenues are received from ISO-NE for Regional Network Service (RNS), as well as the revenues received under Schedule 21-ES (Our Transmission Tariff) for Local Network Service."*

Audit noted that although the Distribution general ledger account balance tied with the filing amount of $4,187,531, the balance reported on the FERC Form 1 totaled $51,213,859. Audit questioned the $47,026,328 variance between the filing and the FERC Form 1, prompting the Company to state that, *"Some of the revenues are eliminated at the FERC Form 1 Reporting level as they are INTRA-Company from PSNH Distribution, paid to PSNH Transmission…[the revenues] are the only Transmission revenues which are recorded to PSNH Distribution (06) account 456.1 . These revenues are received from Hydro Quebec US and are included in the Transmission Cost Adjustment Mechanism (TCAM) rate filing as indicated by the line of business 12100. These revenues are not included in the distribution rate."*

For verification, Audit reviewed the Company provided summary sheet of the Revenues for PSNH FERC—Consolidated. Audit identified the $47,026,328 variance between the filing amount of $4,187,531 and the FERC Form 1 amount of $51,213,859, as being the result of eliminating the intra-company revenues of $152,434,116 from the Transmission portion total of

$199,460,444. Additionally, Audit identified the Distribution and Transmission revenues totaling $203,647,975 and minus the $152,434,116 of intra-company revenues, resulted in the $51,213,859 recorded to the FERC Form 1. Audit acknowledges that the FERC Form 1 depicts the aggregate revenue account balance, comprised of the Distribution, Generation, and Transmission segments. Audit noted that there were no Generation revenues recorded as Other Electric Revenue.

Additionally, Audit inspected general ledger transactions within each quarter of 2018 and asked for the corresponding invoices and detailed journal entries. The Company provided the requested supporting documentation for Audit's review. Audit noted the invoices reflected amounts for "support of Phase I facilities pursuant to Section 13 of 'Phase I Vermont Transmission Line Support Agreement.'" Audit verified with the Company that these amounts are associated with PSNH's Hydro Quebec Revenues and support costs.

Other Electric Revenues - Other, 456990: The general ledger account was reviewed by Audit. Transactions were recorded once per month for the Large Power Billing (LPB) other revenue, as there is no interface from the LPB system to the general ledger. Audit requested further detail for a monthly transaction and the Company provided the LPB billing summary as supporting documentation for the December 2018 entry in the amount of $4,736. Audit noted in the journal entry description that this amount relates to the monthly billing to Central Maine Power.

In addition to the LPB journal entries, Audit noticed eight transactions in the amount of $31,887, recorded monthly to the 2018 general ledger. These transactions were for the months of May through December. Audit inquired as to why there were no monthly entries from the months of January through April and the Company explained in the following statement:

"These revenues are for servicing and administrative fees that PSNH is authorized to receive as compensation for administration and servicing of the rate reduction bonds through the Part I costs in the SCRC rate. Unlike other [rate reduction bond] related revenues, these are to be retained by PSNH."

The Company also provided the PSNH Funding LLC 3 Final Prospectus for the rate reduction bonds. Audit reviewed the Prospectus for both the administrative fee, as well as the servicing compensation.

Provision for Rate Refunds, 4491: Journal entries made to this account for the test year 2018 represent transactions to record revenue adjustments for income tax changes. Audit noted the Company's statement that the account could be used if there were other items included in rates that were subject to be refunded to customers.

Audit inspected the 2018 general ledger transactions and observed nine entries, each for the amount of $1,023,000 and recorded monthly for the dates of April through December. The nine entries represent the Revenue Adjustment Due to the Federal and State Income Tax Changes. The Company further explained that the entries are to defer the impact of the Income Tax Rate reduction on the Revenue Requirement approved in the Federal Tax Reform dated

December 2017. Audit also noted a March entry, recorded in the amount of $3,069,000. There were no previous entries made for January and February of 2018.

Audit reviewed a sample of the 2018 unbilled revenue for January through March of 2018 and verified that the $3,069,000 March entry was in fact an accumulated amount for the January, February and March monthly revenue adjustment amounts of $1,023,000. Audit was able to appropriately match the journal entry offsetting this amount to the asset Merger Rate Customer Credit account (2290) for the corresponding period. Audit noted tax rate changes recorded to the Merger Rate Customer Credit account (2290), which represent the period of January through March of 2018, and totaling $19,674. The Company explained the entry by stating that, "*The April journal entry is the [revenue requirement impact of the] monthly tax rate change deferral.*"

When Audit inquired about the need for an accumulated March entry, the Company stated that, *"In January and February 2018, new accounting and accounts had not been established so the deferral was booked to Account 407. The March journal entry both reflects the transfer of January and February from Account 407 and the new accounting to Account 449 used in March (3 months x $1,023,000)."*

Billing Test

Staff randomly sampled the billing for residential and commercial/industrial customers. Audit's selections included customer invoices from each quarter of 2018. Of the residential invoices tested, 100 percent complied with the tariff on file for both the flat customer charge, as well as the distribution, transmission, stranded cost recovery, and system benefits charges. There were no exceptions noted.

Tariff Review

Audit performed a random selection analysis, requesting from the Company, copies of customer invoices issued during each quarter of the 2018 test year. Audit examined the 2018 tariff rates, noting that a change in rates occurred with an effective date of August 1, 2018. Audit reviewed invoices from each rate class for compliance with the tariff with the following results:

- Rate G, single-phase customer charge for service 7/9/2018 – 8/8/2018 with a due date of 9/2/2018 and with the billing period spanning a change in rates as of 8/1/2018. Rates agree with tariff, fourth revised page 51 for the July rates and sixth revised page 51 for the rates effective August 1st.
- Rate G, three-phase customer charge for service 10/29/2018 – 11/29/2018, due date of 12/24/2018. The rates listed on the invoice agree with tariff, sixth revised page 51.
- Rate G-OTOD, single-phase customer charge for service 5/10/2018 – 6/12/2018 with a due date of 7/7/2018. The invoice totals agree with the tariff, fifth revised page 55.
- Rate G-OTOD, three-phase customer charge for service 7/13/2018 – 8/14/2018 with a due date of 9/8/2018 and with the billing period spanning a change in rates as of

8/1/2018. The invoice totals agree with the tariff, fifth revised page 55 for the July rates and the sixth revised page 55 for the rates effective August 1st.

- Rate GV for service 7/24/2018 – 8/23/2018 due date 9/25/2018 and with the billing period spanning a change in rates as of 8/1/2018. Rates agree with tariff, fourth revised page 62 for the July rates and sixth revised page 62 for the rates effective August 1st.
- Rate LG for service 4/6/2018 – 5/7/2018 due date 6/6/2018. The invoice reflects the accurate tariff rates per the fourth revised page 66.
- Rate LCS for service 1/12/2018 – 2/12/2018 due date 3/9/2018. The rates agree with the fourth revised page 59 of the tariff.
- Rate OL for service 4/6/2018 – 5/7/2018 due date 5/6/2018. The rages on the invoice agree with the tariff, 5th revised page 74.
- Rate R for service 4/24/2018 – 5/22/2018 due date 6/16/2018. Rates agree with tariff, fourth revised page 41.
  Rate R-OTOD for service 1/2/2018 – 2/6/2018, due date 3/13/2018. The customer was enrolled as peak/off-peak. As a result, the invoice demonstrated charges for both usage times. Rates agree with tariff, fourth revised page 45.

As verified to the revised tariff page 68, the customer's monthly amount charged is comprised of a set customer charge, as identified in the tariff, as well as distribution, transmission, stranded cost recovery, and system benefits charges. There is also an electricity consumption tax and energy service charge. Audit reviewed each invoice for accuracy of the charges, both for compliance with the tariff and for mathematical calculation.

Three of the invoices reviewed include a change in rates during the July through August billing period. The invoices within this period are for the G, G-OTOD, and GV rate classes. Audit identified the corresponding pages, from each of the fifth and sixth revised tariffs, and verified that the change in rates outlined within the invoice correctly reflected the details of the tariff, both prior and post the August 1, 2018 effective date for the rate change.

Special Rate Contracts

Audit questioned whether there were any special contracts. The Company responded by stating that, "*There are no special contracts with the Company's rental customers.*"

Accounts Receivable

The filing PUC 1604.01(a)(1) reflects a total customer accounts receivable (142) balance of $79,894,503, which Audit verified against the general ledger. Audit noted that the total customer accounts receivable reported in the filing, as well as in FERC Form 1, include the following accounts:

GL Account #	Account Description	12/2018 Balance
142001	Customer AR - Cash Collected	$ (193,242.24)
142002	Cash Suspended CSS System	(14,935.34)
142010	Customer Accounts Receivable	79,949,678
142CD0	Undistributed Cash Deposits	153,002
142_ 142	Total FERC Form 1 A/R	$ 79,894,503

Audit requested and reviewed the detailed Aged Trial Balance (ATB) and listing of the unapplied payments account, as of December 31, 2018. The ATB contains a listing of all NH active accounts as of 12/31/18 who have at least $0.01 in any aging bucket >30 days. Inactive and written off accounts were excluded. The following depicts the identified aging of receivables, as reflected in the ATB:

Age	Amount
Current	$ 51,481,558
31-60 Days Arrears	9,307,631
61-90 Days Arrears	4,161,038
91-120 Days Arrears	3,982,593
120-150 Days Arrears	1,253,115
151-180 Days Arrears	613,316
181+ Days Arrears	5,863,954
Total Due	**$ 76,663,205**

Audit noted the $3,231,298 variance between the general ledger Customer Accounts Receivable balance of $79,894,503 and the total Accounts Receivable on the Aging report of $76,663,205. Audit requested the reconciliation of Aged Accounts Receivable to the General Ledger for review. The Company provided the reconciliation, with a notation that the amount of approximately $567,725 listed on the reconciliation as "Other Differences" is, *"Due primarily to the timing of aged receivables reports from the billing systems that are as of the end of the calendar months, as compared to the general ledger inclusion of activity as part of the accounting close."*

The reconciliation also reported $2,418,585 in accounts with credit balances which were included in the aged receivables. This amount was reclassified out of the customer accounts receivable (142) on the general ledger, as well as revenue timing differences, totaling $300,163. General ledger subaccounts not included in the aged report include accounts for cash collected, cash suspended, and undistributed cash, totaling $208,117.

The total amount of accounts listed on the ATB as 151 days past due totaled $613,316 and 181 days past due totaled $5,863,954. Audit selected two samples for review from both the 151 and 181 days arrears and requested the supporting documentation and journal entries for further review. The Company supplied supporting documentation for Audit's samples, including billing information from the prior year, which demonstrated the history of accounts over 151 and 181 days past due. Audit noted that the receivable account in total increases with each bill to the customer if there is no payment received.

Audit requested a copy of the Company's write-off policy. Upon review, Audit noted that, "*Any account that is greater than $5 that has not been referred to a collection agency is listed on a 'Charge off Not referred' daily report. This report is reviewed each day to ensure that all accounts that have been written off should have been written off and is evidenced by sign-off by a Credit and Collections representative and approved by a Credit and Collections Supervisor. This report is a SOX control and is audited by external auditors several times throughout the year*."

Audit verified that there is no change on the books of the Company related to the aging of the accounts receivables, until the account is written off.

Accumulated Provision for Uncollectible Accounts (144):

Audit verified the total FERC Form 1 reported figure of $11,065,497 to two general ledger account without exception. This amount is 14% of the Customer Accounts Receivable (142). The majority of customers are current in payment, comprising 67% of the Accounts Receivable Aging. Based on Audit's review, the accumulated provision for uncollectible accounts amount of ($11,065,497) is reasonable. The accounts over 60 days reflects a total of $4,161,038 and the total over 90 days is $3,982,593. The total write-off for the year 2018, noted within account 904000, was $5,470,494. Refer to the Expense portion of this report, Uncollectible Accounts (904000) for additional details.

Customer Deposits Account 235 $(7,630,455)

Refer to the Balance sheet section of this report. Given the amount of past-due per the Aged Trial Balance, the Customer Deposit figure is approximately 10% of all receivables.

Operations and Maintenance Expenses $149,976,022

Audit verified the reported Operations and Maintenance (O&M) expense total on the filing schedule EHC/TMD-5 (Perm), page 1 or 6, line 29 to the FERC Form 1 and to the general ledger unless otherwise indicated.

The filing reflects the following O&M expenses:

Production Expenses	$ 101,715
Distribution Expenses	$ 66,506,135
Customer Accounting Expenses	$ 24,414,688
Customer Service & Inform/Sales Expenses	$ 618,524
Administrative & General Expenses	$ 58,334,960
	$ 149,976,022

During the audit of DE 20-005, Audit of Divestiture-Related Costs, it was noted that a portion of $5,459,403 of Stranded O&M costs will be refunded back to Distribution, Transmission and other affiliates. As a result of this allocation, Audit notes that the O&M expenses are overstated by $362,504. Audit request #15 in DE 20-005 provided the allocations for each entity. It shows the total amount to be refunded and the percentage to be allocated to each company. The Distribution total for PSNH is $362,504 and the Transmission total is $310,640. **Audit Issue #12**

Due to the size of the activity in the accounts, specifically the number of entries and dollar amount, Audit reviewed in detail any and all accounts with a filing balance of $1 million or greater. As part of that review, individual journal entries were selected for supporting documentation. Notes on the documentation reviewed are stated below, under the general ledger account for the activity reviewed.

FERC Form 1 reflects the following relating to Power Production and Transmission Expenses:

500-554 Power Production Expense	$ 16,642,074
555 Purchased Power	$325,885,908
556 System Control and Load Dispatching	$ 97,128
557 Other Expenses	$ 31,050
Total Power Production Expenses	$342,656,160
560 Operation Supervision and Engineering	$ 2,344,956
561 Load Dispatch	$ 5,097,282
562 Station Expenses	$ 3,427,464
563 Overhead Lines Expenses	$ 303,104
564 Underground Lines Expenses	$ 26
565 Transmission of Electricity by Others	$ 31,659,889
566 Miscellaneous Transmission Expenses	$ 506,937
567 Rents	$ 16,117
568 Maintenance Supervision and Engineering	$ 464,703
569 Maintenance of Structures	$ 299,486
570 Maintenance of Station Equipment	$ 235,820
571 Maintenance of Overhead Lines	$ 8,571,907
572 Maintenance of Underground Lines	$ 26
Total Transmission Expenses	$52,927,717

Production Expenses - $101,715 (per the filing Schedule EHC/TMD-5 (Perm))

Audit verified the report flow-through expenses Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-5 (Perm) for the power production and transmission expenses. After the flow-through adjustment the remaining account balances, totaling $101,715 were included in the filing:

Power Production Expenses	
Account 555000	$ 2,848
Account 556000	$ 97,128
	$ 99,976
Transmission Expenses	
Account 569010	$ 1,740

The Company noted that the power production expenses and transmission expenses totaling $101,715 were *"left in the test year O&M expenses because it was recorded to the non-tracked distribution line of business (11100), or the line of business that includes costs and revenues associated with distribution base rates. Even though the $2,848 was recorded in FERC account 555,* (and the $1,740 was recorded in FERC account 569) *its classification as non-tracked distribution was the reason it was left in test year O&M."*

Audit notes that these expenses should also be part of the flow-through, as they are part of the Power Production and Transmission portion of the FERC Form 1. **Audit Issue #7**

FERC Form 1 reflects the following relating to Regional Market Expenses:

575 Market Monitoring and Compliance	$ 1,568,251

The full amount of the 575 account was flow-through, resulting in no regional market expenses being included in the filing.

FERC Form 1 reflects the following relating to Distribution Expenses:

580 Operation Supervision and Engineering	$ 9,244,132
581 Load Dispatch	$ 902,616
582 Station Expenses	$ 2,412,414
583 Overhead Lines Expenses	$ 2,880,695
584 Underground Lines Expenses	$ 1,782,691
585 Street Lighting and Signal System Expenses	$ 486,119
586 Meter Expenses	$ 2,278,523
587 Customer Installations Expenses	$ 6,187
588 Miscellaneous Expenses	$ 2,506,532
589 Rents	$ 1,202,901
590 Maintenance Supervision and Engineering	$ 211,480
591 Maintenance of Structures	$ 243,666
592 Maintenance of Station Equipment	$ 1,649,388
593 Maintenance of Overhead Lines	$ 38,832,062
594 Maintenance of Underground Lines	$ 877,354
595 Maintenance of Line Transformers	$ 1,008,243
596 Maintenance of Street Lighting and Signal Systems	$ 48,487
597 Maintenance of Meters	$ 334,368
598 Maintenance of Distribution Plant	$ 14,260
Total Distribution Expenses	$ 66,922,115

Distribution Expenses - $66,506,135 (per the filing Schedule EHC/TMD-5 (Perm))

580 Operation Supervision and Engineering *	$ 8,842,188
581 Load Dispatch	$ 902,616
582 Station Expenses	$ 2,412,414
583 Overhead Lines Expenses	$ 2,880,695
584 Underground Lines Expenses	$ 1,782,691
585 Street Lighting and Signal System Expenses	$ 486,119
586 Meter Expenses	$ 2,278,523
587 Customer Installations Expenses	$ 6,187
588 Miscellaneous Expenses	$ 2,506,532
589 Rents *	$ 1,207,308
590 Maintenance Supervision and Engineering *	$ 211,476
591 Maintenance of Structures	$ 243,666
592 Maintenance of Station Equipment	$ 1,649,388
593 Maintenance of Overhead Lines *	$ 38,813,622
594 Maintenance of Underground Lines	$ 877,354
595 Maintenance of Line Transformers	$ 1,008,243
596 Maintenance of Street Lighting and Signal Systems	$ 48,487
597 Maintenance of Meters	$ 334,368
598 Maintenance of Distribution Plant	$ 14,260
Total Distribution Expenses	$ 66,506,135

The difference between the FERC Form 1 and the filing is $(415,980). The accounts effected are noted with * in the above chart (and also within each account's section below). The adjustments to these accounts is due to expenses being moved to and from generation and transmission.

