

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 21, 2021

AT (OFFICE): NHPUC

FROM: Gary Cronin
Utility Analyst – Electric Division

RC

SUBJECT: DE 19-105
Public Service Company of New Hampshire d/b/a Eversource Energy
Petition for Recovery of Storm Expenses

Commission Staff Review of Storm Costs
for the period of January 1, 2018 through September 30, 2018

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Amanda Noonan, Director, Consumer Services and External Affairs
Rich Chagnon, Assistant Director, Electric Division
Lynn Fabrizio, Staff Attorney
Karen Moran, Chief Auditor
Krista Leigh, Examiner

Summary

On May 31, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource, or the Company) filed for recovery of certain storm expenses through the Company's Major Storm Cost Reserve (MSCR). Eversource requested to have ten storm and pre-staging events that occurred between January 1, 2018 and September 30, 2018¹ audited, and requested that the Commission approve the audited costs for recovery from the MSCR.

Commission Staff (Staff) has completed its review of Eversource's storm costs submission and the recommendations made by Commission Audit Staff (Audit) in the Final Report. (See Attachment 1.)

¹ The Company reported that there were no major storms or pre-staging events during the months of July, August, and September 2018.

The Company has agreed to remove a total of \$81,103 of storm costs. This total amount is based on the Company's agreement to remove \$9,563, as stated in the Final Report, and its agreement to remove an additional \$71,540 based on further discussions with Staff. All audit issues have been resolved.

Staff recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$18,045,310 from the MSCR fund, in addition to any adjusted amount of appropriate carrying charges. Eversource should notify Staff when this adjustment is completed, confirm the amount of recovery, and the balance of the MSCR fund.

Background

As part of the settlement regarding restructuring in Docket DE 99-099, Eversource established the MSCR for the purpose of recovering incremental costs associated with severe weather events. Under the MSCR, Eversource recovers from customers through its distribution rates a specified annual amount to be used in the event a Major Storm occurs. Eversource simultaneously records a liability into its MSCR equal to the amount that it recovers from customers so that the recovery does not result in earnings accruing to Eversource. Costs incurred by Eversource for restoration of service during a weather event qualifying as a Major Storm are charged to the MSCR. The level of funding for the MSCR in base rates has varied over time, but has been at a level of \$12 million annually since 2013. Following Order No. 25,465 (February 26, 2013) in Docket DE 12-320, if certain defined criteria are met, Eversource may also charge specified pre-staging costs to the MSCR for events that do not ultimately rise to the level of a Major Storm.

On July 17, 2020, Audit filed its Final Report of storm costs from: (1) January 4, 2018 Pre-Staging Event; (2) January 23, 2018 Major Storm; (3) February 7, 2018 Pre-Staging event; (4) March 2, 2018 Pre-Staging event; (5) March