Account 580 – The FERC Form 1 and GL total for account 580000 is $9,244,133 with $(3,138) belonging to transmission and $405,082 belonging to generation. The distribution is $8,842,188 with the full amount being included in the filing. The majority of the expense, $7,928,404, is for employee labor. Employee Recognition Awards totaling $3,227 and Employee Service Awards of $140 were included in the account. Other expenses included are phone charges, contractor expenses, supplies and materials, rent, travel, vehicles and other.

Three journal entries from Tidewater Catering were reviewed from account 580000 totaling $2,650. The entries were for two invoices, one in the amount of $1,091 and the other in the amount of $1,559, both for holiday breakfasts. Audit recommends these be booked below the line. **Audit Issue #8**

Account 582 – Four accounts sum to the general ledger and FERC Form 1 total of $2,412,414. The full amount is distribution expense and included in the filing. $1,875,694 of the total is employee labor. $524,712 of the total are allocations. The remaining $237,084 are charges for meals, mileage, travel, outside services, materials and other miscellaneous charges.

Audit reviewed two journal entries, both for vehicle costs - clearing. The first entry was booked to account 582240 in the amount of $7,234 and the second was booked to account 582000 in the amount of $1,694. Eversource provided spreadsheet for both charges showing the field work order, dollar amount, and the allocation percentage. No exceptions were noted.

Account 583 – Eight general ledger account sum to the FERC Form 1 and GL total of $2,880,695. This full amount is distribution expenses and included in the filing. $686,866 of the total is for employee labor. $979,313 of the total is for contractor expenses. Other expenses include traffic detail, refuse removal, materials, travel, and other.

Three journal entries were selected for review from account 583. The first two were booked to account 583000 in the amounts of $6,406 and $7,795. One invoice was from a subcontractor for work performed in June and July and the other was an application and pole attachment license.

The third journal entry was booked to account 583060 in the amount of $19,223. This invoice was for pole inspections. No exception was noted.

Account 584 – Seven GL accounts total the FERC Form 1 and GL balance of $1,782,691. The full amount is distribution expenses and included in the filing. $305,108 of the total is for employee labor. $928,491 is the total of contractor expenses. Additional expenses include overheads, vehicles, materials, meals and mileage, and traffic control.

Audit reviewed one journal entry for $2,064 booked to account 584000. The journal entry was for a refund to a customer for a cost to upgrade electric utilities for a solar project. The estimated amount was paid and the actual cost was lower, resulting in a refund to the customer. No exception was noted.

Account 586 – Four accounts sum to the GL and FERC Form 1 total of $2,278,523. This full amount is included in the filing as the total expense are for distribution. $1,780,530 of the total is for employee labor and $544,576 for overheads. The remaining $168,562 of expenses are for telephone, meals, mileage, materials, and other outside services.

Audit selected two journal entries to review from account 586000. The first entry was $11,283 for materials. Eversource provided documentation showing that 79 items were used at a cost of $142.82 each, resulting in the journal entry of $11,283. No exception was noted.

The second journal entry was in the amount of $6,000 for ‘driver skills development program’. Audit reviewed the invoice and no exception was noted.

Account 588 – Twelve GL accounts sum to the FERC Form 1 and GL total of $2,506,532. The full amount is distribution expenses and included in the filing. $2,015,746 of the total was for employee labor. Other expenses were for overhead, materials, outside services, postage, snow removal, training and other.

Eight journal entries were selected for review by Audit. Three of the journal entries were booked to account 588152 for mobility and first aid services provided by physical therapists. Invoices were provided as supporting documentation for the $2,265, $14,870 and $1,800 charges. Audit recommends a total of $18,935 be booked below the line. **Audit Issue #8**

Three journal entries were selected that were for breakfasts and lunches. The invoices were in the amounts of $165, $1,432 and $737. $2,168 was booked to account 588154 for training and development and the remaining $165 was booked to 588000. No exception was noted.

One journal entry in the amount of $8,045.54 was booked to account 588152. The invoice shows the charge was for safety brochure mailings. No exception was noted.

The final journal entry reviewed was in the amount of $1,852 booked to account 588002. The invoice shows the expense was for the purchase of dashboard sticky pads. Audit recommends this expense be moved below the line. **Audit Issue #8**

Account 589 – Four 589 accounts sum to the GL and FERC Form 1 total of $1,202,901. $(4,407) of the GL total is for transmission. The distribution total of $1,207,308 is the amount noted in the filing. $131,488 of the total was paid to Rocky River for rent in Manchester. $42,522 was paid to Boston & Maine Corp for Rail Crossing Licenses. $210,800 of the total is for employee labor. Other expenses include other building and communication leases, utilities, telephone, material & supplies, labor, and other expenses.

Audit selected eight journal entries to review in detail. Three selected were from account 589000 in the amounts of $1,066, $4,799 and $2,091. Supporting documentation provided, for the $1,066 charge, were a lease agreement for Columbia Point Crown Castle in Merrimack and the lease schedule. The $4,799 was for the monthly rent of Elm Street in Manchester. Supporting documentation provided shows the lease agreement from 1972 to present. The third selection of $2,091 was for rent at Mt. Agassiz in Bethlehem, NH. A copy of the land use agreement was provided to Audit.

One selection, in the amount of $300, was reviewed in detail from account 589002. Supporting documentation provided was a receipt from the Strafford County Registry of Deeds for a transfer tax.

Three selections from account 589003 were selected from review. The first selection reviewed was for the amount of $20,131. Supporting documentation provided was an email correspondence noting that the Bradford, NH location has not had the rent paid since August 2017. This payment of $20,131 was to make the account current. The 2017 monthly rent was $1,545 a month. Audit recommends removing a total of $7,725 for the five months from 2017 that were paid in 2018. **Audit Issue # 12**

The other two selections from account 589003 were both in the amounts of $9,316. Both invoice were from the State of NH Department of Transportation for crossing fees in the amount of $42,490. $33,174 was allocated to transmission and $9,316 was allocated to distribution.

The one selection made from account 589100 in the amount of $6,062 was also for the Elm Street month rent.

The only exception noted from the review of the 589 journal entries is noted above and references Audit Issue #12.

Account 592 – Fifteen 592 accounts sum to the $1,649,388 total on the FERC Form 1 and GL. The full total is for distribution and included in the filing. The total employee labor expensed to account 592 is $1,035,478. Approximately $250,000 of the total was for materials and supplies. Other expenses included in the total are for telephone charges, meals and mileage, lodging, contractor services and other miscellaneous expenses.

One journal entry, in the amount $4,394 from account 592140, was selected from review. An Invoice was provided as supporting documentation showing it was for service provided by I C Reed. No exception was noted.

Account 593 – A total of nine 593 accounts sum to the GL and FERC Form 1 total of $38,832,062. $18,050 of the FERC Form 1 total is for transmission and $390 is for generation. The distribution total of $38,813,622 is included, in full, in the filing. $14,493,844 of the distribution total is for employee labor. $7,078,805 of the labor was for major storms and removed from the account to prevent double counting the payroll expenses. $5,624,243 is for overheads, $5,000 of the total is for vehicle expenses.

Schedule EHC/TMD-5(Perm) page 6 of 6 shows an $18,165,852 adjustment for account 593. The majority of the adjustment, $18,013,743, was to move vegetation management costs to O&M. Included in the $18.1 million total adjustment is $(136,304) to remove NHPUC storm audit adjustments. Audit reviewed the final report, issued 1/9/2019, for Docket DE 18-058, 2013-2016 storm costs. Audit issues #4 through #8 of the audit report recommended certain charges be removed from the storm reserve following a review of the supporting documentation. Eversource agreed with Audit's findings and removed $136,304, a total of the five audit issues, from account 593. An additional $192,848 was recommended to be removed in Audit Issue #9; however, the Company did not agree with the recommendation noting that the charges would not have been incurred if there had not been a weather event. No adjustment was made to the filing for $192,848.

Audit requested clarification as to why $2,681,530 activity in account 593140 is included in the filing. $3,128,760.53 is for storms that occurred in 2018 with $808,749.33 being for storms that are included in the petition to recover storm expenses. The remaining activity in this account is $(584,194.6) for 2017 storms, $536.48 for 2016 storms, $123.75 for 2015 storms and $136,304 to adjust pre-staging costs. Eversource noted the following:

"All storm event work orders are associated with the FERC Account 593140 and therefore all related costs charged to those work orders are recorded to this account. For a non-Major Storm Cost Reserve (MSCR) event, the costs will remain in this account. For events that qualify as a MSCR level event, the costs will be reviewed on a monthly basis and moved to the MSCR account via a journal entry. There are charges that are not moved to the MSCR account and remain in the 593140 account such as PSNH and service company overheads. The majority of the costs in this account are associated with work orders that are not related to Major Storm Cost Reserve events."

Audit also requested clarification regarding account 593100 in which the total GL for Distribution is $13,457,703.41. $13,422,706.97 of the activity is noted at tree trimming or vegetation management. The remaining $34,996.44 is noted as "reject pole replacement", "cable TV Project", "Line Relocation", etc. Please explain why these are included in the tree trimming expense account. Eversource provided the following information:

"When tree trimming work is required as part of a capital job, those costs are charged directly to the associated work order. Depending on the capital/expense split of the work required for the specific job, the tree trimming costs will be allocated accordingly. The "reject pole replacement", "cable TV Project", and "Line Relocation" projects identified all had tree trimming work required for certain work orders included within those projects."

Audit selection on journal entry from account 593000 to review in detail in the amount of $1,743. Supporting documentation shows it was a true-up, due to the FERC split estimate being updated, with account 593000 being debited and account 107010 being credited. No exception was noted.

<u>Account 595</u> – The GL and FERC Form 1 account 595000 total is $1,008,243. The full amount of the GL balance is distribution expenses and included in the filing. $523,122 of the account total is for employee payroll. $235,319 was paid for vendor invoices for traffic control, police services, tree services, contractor services and materials.

Due to the immaterial balances in accounts 581, 585, 587, 590, 591, 596, 597, and 598, Audit did not review the accounts in detail.

<u>FERC Form 1 reflects the following relating to Customer Accounts Expenses:</u>

901 Supervision	$ 614
902 Meter Reading Expenses	$ 2,377,537
903 Customer Records and Collection Expenses	$ 19,507,043
904 Uncollectible Accounts	$ 6,590,251
905 Miscellaneous Customer Accounts Expenses	$ 88,472
Total Customer Accounts Expenses	$ 28,563,918

<u>Customer Account Expenses - $24,414,688 (per the filing Schedule EHC/TMD-5 (Perm))</u>

901 Supervision	$ 614
902 Meter Reading Expenses	$ 2,377,537
903 Customer Records and Collection Expenses	$ 19,507,043
904 Uncollectible Accounts *	$ 2,441,021
905 Miscellaneous Customer Accounts Expenses	$ 88,472
Total Customer Accounts Expenses	$ 24,414,688

The difference between the FERC Form 1 and the filing is $(4,149,230). This amount was a flow-through to ES Small & Large and Regulatory.

<u>Account 902</u> – Three 902 accounts total the FERC Form 1 and GL sum of $2,377,537. The full amount is distribution and included in the filing. The total labor included is $1,742,642. Other charges in the account are for mileage, materials and supplies, telephone and other.

Audit selected three journal entries from account 902002 to review. The selections were allocations from the Service Co for payroll, telephone and resource management. The total amount was $78,656 and no exceptions were noted.

<u>Account 903</u> - Seven accounts sum to the FERC Form 1 and GL total of $19,507,043. The full amount is included in the filing as it is for the distribution segment. $8,329,265 of the account total is for employee labor. Activity in the account includes refund checks, payments to payment agencies, and other.

Five journal entries were selected for review from account 903. One entry, for $787,472, was to reclass duplicate customer payments that occurred in December 2017. The payments were posted to account 903000 due to C2 limitations when they should have gone to the balance sheet. The entry was to correct those transactions.

Three selections were made from account 903002 in the amounts of $20,943, $6,389 and $1,300. The supporting documentation show that all three journal entries were refunds paid due to customer overpayment.

One selection was made for a $447,453 journal entry booked to account 903003. Supporting documentation shows they changes were for outage overflow call for call centers.

No exceptions were noted with the review of the 903 selected journal entries.

<u>Account 904</u> – The general ledger and FERC Form 1 account 904000 total was $6,590,251, with the distribution portion equaling $5,470,494. A total of $2,441,021 was included in the filing. Audit reviewed the GL detail where $1,119,757 was generation expenses and $3,029,473 were retail revenues, which are flow-thru expenses. The remaining total of $2,441,021 was reviewed in detail. A total of $2,234,202 were twelve monthly transactions for "Bad Debt-Uncollectible". Audit verified these amounts to account 144, Accumulated Provision for Uncollectible Accounts. The remaining $206,819 charged to account 904 was for collection services and legal fees. $16,203 was booked for legal fees paid to one vendor and $190,616 was booked for collection services paid to five vendors. Audit selected one journal entry to review supporting documentation on from account 904000.

The journal entry was in the amount of $236,388 and was noted to be for Bad Debt. Eversource provided supporting documentation, provided information on the calculation and journal entry. No exception was noted.

Due to the immaterial amounts in accounts 901 and 905, Audit did not review the general ledger detail.

<u>FERC Form 1 reflects the following relating to Customer Service and Informational Expenses:</u>

908 Customer Assistance Expenses	$ 23,317,678
910 Miscellaneous Customer Service/Inform Expenses	$ 10,186
Total Customer Service and Informational Expenses	$ 23,327,863

<u>FERC Form 1 reflects the following relating to Sales Expenses:</u>

911 Supervision	$ 895
916 Miscellaneous Sales Expenses	$ 1,524
Total Sales Expenses	$ 2,419

<u>Customer Service & Inform/Sales Expenses - $618,524 (per the filing Schedule EHC/TMD-5 (Perm))</u>

The filing combines the FERC Form 1 customer service and information expenses with the sales expense totaling $618,524.

908 Customer Assistance Expenses *	$	605,919
910 Miscellaneous Customer Service/Inform Expenses	$	10,186
911 Supervision	$	895
916 Miscellaneous Sales Expenses	$	1,524
Total Customer Service & Inform/Sales Expenses	$	618,524

The difference between the FERC Form 1 totals and the filing total is $(22,711,758). This amount was removed from the filing due to the majority of it being Energy Efficiency and EAP, the remaining portion being transmission.

Account 908 – Five accounts summed to the GL and FERC Form 1 total of $23,317,678 with $3,186 of the total being for transmission. $22,711,759 of the total was flow-thorough for the system benefits charge, Electric Assistance Program and Energy Efficiency leaving $605,919 in the filing. Audit reviewed the detail GL for the $605,919. $499,256 of the account total is for employee payroll. The remaining $106,663 of expenses were for meals, mileage, travel, payroll, reimbursements and other items.

Audit reviewed $10,144 in journal entries for "Community Programs-Sponsorship". Eversource noted, *"these charges represent the allocated portion of community sponsorships paid for through the Eversource Energy Service Company".* Eversource provided copies of all of the invoices, which showed sponsorships for leadership luncheons, galas, table sponsors and others. Audit recommends these items be booked below the line. **Audit Issue #8**

Audit selected two journal entries from account 908000. Each entry was for $160 and noted they were for Neighbor Helping Neighbor. Supporting documentation showed that the charges paid as an expense reimbursement to an employee for the purchase of two Quicken software licenses for Neighbor Helping Neighbor. It is noted that new computers the employees were using were no longer compatible with the Quicken version previously used. No Exception was noted.

Due to the immaterial amounts in accounts 910, 911 and 916, Audit did not review the accounts detail.

FERC Form 1 reflects the following relating to Administrative and General Expenses:

920 Administrative and General Salaries	$ 39,397,909
921 Office Supplies and Expenses	$ 3,438,733
922 Administrative Expenses Transferred-Cr	$ (2,190,237)
923 Outside Services Employed	$ 13,411,378
924 Property Insurance	$ (205,184)
925 Injuries and Damages	$ 4,099,298
926 Employee Pensions and Benefits	$ 4,911,201
928 Regulatory Commission Expenses	$ 6,538,453
930 Miscellaneous General Expenses	$ 2,123,903
931 Rents	$ 568,504
935 Maintenance of General Plant	$ 176,866
Total Administrative and General Expenses	$ 72,270,824

Administrative & General Expenses - $58,334,960 (per filing Schedule EHC/TMD-5 (Perm))

920 Administrative and General Salaries *	$ 28,632,734
921 Office Supplies and Expenses *	$ 4,181,728
922 Administrative Expenses Transferred-Cr *	$ (1,765,672)
923 Outside Services Employed *	$ 9,986,151
924 Property Insurance *	$ 189,266
925 Injuries and Damages *	$ 3,598,100
926 Employee Pensions and Benefits *	$ 5,969,139
928 Regulatory Commission Expenses *	$ 5,495,995
930 Miscellaneous General Expenses *	$ 1,646,325
931 Rents *	$ 224,329
935 Maintenance of General Plant	$ 176,866
Total Administrative and General Expenses	$ 58,334,960

The difference between the FERC Form 1 and the filing totals is $(13,935,874). The majority of these items were adjusted from the A&G accounts to Transmission and Generation.

Account 920 – Twenty different accounts sum to the FERC Form 1 and GL total of $39,397,909. $8,501,549 of the FERC balance is transmission and $2,055,731 is for generation. The Distribution GL total is $28,840,629 with $28,632,734 being included in the filing. The majority of the expenses, $12,843,906, in the account are for employee payroll. Also included in the account are employee, executive, and stock option incentives, travel, materials, and other miscellaneous items.

Audit selected a journal entry in the amount of $703, from account 920000, to review in detail. The selection for $703 was for mowing and water Legend Drive in Hooksett. The supporting documentation was the weekly operation report noting the hours works, equipment used, employees, location of service and the total cost. No exception was noted.

Account 921 – Twelve 921 accounts total the GL and FERC Form 1 balance of $3,438,733. The transmission total is $610,064, the generation total is $(320,102), and the distribution total is $3,148,771. The total filing amount is $4,181,728. The filing amount is greater than the distribution total due to $(1,033,497) of account 921991 being a flow-through for Retail Revenues-ES Small Customers. Audit reviewed the detail GL for the $4,181,728 filing amount. Expenses included meals, mileage, snow removal, heating, electricity, janitorial services, and other. The account included $11,722 in rate case prep, $3,909 in event sponsorships, $2,334 for rate analysis/development, and $165 for the revenue requirement. The $3,909 sponsorship amount should be booked below the line. The $11,722, $2,334 and $165 should be deferred for rate case expenses. **Audit Issues #8 and #9**

Audit reviewed one invoice, from account 921000, in the amount of $139, which was noted at Shareholder Fees on the journal entry. Supporting documentation shows that it was a proxy mailing for the annual meeting. The full invoice amount was $2,421 and $139 was allocated to PSNH. No exception was noted.

Account 922 – The 922000 total per the GL and FERC Form 1 is $(2,190,237.47). Distribution total is $(1,719,238) and transmission total is $(470,999). The total for account 922 in the filing is $(1,765,672). The difference between the distribution amount on the GL and the filing is $46,434 of flow-through Retail Revenues – ES Small Customers. All transactions were clearing allocations to capitalization. No further review of the account was conducted.

Account 923 – Seven accounts sum to the 923 account total, per the FERC Form 1 and GL, of $13,411,378. $3,063,492 is for transmission, $449,992 is for generation and the remaining $9,897,894 is distribution. A total of $9,986,151 was noted in the filing. The $88,257 difference between the distribution total and the filing total is an adjustment in that amount to account 923 from SCRC-CTA-CTC. Donations were included in the account but were reclassed out except $48. The account included $32,497 in advertising expenses. $75,523 in physical security was expensed to the account. Other expenses include postage and delivery services, freight, audit services, building services and other outside services.

Audit reviewed one invoice booked to account 923000, Outside Services, in the amount of $7,555. The invoice was for 100 jackets. Audit recommends booking these expenses below the line. **Audit Issue #8**

Audit requested information on $1,816 of parking fees and $4,596 of electric expenses booked to account 923. Eversource noted that the parking fees were an allocated portion of parking fees for the Prudential Center in Boston. A spreadsheet showing the allocation was provided along with supporting files. Supporting invoices show it was for parking space rental in the garage. The electric charges were the allocation portion of the Berlin, CT office building. A spreadsheet providing the allocation and supporting invoices were provided. No exceptions were noted.

Account 924 – The total GL and FERC Form 1 of account 924000 is $(205,184). The transmission total is $159,810, generation is $(354,642) and distribution is $(10,353). The filing total of account 924 is $189,266. The filing total is greater than the distribution total due to $(199,619) in Transition SCRC-CTA-CTC flow-through expenses. Property and Crime Insurance expenses were booked to the account. The total crime insurance paid was $7,892. The monthly amount paid was $622 in January, February and March. The monthly payment increased to $669 from April through December. The total property insurance paid was $174,164. The January through May and July payments were $13,220 each. The June, August and September payments were $18,713. October $12,399 and November and December were $13,153. The remaining $7,211 booked to 924 in the filing is for two invoices and miscellaneous adjustments. Audit reviewed the crime insurance policy and property insurance policy.

Audit selected three journal entries, from account 924000, to review for supporting documentation. The first selection was in the amount of $ 3,086, $1,865 and $2,850. The $3,086 was an invoice for jurisdictional boiler/pressure vessel inspections for October 2018 to October 2019. The invoice total was $48,415 with 6.37% being allocation to PSNH Distribution. The supporting invoice for $1,865 was for Crime Insurance in which the policy, for April 2018 to April 2019, total was $15,323. An allocation sheet attached to the invoice shows the split between the Eversource companies in which $1,865 was booked to PSNH Distribution. The third journal entry was to move the $2,850 amount from prepaid insurance to expense. Amounts greater than $6,000 are initially recorded in 165.01, Prepaid Insurance. No exceptions were noted.

Account 925 – Three accounts sum to the GL and FERC Form 1 total of $4,009,298. The transmission total is $281,484 and $219,714 for generation. The remaining $3,598,100 is for distribution and included in the filing. $201,496 of the account total is for labor. Activity in the account includes monthly accruals for workers comp, general liability, public liability, cyber risk and D&O liability. Also included are actuarial adjustments debits and credits. Audit reviewed the workers comp, cyber risk, D&O liability and excess liability insurance policies.

Two journal entries were selected for review from account 925000. The first selection was in the amount of $35,965. The invoice that was provided as supporting documentation shows the total charge was $55,739 for worker's compensation bond. 64.52% was allocation PSNH Distribution, 9.12% was allocated to PSNH Transmission and 26.36% was allocated to Eversource Service.

The second selection was in the amount of $4,809. Supporting documentation shows it was an invoice for $74,900 for Directors' and Officers' Liability insurance. 6.42% of the invoice, $4,809, was allocated to PSNH Distribution and 4.67%, $3,498, was allocated to PSNH transmission.

No exceptions were noted with the review of the selected 925 journal entries.

Account 926 – The FERC Form 1 and GL total for the six 926 accounts is $4,911,202. The transmission total is $319,781, the generation total is $3,065,511, and the distribution total is $1,525,910. The amount per the filing is $5,969,139. The GL total of $1,525,910 includes $(4,443,229) in flow-through expenses for Transition SCRC-CTA-CTC and Retail Revenues – ES Small Customers. The account contained $84,678 in educations reimbursements and $17,559 in Employee Service Awards. The majority of the activity in the account, totaling $18,143,679, was for employee insurances such as dental, vision, medial, disability, etc. along with 401K, and pension, and other benefits. Audit recommends moving the $17,559 in employee service awards below the line. **Audit Issue #8**

Account 928 – Two 928 accounts sum to the GL and FERC Form 1 total of $6,538,453. The transmission segment totals $912,085 and the generation segment totals $122,875. The distribution total is $5,503,494 with $5,495,995 included in the filing. The $7,499 not included in the filing is flow-through for Retail Revenues – ES Small Customers.

The account contains monthly amortization entries of $35,880.75. The annual amount of the amortization for 2018 is $430,569. This amount is the complete one-year amortization of consultant costs as proposed on Docket DE 17-160. This full amount should be considered non-recurring. **Audit Issue #12**

$4,725,933 was booked to the account to record the NHPUC assessment with $915,642 of that total being for the October 2017 assessment. Per the NHPUC website, assessments charged to Eversource in 2018 totaled $4,735,933.

Audit requested clarification on the PUC Assessment amount booked to account 928. Eversource noted that $10,000 of the assessment is recorded to the Energy Service line of business, 12790 and the remainder of the assessment is booked to base distribution line of business, 11100. This was established in Docket DE 14-347, Order 25,743 issued December 29, 2014.

Audit requested a reconciliation between the 928 detail general ledger and Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-22 (perm). Eversource provided a color-coded general ledger reconciling the amounts to lines 23-27 of the Schedule. No exceptions were noted.

Eversource noted the following regarding the normalizing adjustments in the Schedule:

"(a) The test year expense included $95,387 of increased expense associated with the Q3 2018 and Q4 NHPUC Assessment level being lower than the amount in base rates.

(b) *The test year expense included the amortization of $239,089 related to the recovery of deferred July 2017 to December 2017 NHPUC Assessment Costs over the 12-month period 12/31/2018 approved in Docket No. DE 17-160. This amount was removed from the test year because it was a 12-month amortization that ended 12/31/2018.*

(c) *The test year expenses included the amortization of $430,569 related to the recovery of deferred 2016 and 2017 NHPUC Consultant Cost over the 12-month period ended 12/31/2018 approved in Docket No. DE 17-160. This amount was removed from the test year because it was a 12-month amortization that ended 12/31/2018.*

(d) *The adjusted test year was then updated to reflect the most recent NHPUC Assessment (Calendar Year 2019 – for the 12 months ended 6/30/2019) less $10k ($4,776,319 - $10,000 = $4,766,319) that is recovered via the Energy Service rate as identified in 1) above. Consistent with NHPUC precedent, the Company has only requested recovery of the most recent NHPUC regulatory assessment. As included in the November 4, 2019 revenue requirement update, the Company has requested recovery of $5,230,056, or the regulatory assessment covering the period July 1, 2019 through June 30, 2020.*

(e) *Removed $210 from the test year expense related to PUC consultant cost not related to a proceeding – customer complaints."*

Account 930 – Four 930 accounts sum to the GL and FERC Form 1 total of $2,123,902. $347,298 of the GL total is transmission, $143,826 is generation, while $1,632,779 is distribution. The filing includes $1,646,325 of account 930. The filing amount is greater than the distribution total due to $(13,546) of flow-through Transition SCRC-CTA-CTC expenses being not included in the filing. Activity in the account contains dues and membership fees, employee expenses, supplies, hardware and other items.

Audit requested supporting documentation for a journal entry in the amount of $485 in account 930200. The Company responded that upon further review, it was determined that the expense should have been excluded from the cost of service and will remove the amount from the revenue requirement in the next update.

Audit reviewed an invoice in the amount of $5,000 booked to account 930200 for a sponsorship of a gala. Audit recommends this expense be booked below the line. **Audit Issue #8**

Audit reviewed two invoices, booked to account 930200, for memberships in the amounts of $20,000 and $20,050 for the Greater Nashua Chamber of Commerce and the Greater Manchester Chamber of Commerce, respectively. These memberships helps maintain programs and community services. Audit recommends these invoices be booked below the line. **Audit Issue #8**

One invoice in the amount of $360,589 was reviewed from the New York Stock Exchange for 2018 annual fees for Common Shares. $23,438 of the total was allocated to PSNH's account 930200. No exception was noted.

Audit selected a journal entry in the amount of $19,918 to review from account 930200. Supporting documentation provided shows the journal entry was for increases to Trustee cash compensation and retainers as recommended by Pay Governance LLC. Eversource provided a copy of the Trustee Meeting minutes as supporting documentation. No exception was noted.

Audit also selected a $978 journal entry booked to account 930200 for JP Morgan Chase. The total journal entry is the sum of seventy-six line items. Eversource provided supporting documentation for all of the charges without exception.

Audit verified that the sum of accounts 930RAX and 930300, $781,843.74, agrees with the net expense identified on OCA Data request 2-041. The $781,843.74 represents the "expense" relating to Enterprise IT projects, booked as assets on the financial statement of the Service Company, with the calculated return on equity allocated to affiliates as expenses. It is unclear why the allocation is not part of the service company allocations, nor from what authority the allowed returns on equity were approved. **Audit Issue #12** The Company provided:

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
Enterprise IT Projects Expense
(dollars in thousands)

Eversource Energy Service Company	**2014 Actual**	**2019 Forecast**	**Increase from 2014 to 2019**
Revenue Requirement Calculations:			
Average Common Equity	$ 47,060	$ 344,012	$ 296,952
Allowed Annual ROE	9.65%	9.78%	
Earnings for Common	4,541	33,644	29,103
x Gross Up-Tax Factor for Equity Return	1.7186	1.3685	
Revenue Requirement - Equity Return	7,805	46,041	38,236
Revenue Requirement - Interest Expense	1,380	10,734	9,354
Revenue Requirement - Total EESCO Return on Capital	9,185	56,775	47,590
x PSNH Distribution %	16.7%	9.1%	
PSNH's Share of EESCO Return on Capital	1,534	5,149	3,615
Less: Capitalized Portion	168	997	829
PSNH's Share of EESCO Capital Return	**$ 1,366**	**$ 4,152**	**$ 2,786**

Audit requested the specifics for the years 2015, 2016, 2017, and 2018 and was provided with the following:

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
ENTERPRISE IT PROJECTS EXPENSE

Description	Calendar 2015	Calendar 2016	Calendar 2017	Calendar 2018
(a)	(b)	(c)	(d)	(e)
Average Common Equity	59,258,410	110,162,890	197,869,546	295,310,704
Allowed Annual ROE	9.71%	9.78%	9.82%	9.73%
Earnings for Common	5,751,809	10,773,931	19,432,577	28,733,732
x Gross Up-Tax Factor for Equity Return	1.6904	1.6822	1.62923159	1.34332188
Revenue Requirement - Equity Return	9,722,858	18,123,906	31,660,168	38,598,650
Revenue Requirement - Interest Expense	1,331,258	2,004,263	4,244,557	8,701,594
Revenue Requirement - Total EESCO Return on Capital	11,054,116	20,128,169	35,904,724	47,300,244
Total Enterprise IT Projects Expense	$11,050,149	$20,786,008	$ 35,904,377	$ 47,300,244
Allocation to PSNH:				
Gross Enterprise IT Projects Expense	$ 1,350,612	$ 2,212,896	$ 3,660,498	$ 4,291,690
Less: Capitalized Portion	(147,622)	(260,679)	(772,365)	(831,049)
Net Enterprise IT Projects Expense	$ 1,202,990	$ 1,952,217	$ 2,888,133	$ 3,460,641
Allocation Methodologies:				
MDM ROR (H03)	18.84%	19.20%	21.27%	19.30%
NUSCO ROR (M01)	8.52%	8.45%	8.86%	8.39%
Weighted Allocation to PSNH (line 18 / line 15)	12.22%	10.65%	10.20%	9.07%

Due to the immaterial filing total in accounts 931 and 935, Audit did not review the accounts in detail.

Accounts Payable Aging

Audit requested and reviewed the accounts payable aging as of December 31, 2018 totaling $15,902,895. Per Eversource, the AP aging report shows all invoices that have been received by the company but not paid as of 12/31/2018. $11,372,723 of the total were current invoices less than or equal to 30 days old. $3,654.857 of the total was 31-60 days old; $261,034 61-90 days; $201,697 91-120 days; and $412,585 greater than 120 days. Invoices are allocated to the appropriate bucket based on the actual invoice date and not when the invoice was received by the Company.

Audit selected three invoices in the 91-120 day category and four invoice in the 120 day and greater category to review. Eversource provided Audit with screenshots of the AP system showing the date of receipt and the date of payment.

91-120 days

The first payable reviewed was in the amount of $23,313. The AP system shows this invoice being received on 12/7/2018 and paid on 1/6/2019. The reason this is in the 91-120 day category is the actual invoice was dated 9/27/2018.

The second payable reviewed was for $32,543 with an invoice date of 9/15/2018. The invoice was received by Eversource on 12/24/2018 and paid on 1/1/2019. Audit requested additional information regarding this payable as the AP system screenshot showed the invoice was entered on 12/21 and received on 12/24. Eversource noted, "*Each Friday the TWMS system releases invoices into a staging table and on Monday morning the Accounts Payable system, Maximo, picks up the invoices that were in the Friday run. This happens each week. December 21, 2018 was the Friday release into the staging table and December 24, 2018 was the Monday import into the Accounts Payable system.*"

The third payable reviewed was $13,850. The invoice was dated 9/11/2018 and it was received 9/28/2018. Per the AP system screenshot, the invoice was paid 3/3/2019. Audit questioned the approximately five month delay in payment and it was noted that Eversource requested additional information from the vendor regarding the charges. Once the additional information was received, the invoice was approved for payment.

Over 120 days

One invoice in the amount of $75,533, which was dated 8/31/2018, received 10/25/2018 and cancelled on 1/3/2019. Per Eversource, the data room was closed earlier in the year. After speaking with the vendor it was determined that the invoice was not to be paid.

A second invoice reviewed from the over 120 days past due bucket was in the amount of $134,378. The invoice date was 8/31/2018, received on 10/25/2018 and paid 1/3/2019. Per Eversource, *"In order for an invoice to be final approved, the accounting string must be valid. This invoice had invalid accounting applied initially and therefore did not get approved immediately as the invoice approver thought. Once it was discovered that the accounting was incorrect, the updated accounting was applied and the invoice received final approval. An invoice is only paid once final approval is received in accordance with the Company's delegation of authority".*

The third and fourth invoices received were both for the same vendor. The invoices were dated 8/8/2017 in the amount of $10,319 and 11/7/2016 in the amount of $8,442. Both invoices were received on 12/26/2018 and they were paid 1/7/2019 and 1/3/2019 respectively. Audit received copies of the invoices which were for the NH Saves programs. Eversource noted, *"December of 2018 was the end of a contract with CLEAResult and Eversource was closing out the Purchase Order. Upon review it was determined that these previous invoices had not yet been paid and as a result Eversource paid the invoices".*

Payroll $49,823,447

Filing Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-5 (Perm) shows the total Distribution O&M Payroll for the test year to be $49,823,447. WP EHC/TMD-14 (Perm) of the same Attachment, shows the expenses as charged to the following general ledger accounts:

Operation & Maintenance Expenses – Distribution	
556 System Control and Load Dispatching	$ 50,891
580 Operation Supervision and Engineering	$ 7,928,404
581 Load Dispatching	$ 811,642
582 Station Expenses	$ 1,875,694
583 Overhead Line Expenses	$ 686,866
584 Underground Line Expenses	$ 305,108
585 Street Lighting and Signal System Expenses	$ 352,341
586 Meter Expenses	$ 1,780,530
587 Customer Installations Expenses	$ 4,791
588 Miscellaneous Distribution Expenses	$ 2,015,746
589 Distribution Operations Rent	$ 210,800
590 Distribution Maintenance Supervision & Engineering	$ 133,754
591 Maintenance of Structures	$ 131,365
592 Maintenance of Station Equipment	$ 1,035,478
593 Maintenance of Overhead Lines	$ 7,415,038
594 Maintenance of Underground Lines	$ 412,729
595 Maintenance of Line Transformers	$ 523,122
596 Maintenance of Street Lighting and Signal Systems	$ 41,013
597 Maintenance of Meters	$ 318,164
598 Maintenance of Miscellaneous Distribution Plant	$ 10,659
O&M Expenses – Distribution Total	$26,044,135
Operations & Maintenance Expenses – Customer	
902 Meter Reading Expenses	$ 1,742,642
903 Customer Records and Collection Expenses	$ 8,329,265
905 Customer Account Expenses	$ 57,337
908 Customer Assistance Expenses	$ 499,256
O&M Expenses – Customer Total	$10,628,499
Operations & Maintenance Expenses – Administrative and General	
920 Administrative & General Salaries	$12,843,906
925 Injuries & Damages	$ 201,496
928 Regulatory Commission Expenses	$ 3,904
935 Maintenance of General Plant	$ 101,508
O&M Expenses – Administrative & General Total	$13,150,813

Audit verified the payroll expenses to the general ledger without exception.

During the test year employees were employed by both PSNH and the Service Company.

Payroll is completed on both a weekly and bi-weekly basis. Employees enter their hours, type of pay, such as sick, vacation, etc., and field work order into Work Force, the time entry system. Work Force is interfaced with Work Day, the cloud based payroll system, on Monday following the end of the pay period. The information is also interfaced with PowerPlan where each field work order is associated with an accounting work order. The accounting work order will direct the expense to the appropriate six digit general ledger account.

Service company payroll is allocated to 30 companies and segments (distribution, transmission and generation) based on the cost allocation manual. Monthly aggregate allocations happen seven times a month. On a monthly basis, each department manager receives a report showing the service company allocation to each rate code. This report shows payroll that went through the service company. Direct charge payroll is not included in this report.

The Company noted the following regarding EESCO payroll:

"Service Company costs are directly charged to the appropriate subsidiary/business segment whenever possible for costs incurred in carrying out activities or conducting business. When costs are incurred to serve the operating companies more broadly and cannot be directly assigned, such costs are allocated among the operating companies based on an allocation methodology. The allocation methodologies are designed to be proxies for cost causation within a particular function. Allocations are made only after it is determined that it is not practical or reasonably possible to perform a direct assignment of the costs."

WP EHC/TMD-14 (Perm) shows the Service Company test year total of $24,537,989. Eversource provided Audit with a spreadsheet detailing the total Service Co payroll as $25,002,555. Audit requested a reconciliation between the two numbers and was provided one showing the difference was due to line of businesses that were excluded from cost of service and a non-productive time overhead for labor benefits such as vacation, sick time and holidays. No exception was noted between the filing and supporting documentation provided.

Audit selected ten Service Company transactions to review to supporting documentation. Eversource provided a spreadsheet, which provides details by employee. The employee total is then allocated using an allocation rate based on the allocation manual. Audit verified the total pay by employee multiplied by the allocation rate was the sum of the selected transaction. The spreadsheet noted the general ledger account to which the payroll was booked.

Due to the voluminous nature of the payroll support for each employee, Eversource provided supporting documentation for one employee. The support provided shows the payroll summary for the month and all time sheets. The hours on the timesheets were verified to the payroll summaries. The payroll summaries were verified to the employee detail spreadsheet.

WP EHC/TMD-14(Perm) shows the total PSNH test year payroll of $63,489,979. Audit received a year to date gross payroll for PSNH, which showed a Distribution amount of $81,519,592.05 in Audit Request 049. Audit requested a reconciliation between the two numbers and received the following response:

"The 2018 YTD Earnings worksheet included in the response to AUDIT-049 reflects total W-2 earnings for each PSNH distribution employee, encompassing items more items that just payroll. For example, variable compensation of approximately $4.5 million is an expense item included in AUDIT-049, but excluded from WP EHC/TMD-14 (Perm). The total payroll for each PSNH employee in AUDIT-049 also portrays 100% of each employee's payroll classified as PSNH non-tracked distribution; on an actual basis, many of these employees charge a portion of their time to other entities within Eversource (such as PSNH transmission, NSTAR Electric, CL&P, etc.)."

Of the $63,489,979 PSNH Test year payroll, $32,185,416 was charged to O&M while the other $31,304,563 was capital/other payroll. Eversource provided a breakdown, by employee, of the O&M payroll.

The Excel spreadsheet provided to Audit (via request #49), shows the pay components used to obtain the gross payroll amount, the full data which shows pay components dollar amounts per employee, and a pivot by employee showing their individual gross payroll total. Audit randomly selected ten employees to review payroll detail.

Eversource provided payroll registers for the ten employees. The payroll register shows the year to date payroll that includes regular payroll, holiday and vacation pay, mileage reimbursement, tolls, meals and other payroll items. Eversource provided a payroll reconciling tape for each employee that shows the year to date payroll less any expense or benefit amounts such as meals, mileage and tolls. The reconciled amounts tie to the amounts noted on the spreadsheet provided in Audit request #49 without exception.

The final element of the total payroll is the Other Affiliate test year total noted as $4,713,728 per WP EHC/TMD-14 (Perm). Audit requested supporting documentation and received a spreadsheet showing the affiliate companies and the amount of payroll charged to Eversource. The total is broken down between capital, $1,703,829 and O&M, $3,009,899. Additional documentation was provided showing the O&M payroll with a breakdown by employee. Approximately $1.5 million of the other affiliates O&M payroll was removed from the cost of service as it was related to major storms.

Payroll and Vacation Accrual

Audit requested the calculation used to book year end payroll and vacation accruals. Eversource noted that vacation is not accrued.

A total of $254,487 was booked to Eversource's general ledger for the December 2018 payroll accrual. Eversource provided documentation showing that the accruals are based off of a daily rate, which was updated on July 2018. One day of payroll was accrued for December. 86.82% of the accrual total, or $220,952, was booked to Distribution while the remaining 13.18%, or $33,535, was booked to Transmission.

Payroll accruals were booked to the following Distribution accounts for December:

107100	CWIP Timing Differences	$ 57,448
593000	Distrib Main of Overhead Lines	$ 83,962
583000	Distrib Ops Overhead Lines	$ 53,028
920000	Adm + Gen Salaries	$ 26,514
		$ 200,952

Audit was able to verify the payroll accrual amounts to the general ledger without exception.

Temporary Employees

Eversource uses Randstad to employee temporary employees. During 2018, Eversource paid Randstad a total of $1,033,284. Of that total, $633,922 was allocated to Distribution, $178,832 Generation and $220,530 Transmission. Eversource provided a spreadsheet noting the total paid, amount allocated to each segment, and the general ledger account. Below is a listing of the total allocated to the Distribution accounts:

107010	Construction Work in Progress - CWIP	$ 44,093.93
107ES0	ES Labor Charges	$ 36,824.77
108030	Accumulated Provision- Cost Of Removal	$ 11,197.56
163020	Stores Expense Clearing	$ 155,058.07
184010	Transp + Power-Op Equip Clearing	$ 3,261.35
186009	Net Metering Administrator Costs	$ 102,513.32
186010	Miscellaneous Work in Progress	$ 4,156.16
186RC0	Rate Case Exp- Deferred	$ 98,905.63
580000	Distrib Ops Supervision and Eng	$ 31,670.73
583000	Distrib Ops Overhead Lines	$ 162.11
593000	Distrib Main of Overhead Lines	$ 377.77
593140	Area Storm Restoration	$ 345.68
595000	Distrib Maint of Line Transformers	$ 27.67
596000	Maint of Street Lighting and Signal Sys	$ 4.59
908100	Customer Assistance Exp - Energy Efficiency	$ 92,375.54
923000	Outside Services Employed	$ 24,665.65
923006	Outside Serv Empl - Mail Cour Serv	$ 28,281.00
TOTAL		$ 633,921.53

Audit verified the Randstand amounts charged to the O&M accounts, including in the filing, to the general ledger detail without exception.

Pension Contributions

Audit requested a listing of payments made on 2018 to fund the pension. Eversource responded that, *"Due to the favorable funded status of PSNH, there were no pension contributions required in 2018".*

Incentive Compensation

Attachment EHC/TMD -1 (Perm) Schedule EHC/TMD-15 (Perm) shows that the total incentive compensation expensed in 2018 was $8,346,375. Two normalizing adjustments, totaling $158,488, were made to remove out of period adjustments related to calendar year 2017. The adjustments were $(100,971) for employee incentives and $259,459 for Executive Incentives. The adjusted test year total is shown as $8,504,863. Eversource noted the expenses were booked to the following two cost of service accounts:

920 Administrative and General Salaries	$8,316,303
930 Miscellaneous General Expenses	$ 30,072
	$8,346,375

Audit verified both accounts to the general ledger without issue.

Severance Pay

Eversource noted that in 2018 $54,297 for severance pay was included in the following the cost of service accounts:

903003	Cust AR + Coll- Cust Care - Support	$ 4,091
923000	Outside Services Employed	$ 20,063
926000	Employee Pension and Benefits	$ 5,899
930200	Misc General Exp	$ 24,244
		$ 54,297

Audit was unable to verify the amounts to the general ledger accounts noted as there were no line items that specifically noted they were for severance pay.

Payroll Taxes $7,610,864

Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-32 (Perm) shows the adjusted test year payroll tax total to be $7,610,864.

408020	FICA	$5,853,823
408050	Medicare	$1,580,872
408010	Federal Unemployment	$37,753
408011	State Unemployment – Massachusetts	$48,063
408001	State Unemployment – Connecticut	$68,249
4081H0	State Unemployment – New Hampshire	$13,269
Various	Other State Unemployment	$56
408180	Universal Health	$8,779
Total Adjusted Payroll Taxes		$7,610,864

Audit was able to tie the adjusted payroll tax total to the general ledger account detail for all of the accounts noted except 4081H0 and the various other state unemployment accounts.

Account 4081H0 actual test year balance was $(126,093), which was verified to the general ledger account without exception. A normalizing adjustment of $139,362 was included resulting in an adjusted test year balance of $13,269. Eversource responded to Staff Data Request 5-013 with a detailed explanation of the adjustment, noting it was to bring the tax expense up to a representative level based on an analysis conducted by Eversource's Payroll Department.

Audit received the four quarterly 2018 Form 941 Federal Tax Returns for both Public Service Company of New Hampshire and Eversource Energy Service Company. Audit also received the 940 Federal Unemployment Tax Return for 2018 for PSNH and Eversource Energy. The four quarterly New Hampshire State Unemployment tax for PSNH and Northeast Utilities Service Company, Inc. were also provided to audit. The Eversource Energy Service Company four quarterly Connecticut State Unemployment tax and the District of Columbia Unemployment tax returns for were also supplied. ADP, the company used for taxes, was unable to obtain a copy of the electronic return that is filed with the State of Massachusetts for unemployment taxes for Eversource Energy. In lieu of the returns, Audit was provided the ADP Quarterly Balancing Report that shows the quarterly taxable wages and taxes paid.

Audit requested a payroll tax reconciliation between Schedule EHC/TMD-32 (Perm) and the payroll tax returns provided to Audit. Audit was provided a very detail spreadsheet showing the totals from the tax returns, with paper numbers referenced, and any allocation rate that was used. The total from the tax returns is noted along with the total from the filing and any variance between the two. The reconciliation showed an immaterial difference between the tax returns and the general ledger accounts for FICA, Medicare, Federal Unemployment, Massachusetts Unemployment and Connecticut Unemployment.

The reconciliation provided for the New Hampshire Unemployment showed a reconciliation between the tax returns and the adjusted test year total of $13,269, not the actual test year amount of $(126,093). As noted above, Eversource's response to Staff 5-013 provided a detailed explanation of the normalizing adjustment amount of $139,362.

Eversource noted the following regarding the reconciliation of the Universal Health amount of $8,779.

"There is no official tax return for the Massachusetts Universal Healthcare tax or any Massachusetts employment tax. The Universal Healthcare tax along with the state unemployment tax is paid as one tax by ADP. The ADP report that was submitted in attachment 'New Hampshire PUC Audit DE 19-057 Tax Returns Supplemental for Massachusetts Unemployment' as part of audit-049 reflects the total taxable wages and associated tax that was paid to the state of Massachusetts for their employment tax. As such, the test year expense presented on Schedule EHC/TMD-32 (Perm), page 2, line 28 cannot be reconciled to a tax return."

No exceptions were noted with payroll taxes.

Taxes Section

Property Taxes

Summary of how Property Taxes are calculated

PSNH informed Audit that they file a Schedule of Property Tax with every town. This report shows the tax year, town, plant description, net value of plant described per the books and records of PSNH (includes account 106, Completed Construction not Classified and account #107 Construction Work in Progress), the DRA Equalization Factor and total property multiplied by the DRA Equalization Factor amount. Not all towns require this report, but PSNH informed Audit that if not filed then rights to appeal tax may be in jeopardy.

Audit was provide with the second 2017 issuance of all municipal property taxes and both issuances of 2018 municipal property taxes. Audit randomly selected invoices to test the property tax expense. Increases in property taxes paid by PSNH during the test year were the result of town revaluations, local municipal tax rate increases and/or added plant construction. The Company sold the following generation assets below during 2018.

The generation power plant sold to Granite Shore Power in January 2018 for $175 Million include:

- Merrimack Station in Bow, 502 MW, coal and oil 431 River Rd.
- Newington Station, Newington, 416 MW, oil and natural gas 28-04 165 Gosling Rd.
- Schiller Station, Portsmouth, 171.7 MW, coal, oil, biomass 280, 400 Gosling Rd.
- Lost Nation, Groveton, 18 MW, oil no invoice
- White Lake, Tamworth, 22.4 MW, jet fuel Maple Road

The hydro plants sold to Hull St. Energy in August 2018 for $83 million include:

- Amoskeag Hydro, Manchester, 16 MW
- Ayers Island, Bristol, 8.4 MW
- Canaan Hydro, West Stewartstown, 1.1 MW
- Eastman Falls, Franklin, 6.4 MW
- Garvins Falls, Bow, 12.1 MW
- Gorham Hydro, Gorham, 2.2 MW
- Hooksett Hydro, Hooksett, 1.6 MW
- Jackman Hydro, Hillsborough, 3.2 MW
- Smith Hydro, Berlin, 17.2 MW

PSNH discussed with Audit and provided support as to how they determine whether property taxes assessed by a local or state government are fair. For local taxation, PSNH analyzes net book cost, depreciated reproduction cost, and the State of New Hampshire allocated unit assessment to determine whether the assessment is excessive. They also review information contained on each property tax bill including a review that the tax rates have been properly applied. Eversource indicated there were no abatements granted in 2018. The Company has appealed property tax valuations the Board of Land and Tax Appeals based on the assessments used by a municipality. The Company has sought to get legislation passed that would use the DRA figures statewide for taxes levied at the municipal level. On June 21, 2019, HB 700 was passed that has a 5-year phase in period for municipalities to use the new approved assessment methodology. The phase in period begins April 1, 2020 and the law requires the PUC to issue an order authorizing a collection mechanism to collect the municipal property taxes by April 1, 2020. There has been legislation proposed to end the statewide utility property tax, but to date this has not passed.

For State taxation, Eversource engages with DRA regarding the State Utility Appraiser's development of capitalization rates and net operating income for their creation of an income approach to value. A cost approach is also developed and reviewed. The Company provided the final property valuation by town that was used for 2017 and 2018 that are issued December 15 each year. The 2017 valuation notice summed to $2,525,758,800 this was based on property for generation, transmission, and distribution assets. The 2018 valuation notice from December 17, 2018 summed to $1,798,637,800 for transmission and distribution assets only. The Company sold the generation assets in 2018 but due to mid-year sale of the hydro assets the Company received a valuation of $82,794,400 for those assets and paid tax on the hydro facilities. Audit reviewed the final mil rates that were used by town for 2017 and 2018. Audit reviewed the 2017 and 2018 DP-255-ES estimated quarterly payments. Audit reviewed a check payment history of payments made by the Company and were verified the State Utility Tax Notice.

Date	Payment Amount	Date	Payment Amount
04/17	$3,694,031.25	04/18	$4,167,502.04
06/17	$3,694,031.25	06/18	$4,167,502.04
09/17	$3,694,031.25	09/18	$4,167,502.04
12/17	$5,587,914.41	Less:Refund. 4/19 Pay.	($85,054.00)
2017 Total	$16,670,008.16	2018 Total	$12,417,452.12

FERC Form 1

Taxes Other Than Income Taxes 408.1 $77,190,707 was verified from the FERC Form 1 and Filing Schedule EHC-5 page 4 to the GL accounts and actual property tax bills.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
408110	$44,059,104	$27,083,680	$1,175,507	$72,318,291
408XX	$3,892,522	$589,496	$390,397	$4,872,416
Totals	$47,951,626	$27,673,176	$1,565,904	$77,190,707

Taxes Other Than Income 408.2 $4,375 was verified from the FERC Form 1 to the general ledger account:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
408201	$4,375	0	0	$4,375

This account represents Non-utility Property Taxes accruals to the property taxes expense account 408110. Audit reviewed the adjusting municipal accruals on review of the municipal property tax expense account.

Per Filing

The Company on the filing schedule EHC/TMD 31 calculates the proformed property tax expense multiplying the 2018 mil rate by the town valuation. The Filing Schedule breaks the proformed town test year property tax expense by transmission and distribution. The proformed property tax expense summed to $47,399,352. The figure includes a $5,721,801 property tax refund from the town of Bow that relates to litigation they had with the town over the valuation of the Merrimack Coal Plant and Scrubber regarding tax years 2012 and 2013. The NH Supreme Court ruled on case. According to a July 1, 2019 Concord Monitor article the Company has settled on a $10 million refund with the town of Bow for tax years 2014-2018. The Merrimack Station Plant was sold in January 2018. This is a non-recurring expense that was a result of the New Hampshire Supreme Court judgement.

Audit reviewed the Distribution Property Tax Expense that summed to $43,872,014 during the test year. Audit verified the figure to Filing Schedule EHC/TMD 31 and GL account 408110 Local Property Tax Expense. The Company uses the PowerPlan system to enter property tax payments and calculate property tax payments. In order to reconcile the 2018 property tax expense Audit filtered on cost element A39 that makes up the PowerPlan transactions. Individual invoices were reviewed.

Property Tax Expense	$72,109,121
Less: Generation	($1,153,427)
Less: Transmission	($27,083,680)
Total Tax Expense	$43,872,014 per Filing Schedule EHC-TMD-31

The Property Taxes are calculated on a monthly basis and the payments are allocated based on the netbook of the assets by town to either distribution, transmission, or generation (before the sale) using PowerPlan software to calculate the allocation. The distribution portion of the property taxes paid for a town divided by twelve equals the monthly property tax expense. The Company does not use a prepaid property tax expense account instead they debit account 408110 the Local Property Tax Expense and Credit Account 236180 Local Property Tax PSNH Distribution.

Audit reviewed monthly accrual files for the entirety of 2018. The Company included assets from Maine and Vermont that is related to distribution property the Company owns. The property tax included the following Vermont towns: Canaan, Concord, and Waterford. The property tax included the following Main towns: Berwick, Eliot, Fryeburg, Hiram, Kittery, Newfield, and Yarmouth. The Company included the Manchester Business Services Tax that is actually a property tax that is paid monthly by downtown merchants. The tax is assessed on the Company’s downtown headquarters in Manchester. The tax is used to keep the downtown sidewalks clean, decorate, and beautify the downtown. The Company monthly capitalizes property tax based on CWIP activity for the month. The Company received a ($5,721,801) refund from the Town of Bow for the 2012-2013 assessment year valuations. An adjustment is seen on EHC/TMD-31.

Net Bow Refunds	
Distribution	($3,245,507)
Generation	($1,058,952)
Transmission	($1,417,342)
Total	($5,721,801)

The Company quarterly books Operations and Maintenance charges for stores and transportation charges. Each quarter the Company booked $128,064.49 and $512,257.96 for the year. The Company stated the reason for the charges, "*The allocation of property tax and depreciation expense to stores and transportation through the clearing accounts is not a formal accounting policy, but a general practice followed by the Company for many years. Property tax and depreciation expense is allocated to the stores and transportation clearing accounts based on square footage of the building.*" The Company booked the offsetting journal entries to account 184010 Transportation clearing account and 163020 Stores clearing account. The FERC USOA for account 163 states costs related to excise and other similar taxes not assignable to specific materials are to be booked to the account. These charges are allowable per FERC.

Month	Account	Debits	Credits
March 2018	184010 Trans. Clearing Acct	$74,633.14	
	163020 Stores Clearing Acct.	$53,431.35	
	408110 Property Tax Expense		$128,064.49
June 2018	184010 Trans. Clearing Acct	$74,633.14	
	163020 Stores Clearing Acct.	$53,431.35	
	408110 Property Tax Expense		$128,064.49
September 2018	184010 Trans. Clearing Acct	$74,633.14	
	163020 Stores Clearing Acct.	$53,431.35	
	408110 Property Tax Expense		$128,064.49
December 2018	184010 Trans. Clearing Acct	$74,633.14	
	163020 Stores Clearing Acct.	$53,431.35	
	408110 Property Tax Expense		$128,064.49
Totals		$512,257.96	$512,257.96

The Company included State Education Tax for the following communities that is not allowed. The chart below summarizes the cumulative December 31, 2018 year ending balance of disallowed State Education Tax booked to distribution. **Audit Issue # 10**

Municipality	December 31, 2018 amount
Concord	$0.27
Dover	$ 524
Epping	$ 1,975
Franklin	$ 968
Henniker	$ 6,884
Laconia	$ 91
Milton	$ 176
Nashua	$16,207
Sutton	$ 3,074
Woodstock	$ 10
Total	$29,909

Accrued Taxes Account 236 was verified from the FERC Form 1 to the nine general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
236020	($494,563)	($68,789)	0	($563,352)
236060	($7,722,443)	($3,483,671)	$10,311,345	($894,369)
236080	$25,219,785	$4,523,165	($3,127,134)	$26,615,816
236180	$9,175,518	$5,930,999	0	$15,106,517
236XXX	(106,977)	($18,592)	($10,000)	($135,569)
Totals	$26,071,320	$6,883,112	$7,174,211	$40,128,643

This is a $41,737,834 difference from the $$1,609,189 amount on the 2018 FERC Form 1. That was due to a negative balance between the prepaid 165 accounts. See the review of account 165 prepaid accounts for more information. Refer to Audit Issue #1

Audit reviewed the accounts that represent Federal Insurance Contributions Tax Act, Medicare FICA Taxes Accrued, NHBPT, Federal Income Tax Payable, Prior year Federal Income Tax, Local Property Taxes Accrued, NH Unemployment Taxes, Massachusetts Manufacturing Excise Tax, and FICA withholding. Audit reviewed the Business Profits Tax and Federal Tax worksheets.

Payroll and Taxes Other than Income

Audit reviewed Filing Schedule EHC/TMD-32 on line 43, states total Payroll and Taxes Other Than Income sum to $4,682,779 to the 06 distribution accounts. Audit reviewed the Taxes Other Than Income that summed to $729,291. See *Payroll* section for review of payroll taxes.

Payroll Taxes			
FICA	408020	$	5,853,823
Medicare	408050		1,580,872
Federal Unemployment	408010		37,753
State Unemployment			
Massachusetts	408011		48,063
Connecticut	408001		68,249
New Hampshire	4081H0		(126,093)
Other State Unemployment	Various		56
Universal Health	408180		8,779
Total Payroll Taxes		$	7,471,501
Taxes Other Than Income			
Federal Highway	408140		5,856
Tangible Property	408300		13,005
New Hampshire Business Enterprise Tax	408400		656,722
New Hampshire Consumption Tax	408500		4,631
Insurance Premium Excise	408600		49,077
Total Taxes Other Than Income		$	729,291
Subtotal: Gross Payroll and Other Taxes			8,200,792
Less: Capitalized Portion			(3,518,013)
Net Payroll and Other Taxes		**$**	**4,682,779**

The $5,856 Federal Highway Tax booked to account 408140 is for heavy motor vehicles excise tax on vehicles that weigh more than 55,000 pounds and use federal highways. The Company provided the tax form 2290 for 2018 that was filed with the IRS for PSNH.

The $13,005 Tangible Property booked to account 408300 represents the Massachusetts Manufacturing Corporate Excise Tax. The Company provided the journal entry and further explained the allocation to PSNH.

- All Risk Property Insurance provides coverage for risk of direct physical loss to property owned, used, intended for use or leased by the Company. The basis of recovery under this coverage is replacement cost, and the allocation of premium and surplus line tax is based on replacement cost values by operating company.
- Directors & Officers Liability Insurance provides coverage on behalf of the directors and officers for sums they may become legally obligated to pay in connection with claims resulting from "wrongful acts" arising solely because of their being directors or officers of the Company. The allocation of premiums and surplus line tax is based on 99 Rate Code C4. This rate code is a common corporate allocator based on net income and gross plant assets.
- Excess General Liability Insurance indemnifies the Company for all sums that it becomes legally obligated to pay by reason of liability imposed upon the Company by law or by

liability assumed under contract. The allocation of the premium and surplus line tax is based on 99 Rate Code C5. This rate code is common corporate allocator based on net income, gross plant assets, and number of customers.

- Cyber Resilience Insurance covers breaches of information technology or operational technology as well as data privacy. The allocation and surplus line tax is based on 99 Rate Code C5. This rate code is common corporate allocator based on net income, gross plant assets, and number of customers.
- Workers Compensation Insurance reimburse the Company for losses that it becomes obligated to pay as compensation and/or other benefits required of the Company under the workers' compensation state laws. The allocation of the premium and surplus line tax is based on relative payroll values by operating company
- Fiduciary Liability Insurance provides coverage to indemnify the insured for claims resulting from any breach of responsibilities, obligations, or duties by a fiduciary of any named benefit programs sponsored by the Company. The allocation of the premium and surplus line tax is based on 99 rate code LO7 Labor by operating company.

For the $4,632 Electricity Consumption Tax please see that section of the Audit Report. For account 408400 please see review of the Business Enterprise Tax section.

The $49,077 Insurance Premium Tax represents a 4% lines tax from the State of Connecticut on insurance lines policies. The $49,077 represents the PSNH allocation. The tax is levied in Connecticut because in 2010 Congress passed the Non-admitted and Reinsurance Reform Act of 2010 that created the home state rule under which no other state other than the home state of an insured may impose a premium tax on a non-admitted insurer. Prior to this change PSNH submitted a report to the NH Department of Revenue. As a result, these policies were previously taxed directly in New Hampshire are now taxed through Connecticut and Massachusetts and the costs are then allocated to PSNH.

See *Payroll* section for review of payroll detail related to payroll taxes.

Income Taxes

Per FERC Form 1

Federal Income Taxes 409.1 $12,771,233 was verified from the FERC Form 1 to the general ledger account:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
409100	$24,472,008	$12,622,589	($24,323,364)	$12,771,233

During an onsite meeting with the Company, discussing the federal tax returns the Company indicated these charges represent Federal Income Tax and Other Income and Deductions. Audit reviewed the supporting tax worksheets.

Other Income Taxes 409.1 $($211,487) was verified from the FERC Form 1 to the three general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
409150	$6,943,531	$2,806,623	($9,992,666)	($242,812)
409600	$0	$0	$300	$300
409800	$31,025	0	0	$31,025
Totals	$6,974,556	$2,806,623	($9,992,666)	($211,487)

The 409150 Income Taxes Utility Operating Income for PSNH was reviewed to the 2017 and 2018 federal income tax returns. The 409800 account represents the Massachusetts Business Communications Tax reviewed on subsequent pages.

Income Taxes-Federal 409.2 ($741,063) was verified from the FERC Form 1 to the general ledger account:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
409200	($401,649)	($289,333)	($50,081)	($741,063)

This account represents Federal Income Tax Other Income and Deductions. Audit reviewed the federal tax worksheets on the 2017 and 2018 federal income tax return.

Income Taxes-Other 409.2 ($302,506) was verified from the FERC Form 1 to the general ledger account:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
409350	($163,792)	($118,332)	($20,382)	($302,506)

This account represents NHBPT Other Income and Deductions. Audit reviewed the tax calculation worksheets on the 2017 and 2018 NH Business Profits Tax Return as part of the review of deductions.

Per Filing Schedules

Audit verified the $21,180,408 test year 2018 income tax expense on Filing Schedule EHC/TMD-5 and 33 to the 06 distribution GL accounts that are filtered by the Line of Business Code 11100 and cost element T11 that represents the current income tax expense only.

409100 Federal Income Tax Plus Utility Operating Income	$18,302,865
409150 Income Tax Utility Operating Income NH	$4,312,453
409800 Income Tax Mass. Business Commun. Excise.	$31,025
Deferred Income Tax Expense	($1,462,251)
Total Income Tax Expense	$21,180,408

Audit reviewed the 409100 account that represents the $18,302,865 Federal Income Tax and Utility Operating Income. Audit reviewed the tax worksheets provided by the Company. The 409150 account represents Federal Income Taxes NH Utility Operating Income expenses. Audit reviewed the supporting calculations on the tax worksheet. The 409800 account represents a 6.25% Massachusetts Business Excise Tax allocated to PSNH. Audit sampled individual bills provided by the Company.

The Company booked $31,025 in Massachusetts Business Communications Excise Tax that is a 6.25% sales tax. The Company indicated this was the amount allocated based on PSNH Unitary tax return filed with Massachusetts. Audit reviewed the general ledger detail and the allocation to PSNH. The Company booked $18,302,865 to Federal Income Tax plus Utility Operating Income. The Company booked $4,312,453 to NH Utility Operating Income.

Deferred Income Taxes

Per FERC Form 1

Provision For Deferred Income Taxes 410.1 $106,552,273 was verified from the FERC Form 1 to the two general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
410100	$22,314,411	$7,869,161	$35,613,495	$65,797,067
410113	$11,759,085	$5,251,970	$23,744,151	$40,755,206
Totals	$34,109,278	$13,121,131	$59,357,646	$106,552,273

The 410113 account represents the Provision for Deferred Income Tax NH Utility Operating Income. The 410100 account represents the Provision for Deferred Income Tax and Utility Operating Income. Audit reviewed the tax worksheets provided by the Company.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
411112	($32,869,431)	($4,309,150)	($13,489,451)	($50,668,032)
411117	($12,842,131)	($1,667,346)	($5,708,252)	($20,217,729)
Totals	($45,711,562)	($5,976,496)	($19,197,703)	($70,885,762)

Provision for Deferred Income Taxes Credit 411.1 ($70,885,762) was verified from the FERC Form 1 to the two general ledger accounts. The 411112 and 41117 was explained to Audit as representing the credit portion of the provision for deferred federal income tax. Audit was provided with worksheets from Corp Tax.

Provision for Deferred Income Taxes 410.2 $1,973,397 was verified from the FERC Form 1 to the two general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
410200	$25,520	$529,474	$996,769	$1,551,763
410230	$10,262	$4,687	$406,685	$421,634
Totals	$35,782	$534,161	$1,403,454	$1,973,397

The 410200 account represents the Deferred Federal Income Tax Other Income and Deductions account. The 410230 account represents the Provision for Deferred Income Tax NH Other Income and Deductions. Audit reviewed the 2017 and 2018 federal tax worksheets that support the 2017 and 2018 federal worksheets.

Provision for Deferred Income Taxes Credit 411.2 ($1,685,734) was verified from the FERC Form 1 to the two general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
411200	($1,099,552)	($55,993)	($41,609)	($1,197,154)
411230	($448,918)	($22,791)	($16,871)	($489,607)
Totals	($1,548,470)	($78,784)	($58,480)	($1,685,734)

The 411200 account represents the Provision for Deferred Income Tax Federal Income and Deductions. The 411230 accounts represents the Provision for Deferred Income Tax NH Business Income and Deductions. Audit reviewed the supporting tax worksheets on the 2017 and 2018 NH Business Profits Tax Returns.

Per Filing Schedule

Audit verified the Deferred Income Tax Expense on Filing Schedule EHC/TMD 5 and 34 to the 06 distribution GL accounts that are filtered by the Line of Business Code 11100.

410100 Prov. For Federal Deferred Income Tax + Util. Op. Income	$21,784,229
410113 Prov. Def. Income Tax-NH Division	$11,049,974
411112 Prov. For Def. Income Tax-Other	($23,830,697)
411117 Prov. For Def. Income Tax Credit-NH	($10,465,757)
Total Deferred Income Taxes	($1,462,251)

Audit reviewed the Federal and State Income Tax expense on the filing schedules EHC/TMD 33, 34, and 35 to the actual 2017 and 2018 Federal Income Tax Return. Audit reviewed the supporting tax calculations. The Company uses Corptax software to prepare the federal and state returns. Audit reviewed the taxable income calculations. The income tax expense allocations does not mirror what is on the filing schedules. The Company indicated the tax returns and filing schedules are different from one another. This is due to differences between book and tax basis accounting and the different divisions that roll into the Parent Company Eversource Energy.

Investment Tax Credit

Investment Tax Credit Adjustment 411.4 ($22,027) was verified from the FERC Form 1 and Filing Schedule EHC/TMD-5 and EHC/TMD-35 to the general ledger account:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
411400	($3,684)	($445)	($17,898)	($22,027)

Audit reviewed the ($3,684) Investment Tax Credit on Filing Schedule EHC/TMD-5 and the solar production tax calculation credit schedule that were booked to account 411400 expense. On Filing Schedule EHC/TMD-35, the investment tax credit is $3,684,000 when it should be $3,684. The solar production tax worksheet Audit reviewed indicated the amortization period began in 2009 and full amortization of the unamortized balance is through 2026. **Audit Issue # 11**

Income Tax Sharing Agreement

Audit was provided with the Company Tax Allocation Agreement that was signed on April 10, 2012. The agreement lists Northeast Utilities as the parent Company. In 2012 the Company completed a merger with N Star Gas and Electric but kept Northeast Utilities as the parent Company name. In December 2017, the Company purchased Aquarion Water Company. The Parent Northeast Utilities lists associate member Companies that are located in Massachusetts and Connecticut that are included in the consolidated federal return. The consolidated tax means the aggregate tax liability for the year shown plus any adjustments that are determined. The consolidated tax will be the refund if the consolidated return shows a negative tax.

Review of Federal Income Tax

Audit requested copies of the 2017 and 2018 federal returns filed by Eversource Energy and subsidiaries. The Company in May 2019 provided the 2017 1120 proforma return. Audit was provided with the 2017 and 2018 Eversource Energy PSNH and subsidiary returns in a redacted format in November 2019. In late November 2019, Audit Staff reviewed the un-redacted subsidiary filing schedules on the 2017 and 2018 1120 returns. The subsidiary Companies include other electric and gas utilities in Massachusetts and Connecticut. The Western Massachusetts Electric Company was consolidated in MA with NSTAR. Jay Buth the Eversource VP, Controller, and Chief Accounting Officer signed the 2017 1120 on July 26, 2018 and the 2018 1120 was filed in mid-October 2018. For the 2018 tax year, the Company's statutory tax rate was lowered from 35% to 21% because of the Tax Cut and Jobs Act.

The legislation allows utilities an exemption from deductibility of interest and 100% qualified expensing of property. The tax act does not permit utilities to immediately expense 100% of the cost of new investments in qualified property. The overall taxable income for Eversource Energy and Subs was $150,538,981 with an overpayment for $41,918,731 identified. The 2017 taxable income for PSNH was $66,724,075. The overpayment was credited to the 2018 estimated tax.

Gross sales	$ 976,909,631
Cost of goods sold	$(386,627,243)
Interest Dividend Income	$ 648,539
Gross Rent	$ 7,662,004
Capital Gains	$ $1,297,598
Net loss from Form 4797	$ (23,967,319)
Other Income	$ 1,943,852
Total Income	$ 577,867,062
Salaries and Wages	$(113,932,459)
Bad Debts	$ (6,614,163)
Repairs and Maintenance	$ (3,629,452)
Rents	$ (3,090,921)
Taxes and Licenses	$ (93,061,120)
Interest	$ (43,950,059)
Contributions	$ (341,333)
Depreciation	$(210,358,051)
Advertising	$ (697,710)
Pension, Profit Share	$ (4,277,490)
Employee Benefits	$ ($344,272)
Domestic Prod	$ (5,020,624)
Other Deductions	$ (25,805,730)
Taxable Income before NOL	$ 66,743,678
Special Deduction Sch. C	$ (19,603)
Taxable Income	$ 66,724,075

The overall PSNH net income per the general ledger and FERC for 2017 was $135,996,084.

The overall taxable income for Eversource Energy and Subs was $539,949,093 with an overpayment for $31,646,903 identified. The 2018 taxable income for PSNH was $20,875,158. The overpayment was credited to the 2019 estimated tax.

Gross sales	$1,074,491,881
Cost of goods sold	$(497,800,522)
Interest Dividend Income	$ 17,158,676
Gross Rent	$ 7,691,814
Capital Gains	$ 4,855,390
Net loss from Form 4797	$(130,485,555)
Other Income	$ 17,217
Total Income	$ 475,928,901
Salaries and Wages	$(105,763,937)
Bad Debts	$ (6,234,812)
Repairs and Maintenance	$ (2,987,118)
Rents	$ (2,677,718)
Taxes and Licenses	$ (67,613,729)
Interest	$ (66,127,432)
Contributions	$ (79,158)
Depreciation	$(142,478,404)
Advertising	$ (975,695)
Pension, Profit Share	$ (14,807,835)
Employee Benefits	$ ($468,255)
Other Deductions	$ (44,839,650)
Taxable Income	$ 20,875,158

The overall PSNH net income per the general ledger and FERC for 2018 was $159,880,921.

Review of NH Business Tax Returns

Audit reviewed the 2017 and 2018 NH Business Profits and Business Enterprise Tax returns. The 2017 tax return was signed on September 12, 2018. The Company pays under the taxpayer name The Connecticut Light and Power Company rather than PSNH. The Company indicated the return has been filed with the NHDRA in this manner for a number of years. The Company in 2017 paid $1,317,950 in New Hampshire Business Enterprise Tax. The NHBET is comprised of wages, sales, and taxable enterprise value tax base. The Company paid $54,751,037 in New Hampshire Waters Edge Business Profits on line 15 of page NH-1120-WE of the tax return. The Company paid $4,489,585 in 2017 Business Profits tax based on an 8.2% rate for 2017. The Company had ($1,545,094) in NH BET credits for the year. The 2017 Business Profits Tax net of statutory credits is $2,944,491.

BET Net Statutory Credits	$1,317,950
BPT Net Statutory Credits	$2,944,491
Total BET and BPT	$4,262,441
Estimated Tax Payments	($6,550,000)
Credit Carryover prior tax period	($1,877,264)
Net Tax Refund	($4,164,823)

The 2018 tax return was filed on September 20, 2019. The Company in 2017 paid $1,363,915 in New Hampshire Business Enterprise Tax. The NHBET is comprised of wages, sales, and taxable enterprise value tax base. The Company paid $46,305,735 in New Hampshire Waters Edge Business Profits on line 15 of page NH-1120-WE of the tax return. The Company paid $3,658,153 in 2018 Business Profits tax based on a 7.9% rate for 2018. The Company had ($1,363,915) in NH BET credits for the year. The 2018 Business Profits Tax net of statutory credits is $2,294,238.

BET Net Statutory Credits	$1,363,915
BPT Net Statutory Credits	$2,294,238
Total BET and BPT	$3,658,153
Estimated Tax Payments	($7,600,000)
Net Tax Refund	($3,941,847)

Accumulated Deferred Income Taxes

Per Filing Schedules

The Company determines the ADIT for rate base by utilizing a Deferred Tax Analysis Report that is produced quarterly by the Eversource Tax Department. The ADIT for rate base includes the distribution segment. The GL activity includes accounts 190, 282, and 283. The Company indicated not all the general ledger accounts are included in ADIT for rate base. Audit reviewed the Eversource Tax Division Analysis Reports to verify the distribution segment is charged to the ADIT rate base and excludes retail transmission and regulatory. Most of the ADIT related to Depreciation Adjustments. Audit verified the following GL accounts below to filing schedule EHC/TMD-39 and supporting calculations on the tax worksheet.

Account 190000 Accumulated Deferred Income Tax	$2,122,113
Account 282000 ADIT Federal Liberalized Property	($365,945,055)
Account 283000 Deferred Income Tax Other	($6,817,111)
Total ADIT	($370,640,053)

Per FERC Form 1

The Company indicated, during an onsite review of the 2017 federal returns, that presently under DE 18-049 an investigation into federal and state corporate tax reductions the ADIT will be affected as the rate has been lowered from 35% to 21%. The Company indicated the calculations on the FERC Form 1 and Filing are different because of the adjustments that will need to be made to ADIT. Audit is not able to express an opinion on the appropriateness of the ADIT.

Accumulated Deferred Income Taxes 190 $189,145,688 was verified from the FERC Form 1 to the general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
190000	$74,830,815	$5,736,518	($7,822,182)	$72,745,151
190DG0	$57,274,249	$31,838,399	0	$89,112,648
190GN0	$22,577,848	0	0	$22,577,848
190XXX	$4,484,971	$225,069	0	$4,710,040
Totals	$159,167,883	$37,799,986	($7,822,182)	$189,145,688

Accumulated Deferred Investment Tax Credits 255 ($98,599) was verified from the FERC Form 1 to the two general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
255000	($95,055)	($3,544)	0	($98,599)

Accumulated Deferred Income Taxes-Property 282 ($402,683,244) was verified from the FERC Form 1 to the two general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
282DKO	($246,095,911)	($156,630,941)	$40,064	($402,683,244)

Accumulated Deferred Income Taxes-Other 283 ($266,348,952) was verified from the FERC Form 1 to the five general ledger accounts:

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
283990	($100,006,926)	($6,531,933)	($4,497,563)	($111,036,422)
283DG0	($5,804,536)	($2,258,166)	0	($8,062,702)
283DK0	$16,108,249	$1,990,435	0	$18,098,684
283GN0	($225,661,044)	0	0	($225,661,044)
2 83GN1	$60,312,532	0	0	$60,312,532
Totals	($255,051,725)	($6,799,664)	($4,497,563)	($266,348,952)

Electricity Consumption Tax RSA 83-E

Audit requested and was provided with copies of the 2018 monthly Electronic Consumption Tax (ECT) returns (Form DP-133) filed with NH Department of Revenue (DRA), which for 2018 totaled $4,323,874, based on 7,962,861,233kWh reported for the year. The consumption tax of $.00055 per kilowatt-hour was repealed in 2017, effective January 1, 2019.

The tax is paid by the consumers and collected and remitted to the New Hampshire Department of Revenue by distribution companies. The returns are due on or before the 15th day of the second month following the close of the taxable month (unless approved to file quarterly). No estimated payments are required. Audit verified that the 12/31/2018 balance in account 241NA0, Tx Coll Pay-Consumption Tax, $4,328,488 represents the December 2018 DP-133 less $4,632 in account 408500-NH Consumption Tax. This arrives at the $4,323,874 without exception. The $4,632 booked to the GL represents self-usage charges for which Eversource does not bill, such as station service and administrative tasks. On the proformed figures on

Filing Schedule EHC/TMD-5 (Perm) the Electricity Consumption Taxes have been zeroed out, as they are no longer recurring charges.

Audit Issue # 1
Reflection of GAAP vs. FERC

Background

The Company's FERC Form 1 reflects balance sheet accounts to comply with GAAP.

Audit Issue

Audit noted several balance sheet accounts that are reflected on the opposite side of the balance sheet, due to the net balance being "upside down". That is, an asset account that reflects a credit balance is included on the liability side of the balance sheet, and vice versa.

Specifically, debit balances within the following 236 accounts are included with the 165 account within the FERC Form 1 165 balance.

Account #	Distribution 06	Transmission 6T	Generation 6F	Total
236080	$25,219,785	$4,523,165	$(3,127,134)	$26,615,816
236180	$ 9,175,518	$5,930,999		$15,106,517
236280	$ 22,000		$ (10,000)	$ 12,000
236340	$ 3,500			$ 3,500
236xxx	$34,420,803	$10,454,164	$(3,137,134)	$**41,737,834**
165xxx	**$ 1,574,234**	**$ 237,035**	**$ (182)**	**$ 1,811,087**
				$**43,548,921**

A credit balance in account 1823M0 $(87,127) was included within account 254 on the FERC Form 1.

Audit Recommendation

The Company must comply with the FERC Uniform System of Accounts.

Company Comment

The Company agrees that it must comply with the FERC Uniform System of Accounts, and it is currently doing so. The Company also confirms that its FERC Form 1 balance sheet accounts are being reported correctly.

As identified by Audit Staff, there are certain accounts that reflect differences between the Company's FERC financial statements and the subledger ("PowerPlan")/general ledger ("Oracle"). In these accounts, the General Ledger account has a balance opposite of the nature of the account, meaning an asset has a negative balance or a liability has a positive balance. The Company will typically transfer the balance to correct this in its subledger. When this has not occurred by the time the monthly close process has moved to the next month, the Company will record the journal entry in the system used to prepare PSNH's quarterly and annual FERC reporting, which is the Hyperion Financial Management ("HFM") system. Any journal entries recorded in HFM are in accordance with the FERC Uniform System of Accounts. As a result, the amounts ultimately reported on the FERC Form 1 reflect the balances as adjusted and are in accordance with the FERC Uniform System of Accounts.

The adjustments are made as described above (i.e., as journal entries in HFM) rather than by reopening the accounting period in order to mitigate risk of inaccuracy of reporting. The Company's accounting close process is based upon automated interaction between various and numerous systems (i.e., work and asset management, payroll, plant accounting, tax, among others) as well as on established processes and practices of experienced Company personnel to record journal entries, reconcile activity, and the like. These activities are sequenced and controlled in order to ensure accuracy of the financial statement reporting to the Company's various regulatory agencies and external reporting requirements. Reopening closed accounting periods in PowerPlan and Oracle would introduce risk that those processes may error or fail and ultimately could unnecessarily jeopardize the ability to issue accurate financial statements. As a result, it is the Company's normal business process that any known adjustments to the FERC financial statements that are identified after an accounting period is closed must be recorded in HFM. When appropriate, the entries are recorded to the subledger and general ledger in the subsequent reporting period.

Audit Response

Audit appreciates the accounting close description, and reminds the reader that re-opening a financial statement reporting period was not contemplated by the Audit staff. Rather, the reflection of the accounts, at the actual year-end balance was recommended. The issue is re-stated.

Audit Issue # 2
Wrong Depreciation Method

Background

The Company used the remaining life depreciation method that has not been approved by the Commission.

Audit Issue

Audit reviewed the December 2018 Summary Report in the CPR records to the most recent approved depreciation Study in DE 03-200. The Company, on Filing Schedule EHC/TMD-28 and EHC-TMD-38, used the Remaining Life Method when the Whole Life method is supposed to be in conformance with PUC 308.08 and Form E-25E to calculate the depreciation expense.

Based on documentation provided to Audit the correct depreciation reserve balance is $617,113,264. The Company also needs to make a ($104,755) credit adjustment to the filing schedule EHC-TMD-28 that is due to an account 303 transfer on a NBV depreciation study that was not done for a consultant. The GL was adjusted in January 2019. Audit is unable to quantify all adjustments needed to be made to the filing due to the incorrect depreciation method that was used.

Audit Recommendation

The Company must comply with the PUC Rules, Statutes, and Procedures and adjust filing schedules as necessary to come into compliance with the Whole Life Depreciation method.

Company Comment

The Company currently utilizes the whole life depreciation method and has done so since its last Commission-approved depreciation study in Docket No. DE 03-200. Consistent with Puc 308.08, the Company has proposed implementing the remaining life method for purposes of calculating depreciation expense, for the reasons described in the testimony of the Company's depreciation witness John J. Spanos of Gannett Fleming, Inc. The Company has not implemented the remaining life method and would only do so with explicit Commission approval. The Company is currently in compliance with PUC rules, statutes and procedures.

In the Company's initial filing, Schedule (JJS-3) was submitted to meet the requirements of Puc 308.08 and is comparable to Form E-25E. The only significant difference between the information provided in Schedule (JJS-3) and the information customarily provided in Form E-

25E relates to the Company's proposal to change from the whole life method to the remaining life method in this proceeding. Puc 308.08 provides that a utility "shall not implement any change in depreciation rates until the proposed change has been approved by the commission pursuant to a proceeding conducted according to Puc 200." Going forward, the Company will calculate depreciation expense according to the Commission's directives in this docket.

Regarding the correction to the depreciation reserve balance identified as part of this Audit, the Company will incorporate this change as part of its next revenue requirement update, tentatively scheduled to be filed later in March 2020.

Audit Response

Audit appreciates the Company response, and reiterates that PUC Filings must be done using the whole life method. Audit appreciates the Company will be making the ($104,755) credit adjustment to the depreciation reserve filing schedules.

Audit Issue # 3
Budgeted vs. Actuals Project Costs

Background

Audit reviewed a number of projects/work orders and several of the projects were over/under 30% with regard to the cost.

Audit Issue

Audit reviewed a number of projects to test the budgeted and actual cost of projects for reasonableness. The Company in the projects reviewed below had variances of over/under in excess of 30%.

2009-2012 Projects	Actual	Budgeted	Difference	%	Blanket
A11S12	$373,031	$0	$373,031	100%	Yes
UB1130	$129,229	$0	$129,229	100%	No
UB1162	$268,467	$145,000	$123,467	85.2%	Yes

2013-2018 Projects	Actual	Budgeted	Difference	%	Blanket
A12S14	$572,859	$1,346,673	($773,814)	-57.5%	Yes
A14W18	$1,811,013	$1,166,971	$644,043	55.2%	Yes
A08X45	$630,589	$1,357,644	($727,055)	53.6%	Yes
NHMTR18	$1,516,817	$2,320,000	($803,184)	-34.6%	No
18707	$2,702,825	$1,877,000	$825,824	44.0%	No
GE9R	$173,751	$274,594	($100,843)	-36.7%	Yes

Audit Recommendation

The Company should better be able to track the cost of projects so cost variances are identified and justified, as many of the projects missed the budget by more or less than 30%.

Company Comment

The Company recognizes the critical importance of effective project-cost management. The projects selected by Audit Staff are examined by using the annual actual costs in comparison to the annual budget for each project. However, the annual budget number used in the comparison does not necessarily represent a "pre-construction" that would be a reliable basis for the comparison. The annual budget amount is generally based on a conceptual-level estimate devised *for the sole purpose* of obtaining funding as one element of the overall capital plan, but does not represent the fully engineered project development plan with the project-specific cost estimate, which is the figure that is needed for the comparison to be reliable and accurate. During the construction year, the Company may adjust its spending on individual projects to account for unforeseeable cost drivers not known at either the time of the conceptual-level budget or the pre-construction estimate. As a result, individual project spending may increase or decrease as compared to the annual budget for that project. This is not indicative of any shortcoming in the Company's ability to manage its costs.

Initial project budgets are generally developed based on a conceptual-level estimate for the purpose of allowing for prioritization of particular projects in relation to all other projects within the context of an overall budget target for the program year. The conceptual budget figures typically do not incorporate project specific design and engineering details because those details are developed later (after the initial funding go-ahead is received), based on additional in-depth work conducted by the Company and its outside contractors, where applicable. After funding is allotted, the Company conducts graduated stages of information gathering, assessment and estimation, and projections are refined based on detailed engineering plans and/or cost assessments. The Company's Project Authorization policy recognizes that project budgets will be refined as the scope of the project evolves based on further due diligence.

As a result, the Company does not agree with the presented comparisons, although the Company understands the concern stated by Audit Staff.

Audit Response

Audit appreciates the Company response. Audit understands Senior Management must sign off on project funding based on the budget review during monthly meetings. Therefore, the budgeting process is always ongoing during the year. Based on a review by Audit, the Company must have meaningful benchmarks to determine budgeted vs. actual costs to measure cost overruns/underruns on projects. This helps to facilitate whether project costs are being managed and tracked in an efficient manner. Audit understands the Company must manage their internal available capital funds, but project costs must be carefully monitored/tracked for the benefit of PSNH customers.

Audit Issue # 4
Project/Work Order Documentation

Background

Audit reviewed 21 projects/associated work orders related to plant 2009-2018. There were instances where the Company was missing/supporting information or was not adequately justified or provided.

Audit Issue

On Project A09S12 and W/O 9M910508 the bidding information indicates Carolina Pole won the bid but on the same document, they were not listed as one of the bidders. On the signed contract, Audit could not open the file, as it was a corrupt paint file.

On Project A11S12 and W/O A11S1201 Laboratory Analytical won the bid to test and install the transformer but there was no reason on the bid detail as to why this choice was specifically made.

On Project EGIS6DC1 and W/O EGIS6DC1 there was no PAF or CRBC documentation provided to Audit.

On Project LNDP6DC2 and W/O LLP16DC2 there was no PAF or CRBC documentation provided to Audit.

On Project A08X45 and W/O A08X4509 an internal employee email (copy of which was provided to Audit) indicated that the employee sending the message was new to the organization and did not receive adequate training on using Company systems to track work order/project information. This indicates that employees are not versed in policy to track projects costs/details in an adequate manner.

On Project NHMTR18 and W/O CFIN18A that related to ITRON Meters, the Company went out to RFP in 2013 and signed a contract. The Company contact person indicated he thought they extended the contract for 2018 with Itron. The Company indicated they could not find the sole source justification sheet for the project for 2018.

Audit Recommendation

The Company going forward should be able to provide and track project information in an adequate manner so the Company is better able to track the cost/details associated with project/work order expenditures.

Company Comment

The Company concurs with this recommendation. In 2016 – 2017, the Company implemented two new Supply Chain Management systems (Ariba and Maximo) in order to improve project/cost tracking, financial controls, and document management. Ariba is now the Company's sole system for issuing, evaluating, and awarding RFP's for services and materials. Ariba is also now the Company's central repository for all contract documents, allowing for easy access and retrieval of all documents associated with RFP and contracts – even in cases where the responsible buyer (employee) is no longer employed by the Company. In instances where an RFP is not issued and the cost of the procurement exceeds $50,000, a sole source justification ("SSJ") is required, which then gets uploaded and included with the project documents. The SSJ contains language to explain and justify why an RFP is not issued.

Audit Response

Audit appreciates the response by the Company and understands the Company made improvements in 2016 and 2017 to the Supply Chain Management System to better facilitate project/cost tracking, financial controls, and document management.

Audit Issue # 5
Retirements in a Timely Manner

Background

Audit reviewed the retirements GL accounts and noticed an instance where meters were not retired in a timely manner.

Audit Issue

The Company in February 2018 retired $23,891,344 of meters to account # 370. The Company replaces meters annually that are routine recurring annual projects. This is significantly more retirements than normal. The Company indicated the 2014-2017 retirements were done all at once, as the issue was due to an issue in PowerPlan.

As a result, the 2014-2017 retirements were not shown on the FERC Form 1 for those years. The Company indicated the balances were in a placeholder account and the catchup entry was performed in February 2018. They indicated there were no other instances of catch up retirement entries that had to be performed for other accounts.

Audit Recommendation

The Company going forward should better be able to make sure PowerPlan and the retirement accounts on the FERC Form 1 are properly reflected.

Company Comment

The Company has internal controls in place that require notification from Operations as to when an asset should be retired from its plant accounts. For mass property plant Account 370 (meters), there are manual notification processes in place to provide retirement data. Subsequent to the identification of the catch-up retirement entry, the Company implemented an internal control procedure to reconcile the number of meters retired in the software maintained by Meter Operations (PowerTrack system) to the number of meters retired in PowerPlan on a semi-annual basis. This internal control procedure should ensure that future account 370 meter retirements are processed in a timely manner.

Audit Response

Audit appreciates the Company has put in place internal controls so assets are retired in a timely manner.

Audit Issue
Artwork/Murals # 6

Background

The Company spent money on artwork/murals in the Employee Bar at Eversource Energy Park in Manchester (employee lunch room). These costs should be booked below the line.

Audit Issue

Audit reviewed project 18707 and specifically work order F1806049 that was unitized for $14,824 to plant in service for murals/artwork for the employee bar at Eversource Energy Park in Manchester by Bailey Donovan.

Audit Recommendation

The Company should remove the $14,824 mural/artwork charges from plant in service as artwork/murals should not be considered plant in service.

Company Comment

The Company will remove the $14,824 from its cost of service given the relatively small dollar amount and for purposes of closure to the audit process. However, the Company does not agree with the conclusion that this was not a legitimate plant addition. Work Order F1806049 was one of 85 work orders approved in Funding Project 18707. This expenditure is a non-unitized asset that is currently in-service (account 106). Prior to inclusion in plant (account 101 or 121), the Company would first make a determination whether this was an appropriate plant addition. The expenditure meets the criteria because it exceeds the $500 threshold of APS#8. The asset would be appropriate for inclusion as nonutility plant (account 121XXX).

Audit Response

Audit appreciates the Company will be removing the mural/artwork charges from plant in service that should be booked to the non-utility plant account 121. FERC identifies account 121 as: *121 Nonutility property-*
A. This account shall include the book cost of land, structures, equipment, or other tangible or intangible property owned by the utility, but not used in utility service and not properly includible in account 105, Electric Plant Held for Future Use. This account shall also include, where applicable, amounts recorded for asset retirement costs associated with nonutility plant…

Audit Issue # 7
Power Production and Transmission Related Accounts

Background

Audit reviewed the accounts included in the filing and compared the reported totals to the general ledger and FERC Form 1.

Audit Issue

The filing includes $101,715 of production expenses on Attachment EHC/TMD-1 (Perm) Schedule EHC/TMD-5 (Perm). The $101,715 sums to the following GL accounts:

555000	Purchased Power Energy	$ 2,848
556000	System Control and Load Dispatch	$ 97,128
569010	Trans Maint of Structures – Maint IT	$ 1,740
		$ 101,716

Audit Recommendation

These accounts should also be part of the flow-through, as they are part of the Power Production and Transmission portion of the FERC Form 1.

Company Comment

The Company is providing further clarification to confirm that these FERC accounts are distribution-related costs and the costs are not related to production and transmission. The $2,848 in FERC Account 555000 is comprised of: (1) $1,886 related to net meter credits; and (2) $962 for expenses incurred by the Company for power supplied to it by Central Maine Power, also known as a borderline purchase.

The $97,128 in FERC Account 556000 is comprised of distribution-related repair and maintenance work performed by PSNH Communication and Control employees and vendors on PSNH's communication ring that includes fiber, radio, microwave, SCADA, protective relaying, and voice communication equipment. These costs are valid charges to include in the distribution cost of service.

The $1,740 in FERC Account 569010 is related to the portion of an invoice for iDeliver that is allocated to PSNH Distribution. iDeliver is used to develop testing scripts for application changes. In this case, the testing was related to monitoring software for Eversource.com website. The Company was testing new agents to monitor the health, speed and performance of critical customer related applications on the Eversource.com website. Upon further review of the charging of this invoice, it was determined that the invoice was charged to the incorrect FERC account and should have been charged to a 923000 account. The Company verified that this is a valid distribution company cost and recommends not removing it from the cost of service as it benefits PSNH distribution customers.

Audit Response

Audit encourages the Company to accurately reflect expenses in the appropriate FERC accounts.

Audit Issue # 8
Expenses to be Booked Below the Line

Background

Audit reviewed the detail general ledger for expenses accounts that had a balance of $1 million or greater. Audit randomly selected journal entries from these accounts to review supporting documentation on.

Audit Issue

Account 580000 includes $2,650 for holiday breakfasts.
Account 588000 includes $1,852 for dashboard sticky pads.
Account 588152 includes $18,935 for physical therapy services.
Account 908000 includes $10,144 in Community Programs - Sponsorship
Account 921000 includes $3,909 in event sponsorships.
Account 923000 included $7,555 for jackets.
Account 926000 includes $17,559 in employee service awards.
Account 930200 includes $5,000 for a gala sponsorship.
Account 930200 Includes $40,050 in chamber of commerce memberships.
$107,654

Audit Recommendation

Audit recommends that any costs for employee morale be borne by the shareholders rather than the ratepayers.

Company Comment

Total $107,654
•Holiday breakfast (580000) and jackets (923000): $10,205
•Safety programs including physical therapy (588152) and sticky pads (588000): $20,787
•Community programs and employee training (908000), event sponsorships (921000 and 930200): $19,053
•Employee service awards (926000): $17,559
•Chamber of commerce membership (930200): $40,050

All of these expenses are necessary items to provide service to customers. Fundamentally, the Company is an employer, playing a critical role for residential and business customers, and the communities in which these customers reside. There is no separating that role from utility operations. The Company does not exist as a set of operating functions that has no obligation to create a healthy, constructive environment for employees; no need to maintain employee morale or professional development; and no need to participate in the community given the critical role of electricity to all customers and the New Hampshire economy. To the contrary, these three important areas of focus represent operating functions no different than the other infrastructure-related operating functions that the Company performs to provide service on a day-to-day business. All three of these functions benefit customers directly in terms of having a skilled, professional, healthy and high-morale workforce to labor under all sorts of operating conditions, and in terms of connecting with community constituencies that depend on the Company for service to their homes and businesses and have input to share with the Company on their needs for that service.

For example, there is no basis for the recommendation to remove the $20,787 of costs for safety programs such as physical therapy services from the cost of service. Physical and occupational therapy is a necessary business expense. Occupational and physical therapists visit the work centers on a monthly basis and provide services to the Company's workforce as part of its safety program and are used to prevent injury for workers and reduce repetitive motion injuries. Additionally, the sticky pads with safety messages are reminders for the workforce to work with safety in mind, as it is the Company's top priority.

If necessary to close-out the audit, the Company will remove the amount of $10,205 related to the holiday breakfast (580000) and jackets (923000). Also, if necessary to close-out the audit, the Company will remove $8,909 associated with event sponsorships (921000 and 930200). The remainder of expenses in these categories include employee service awards, attendance at diversity and inclusion seminars, employee training programs and membership in local business organizations. These types of expenses are necessary for the business to operate in New Hampshire and to hire and retain skilled employees.

These types of costs are warranted from an operating perspective and, individually, tie back to an important function that the Company is providing in relation to its workforce and its communities. The costs identified are an unavoidable part of doing business as a utility company obligated to provide a public service in its franchise communities using a skilled and productive workforce.

The Company will remove the $3,909 in event sponsorships from its cost of service given the relatively small dollar amount and for purposes of closure to the audit process. However, the Company does not agree with the conclusion that this was not a legitimate customer expense. The $3,909 in FERC Account 921000 is related to vests and safety glasses used by Company employees when volunteering at Company sponsored events, including related employee expenses.

The Company respectfully disagrees with the recommendation to remove the cost for employee service awards from the cost of service. The $17,599 in FERC Account 926000 is a necessary business expenditure to attract and retain the skilled workforce that is required to provide service to customers. Customers benefit directly from the Company having experienced, engaged and dedicated employees, and these service awards are important to motivate and recognize employees for their achievements.

Audit Response

Audit restates the issue, and has summarized the Company's response:

Account	Audit Below Line	Company Holiday/Jackets	Company Safety	Company Community Training/Event	Company Employee Service	Company Chamber
580000	$ 2,650	$ 2,650				
588000	$ 1,852		$ 1,852			
588152	$ 18,935		$ 18,935			
908000	$ 10,144			$ 10,144		
921000	$ 3,909			$ 3,909		
923000	$ 7,555	$ 7,555				
926000	$ 17,559				$ 17,559	
930200	$ 5,000			$ 5,000		
930200	$ 40,050					$ 40,050
	$ 107,654	$ 10,205	$ 20,787	$ 19,053	$ 17,559	$ 40,050
		Agrees to remove	Disagrees	Agrees to remove $3,909 + $5,000	Disagrees	item was not addressed

Audit concurs with the Company's response to remove $23,023 from the rate case expenses but reiterates that <u>all of these costs</u> should be borne by the shareholders rather than the ratepayers.

Audit Issue # 9
Rate Case Deferral

Background

Audit reviewed the detail general ledger for expenses accounts that had a balance of $1 million or greater. Audit randomly selected journal entries from these accounts to review to supporting documentation.

Audit Issue

Account 921000 contained entries summing to $11,722 for rate case preparation, $2,334 for rate analysis/development and $165 for revenue requirement.

Audit Recommendation

As these expenses appear to be rate case expenses, they should be booked to the deferral account rather than the expense account.

Company Comment

The Company respectfully submits that these costs should not be booked to the deferral account because they represent internal labor costs and employee expenses, in contrast to incremental rate case expense for outside service providers. The following table provides a summary by work order of the expenses in the 921000 FERC account:

Accounting Work Order	Accounting Work Order Descript	Sum of Amount
RCSE0N06	Rate Case Preparation	$11,722.61
RROTHR01	Rev Req -Other -Multiple Companies	$165.05
RTAN0N06	Rate Analysis/Development	$2,055.19
RTAN0R01	Rate Analysis/Development	$279.11
Grand Total		**$14,221.96**

For example, work order RCSE0N06 was set up to specifically track Eversource employee labor and expenses when working on preparing the rate case, resulting in the cost of $11,722,61. The other work orders are normal course of business work orders used by various groups within the Company.

The Company did not include its internal costs for rate case preparation in the deferred rate case expense. Consistent with its typical practice, the deferral includes incremental rate case expenses such as consultant costs, printing costs and legal costs. As shown in the table, the Company's internal costs are relatively small and there would appear to be little value in deferring the costs and spreading out recovery over a longer amortization period.

Additionally, the remaining work orders are set up for internal tracking of employee labor and other costs as part of normal routine work and are not related to rate case preparation.

Audit Response

Audit appreciates the Company's explanation of the tracking of rate case expenses. As a result, Audit agrees with the Company that expensing the above noted expenses, since the labor costs are not incremental.

Audit Issue # 10

State Education Tax

Background

The Company included State Education Tax within the property tax expenses. Utilities do not pay the Statewide Education Tax as part of the municipal property tax invoices, rather through the annual invoice and remittance to the State of NH Department of Revenue.

Audit Issue

The Company included $29,909 in State Education Tax booked to the Local Property Tax Expense on Filing Schedule EHC/TMD-31.

Municipality	December 31, 2018 amount
Concord	$0.27
Dover	$524
Epping	$1,975
Franklin	$968
Henniker	$6,884
Laconia	$91
Milton	$176
Nashua	$16,207
Sutton	$3,074
Woodstock	$10
Total	$29,909

Audit Recommendation

The Company should remove $29,909 in State Education Tax from Filing Schedule EHC/TMD-31, and should ensure that all municipalities are contacted to ensure the State Education Tax is removed from the municipal property tax invoices.

Company Response

Although the Company will agree to remove these amounts, the amounts represent actual amounts billed to and paid by PSNH. The Company routinely investigates billing of the State Education Tax by municipalities. Often, the information received back from the municipalities is that specific parcels on which they are billing the education tax represent “vacant land” and that they are entitled to bill the education tax. In other instances, the municipalities refuse to provide further information and PSNH is unable to ensure that the State Education Tax is removed from the municipal property tax invoices. Of the amounts listed above, PSNH has been able to receive a reduction in either 2019 or 2020 in the amount of $9,126, after demonstrating to the municipalities that the State Education Tax should be removed for some other basis.

Audit Response

Audit concurs with the Company, which has agreed to remove the State Education Tax. It is understood that the State Education tax was included on the municipal invoices reviewed. The Company is reminded to contact each municipality and ensure the State portion is removed from the utility related property tax invoices.

Audit Issue # 11
Investment Tax Credit

Background

The Filing Schedule EHC/TMD-35 incorrectly states the Investment Tax Credit amount.

Audit Issue

Audit reviewed the $3,684 Investment Tax Credit to GL account 411400 and Filing Schedule EHC/TMD-5. The filing schedule EHC/TMD-35 indicates the schedule is $3,684,000 that was due to a multiplication error in the formula.

Audit Recommendation

The Company should adjust the filing schedule EHC/TMD-35 to reflect the actual $3,684 Investment Tax Credit amount rather than $3,684,000 as seen on the filing schedule.

Company Response

The correct figure of $3,684 for the Investment Tax Credit, as recorded to GL account 411400, is reflected on Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-5 (Perm), Page 2, Line 61. This is the lead schedule that calculates operating income and flows into the revenue deficiency calculation on Schedule EHC/TMD-1 (Perm). The incorrect amount listed on EHC/TMD-35 ($3,684,000) will be corrected as part of the next revenue requirement update anticipated to be filed later in March 2020.

Audit Response

Audit appreciates the Company will correct Filing Schedule EHC-TMD-35 as part of the next revenue requirement update.

Audit Issue # 12
Operation and Maintenance Expenses

Background

Audit reviewed the detail general ledger for all O&M expenses accounts with a year-end balance of greater than $1,000,000.

Audit Issue

During that review, Audit reviewed the following items in which adjustments should be made:

1. O&M Expenses for the test year are overstated by $362,504 from DE 20-005. This total should be removed from the O&M expenses.
2. Account 928 contains $430,569 in amortized consultant costs that should be considered non-recurring.
3. Account 589003 should have $7,725 removed for expenses that were outside of the test year.
4. Enterprise IT Expenses posted to accounts 930RAX and 930300 $781,844 were based on factors including return on equity calculations at the booked as assets on the financial statement of the Service Company, with the calculated return on equity allocated to affiliates as expenses. It is unclear why the allocation is not part of the service company allocations, nor from what authority the allowed returns on equity were approved.

Audit Recommendation

Audit recommends Eversource make the adjustments noted above.

Company Response

1. The Company respectfully disagrees with the recommendation to remove $362,504 from the Test Year expense related to Docket No. DE 20-005 (Audit of Divestiture-Related Costs). In that docket, the Company is seeking recovery of a one-time cost representing one year of stranded O&M costs that the business absorbed as a result of the generation divestiture. Upon termination of the generation function, all costs allocated by the Eversource Energy Service Company ("ESC") to the generation function were absorbed by ESC and the 11 entities sharing in the costs of ESC, of which PSNH is only a very small part. In preparation for the rate case, the Company evaluated both the percentage allocation to PSNH among all affiliates sharing in services from ESC and the absolute amount of costs attributed to PSNH through the ESC allocation process for 2018. From either perspective, the costs charged to PSNH by ESC in 2018 remained appropriate for the shared services provided to the distribution and transmission functions of PSNH and did not reflect an upward impact due to the divestiture. Therefore, this

adjustment is not appropriate or warranted and instead would improperly reduce the recovery of valid and necessary costs in this proceeding.

2. The amount of $430,459 in Account 928 was already removed from the Test Year as an out-of-period normalizing adjustment. The Company's Test Year activity in Account 928 was updated with the latest Commission regulatory assessment invoices, or $5,230,056. This calculation is depicted in the following table taken from Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-22 (Perm), Page 2 of 2:

Description	Test Year Actual	Normalization Adjustments	Adjusted Test Year	Pro Forma Adjustments	Test Year Pro Forma
(A)	(B)	(C)	(D)	(E)	(F)
Balance Account# 928000 (Excluding Labor & OH)	**$ 5,491,189**				
NHPUC Assessment - D	$ 4,725,934	$ -			
Defer NHPUC FY 2018 NHPUC Assessment over base amount in rates (Recovered DE 18-177)	95,387	(95,387)			
Amortized NHPUC Deferred (Recovery of 2017 Consultant Deferral DE 17-160)	239,089	(239,089)	-		
Amortized NHPUC Deferred (Recovery of 2017 NHPUC Assessment Deferral DE 17-160)	430,569	(430,569)	-		
Adjust Assessment to latest NHPUC Assessment (less $10K recovered in Energy Service Rates)		40,385			
		-			
Net NHPUC Assessment	**$ 5,490,979**	**$ (724,661)**	**$ 4,766,319**	**$ 463,737**	**$ 5,230,056**

3. The Company has no objection to the recommendation to remove $7,725 from Account 589003.

4. Regarding the Company's Enterprise IT Projects Expense, these costs originated at the Service Company and are included in the Service Company allocation process:

- Attachment OCA 1-063 Revised (as filed in the response to OCA 7-041) shows the **actual service company charges by account** for 2015-2018, Rate Year. Lines 155-156S in that attachment for Accounts 930300 and 930RAX are as follows:

FERC Account	2015	2016	2017	2018	YTD 3/31/19	Rate Year
930300	(414,447)	(1,388,459)	(2,421,723)	(3,509,845.9)	(942,273)	(996,756)
930RAX	1,350,612	2,212,896	3,660,498	4,291,689.6	1,151,141	5,148,534
				781,843.74		

- In addition, the following table provides a high-level breakdown of the 2018 budgeted Service Company overhead loader (Enterprise IT Projects Expense is 1 of 6 components comprising the general loader, which is billed to all entities using Service Company labor):

	Service Company (61) 2018 Budget
6 Components of General Service Company Loader (GSCOH)	
PR Tax (408)	26,270,797
Insurance (925)	711,175
Benefits (926)	77,038,006
Enterprise IT Projects Depreciation (403)	51,940,446
Enterprise IT Projects Expense (930)	43,041,836
Intercompany Rent (931)	13,146,895
Total	212,149,156
Capitalization Credits:	
PRTax Offset (408150)	
Insurance Offset (925200)	
Benefits Offset (926200)	
Enterprise IT Projects Depr Offset (403100)	
Enterprise IT Projects Expense Offset (930300)	
Rent Offset (9310GS)	

If it would eliminate controversy and close-out the audit process, the Company could recompute the expense for ratemaking purposes using the ROE authorized in this case rather than using the weighted-average ROE actually recorded by ESC. The Company anticipates that this change would result in a small reduction to the cost, although the weighted-average ROE is the appropriate methodology for ESC accounting purposes.

Audit Response

Regarding #1, Audit understands the Company response, but reminds the Company that known and measurable adjustments, regardless of absolute dollar amount, should be identified in the filing schedules.

Regarding #2, Audit appreciates the reference to removal of the $430,459 from the test year expenses in account 928.

Regarding #3, Audit concurs with the removal of the $7,725.

Regarding #4, Audit recommends that the PUC Electric division review the provided information, and determine the appropriateness of both the type of calculation and whether or not the inclusion within the instant rate filing is appropriate.

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 20-005

Date Request Received: 05/28/2020 **Date of Response: 06/12/2020**
Request No. STAFF 1-043 **Page 1 of 1**
Request from: New Hampshire Public Utilities Commission Staff

Witness: Robert A. Bersak, Paul J. Parsons, Erica L. Menard

Request:
Regarding Audit Issue #5 on page 81 of the Audit. Audit states that:

> Audit recommends that none of the reported O&M costs ($5,459,403) be recovered through the RRB stranded cost mechanism, as they were not booked to the generation general ledger during 2018. The filing is a representation of what the costs would have been had they actually been posted during 2018.
>
> a. Please provide a specific detailed report of O&M charges that the Company states it would have billed for all of 2018 by month.
> b. Because the Service Company costs were in fact billed to other affiliated companies that absorbed the costs, have those other affiliates' expenses have been reversed? If yes, please provide documentation that would demonstrate such reversals.

Response:
a. Please refer to Attachment Staff 1-043 for a working Excel model containing the monthly detailed report of O&M charges that would have been billed to the Company in 2018. The Data tab contains a summary of the Service Company O&M charges in 2018 by month. The total amount of O&M allocated by the service company in 2018 was $427,301,447. Using the 2017 Generation allocation rates, $8,448,271 would have been charged to the Generation business.
b. No, the Service Company costs billed to and expensed by the other affiliated companies that absorbed the costs were not reversed. Upon approval of recovery of the $5,459,403 stranded A&G expenses, PSNH will record a payment to the Affiliated companies that absorbed the costs for the $5,459,403 liability currently on the books.

Gross Plant Assets & Net Income (C04 Allocation Methodology) - 2020

$ 5,459,403 Stranded O&M from RAB-1, Page 9

Entity Description	Entities	LOB	Percentage		
11 CL&P - Dist	11	11100	0.2002	$	1,092,972
1T CL&P - Trans	1T	33100	0.1741	$	950,482
21 NSTAR Elec	21	11100	0.3141	$	1,714,798
06 PSNH - Dist	06	11100	0.0664	$	362,504
6T PSNH - Trans	6T	33100	0.0569	$	310,640
41 WMECO - Dist	41	11100	0.0251	$	137,031
4T WMECO - Trans	4T	33100	0.0492	$	268,603
71 Yankee Gas	71	11100	0.0619	$	337,937
2Y NSTAR Gas	2Y	11100	0.0441	$	240,760
2B Hopkinton LNG	2B	12705	0.0024	$	13,103
46 Rocky River	46	14100	0.0056	$	30,573
		Total	1.0000	$	5,459,403

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: May 15, 2020
AT (OFFICE): NHPUC

FROM: PUC Audit Staff

SUBJECT: Public Service Company of New Hampshire d/b/a Eversource Energy
DE 20-005 Audit of Stranded Costs Following Divestiture
FINAL Audit Report

TO: Tom Frantz, Director NH PUC Electric Division
Rich Chagnon, Assistant Director, NH PUC Electric Division
Liz Nixon, NH PUC Utility Analyst IV
F. Anne Ross, Legal Counsel NH PUC

Introduction

PUC Audit was directed to conduct an audit of the costs associated with the Rate Reduction Bonds (RRB) and associated stranded costs relating to the divestiture of the Eversource generating facilities. Dockets associated with the divestiture, and the ultimate opening of the instant DE 20-005 docket, as summarized in the testimony of Robert Bersak in DE 20-005, are:

- DE 11-250 and DE 14-238, Order 25,920 issued 7/1/2016 approving the 2015 restructuring and rate stabilization agreement;
- DE 16-817, Order 25,956 issued 10/21/2016 directing Eversource to remove the mercury boilers at the Schiller Station;
- DE 16-817, Order No. 25,967 issued 11/10/2016 approving the auction design;
- DE 17-124, Order 26,078 issued 11/28/2017 approving the sale of thermal generation facilities;
- DE 17-124, Order 26,080 issued 11/29/2017 approving the sale of hydroelectric generating facilities;
- DE 17-096, Order 26,099 issued 1/30/2018 determining findings of fact and issuance of the financing order;
- DE 20-005, Order of Notice issued 1/22/2020 setting the date for a prehearing conference on 2/14/2020 regarding the Audit of Stranded Costs Following Divestiture.

External Audit

Deloitte & Touche, LLP conducted an Agreed upon Procedures review of the costs associated with the RRB and resulting stranded costs. The review did not result in any suggested adjustments to the costs, and did not express an opinion or conclusion on the stranded costs from the generation divestiture. The agreed procedures did not include

Audit Issue #5
Administrative and General Expenses

Background

Attachment RAB-1, page 9 of 13, consists of:

O&M charges that would have been billed for all 2018	$ 8,448,271
Charges actually recovered via SCRC tracker 1/18 – 8/18	$ (713,243)
EESCO TSA Billed 1/2018 – 12/2018	$(2,275,625)
Net proposed for inclusion in SCRC excess of RRB	$ 5,459,403

Issue

The Company posted the $5,459,403 as a closing entry for the 12/2019 calendar year via journal entry:

06.12310.174RRB Misc. Current Assets-RRB	$5,549,403
6F.24000.186000 Amortization ES Deferral	$(5,459,403)

Audit requested clarification of the entry, as the attachment indicates that the $8,448,271 is an estimate of the Service Company costs that ***would have been billed*** to the Generation segment throughout 2018. Audit attempted to verify some of the O&M charges to the generation general ledger, but could not. In response to a request for clarification regarding the 2019 entries, the Company indicated: *There is no activity in the 6F 186000 account in 2018 as the stranded administrative and general (A&G) costs were not allocated to the 6F entity at that time*."

The Company further explained that in "*December 2019, using the calculated stranded A&G costs, a series of three journal entries were created to transfer the costs to the 6F 920000 account and then eventually to the 174RRB account.*
Journal Entry 362662: DR 920000 (Admin + Gen), CR 242990 (Misc Current + Accrued Liabilities)
Journal Entry 362670: DR 186000 (Misc Deferred Debits), CR 920000 (Admin + Gen)
Journal Entry 362671: DR 174RRB (Misc Current Assets – RRB), CR 186000 (Misc Deferred Debits)"

Recommendation

As a result, Audit recommends that none of the reported O&M costs be recovered through the RRB stranded cost mechanism, as they were not booked to the generation general ledger during 2018. The filing is a representation of what the costs would have been had they actually been posted during 2018.

Company Comment

There are no O&M charges directly allocated to the Generation business in 2018 per the General Ledger because the Generation business was divested. As a result, the basis for the allocation methodologies no longer existed (i.e. allocators based on gross plant assets and net income would yield negligible results). Effective January 1, 2018, the Generation business was appropriately removed from the corporate allocators.

Had shared services continued to allow the Generation segment to accept work order allocations for O&M costs, including corporate administrative and general expenses, labor, outside services, insurance, information technology, employee costs, and various payments and fees, the $8,448,271 would have been the absolute value of the allocated costs to the generation business in 2018. This is the proper estimate of costs that are stranded as a result of divesting the generation business due to the timing of regulatory lag and corporate reallocation of services within a shared services environment.

In the attachment provided to Audit (see Audit 5 2018 PSNH Allocated Charges Support 5-11-2020.xlsx), the O&M costs incurred by Eversource Energy Service Company are shown with additional detail of those costs. Consistent with Company testimony, and for ease of additional administrative burden, the Company made the decision to assess the stranded administrative and general charges at the end of calendar year 2018 once the Eversource Energy Service Company charges were known and identifiable. Included in support to Audit Staff was an analysis of the 2018 charges. There were approximately $469 million of Eversource Energy Service Company charges, of which $427 million were O&M costs, which were allocated to Eversource subsidiaries during 2018 using common or causal allocation rate methodologies that historically included the Generation business. Monthly journal entries were not recorded to reclassify these Generation business costs to the securitized Regulatory Asset because the Generation business did not exist, and it would not have been proper to establish a "payable" to each Eversource subsidiary burdened by the costs. Instead, the charges were incurred by the Eversource Energy Service Company, billed to the affiliated companies, and recorded to the General Ledger in accordance with proper accounting practices so that the affiliated companies were forced to absorb the costs that would have been charged to Generation had it still existed.

Audit Response

Audit restates the issue. As noted above: "*Monthly journal entries were not recorded to reclassify these Generation business costs to the securitized Regulatory Asset because the <u>Generation business did not exist</u>, and it would not have been proper to establish a "payable" to each Eversource subsidiary burdened by the costs. Instead, the charges were incurred by the Eversource Energy Service Company, billed to the affiliated companies, and recorded to the General Ledger in accordance with proper accounting practices* ***so that the affiliated companies were forced to absorb the costs that would have been charged to Generation had it still existed*****."** (Emphasis added by PUC Audit)

The Company, as part of the referenced "Audit 5 2018 PSNH Allocated Charges Support 5-11-2020.xls spreadsheet, demonstrates that the total $5,459,403 were expensed among:

Gross Plant Assets & Net Income (C04 Allocation Methodology) - 2020

Entity Description	Entities	LOB	Percentage			
				$	5,459,403	Stranded O&M from RAB-1, Page 9
11 CL&P - Dist	11	11100	0.2002	$	1,092,972	
1T CL&P - Trans	1T	33100	0.1741	$	950,482	
21 NSTAR Elec	21	11100	0.3141	$	1,714,798	
06 PSNH - Dist	06	11100	0.0664	$	362,504	
6T PSNH - Trans	6T	33100	0.0569	$	310,640	
41 WMECO - Dist	41	11100	0.0251	$	137,031	
4T WMECO - Trai	4T	33100	0.0492	$	268,603	
71 Yankee Gas	71	11100	0.0619	$	337,937	
2Y NSTAR Gas	2Y	11100	0.0441	$	240,760	
2B Hopkinton LNG	2B	12705	0.0024	$	13,103	
46 Rocky River	46	14100	0.0056	$	30,573	
		Total	1.0000	$	5,459,403	

Because the Service Company costs were in fact billed to other affiliated companies that absorbed the costs, unless those other affiliates' expenses have been reversed, the Company is "expensing" or attempting to collect the costs twice. There was no documentation provided that would demonstrate such reversals.

Audit recommends that any revised filing reflect the reduction of the above $5,459,403. Audit also recommends that the posting of the $5,459,403 in December 2019 be reversed, and the journal entry provided to PUC Audit.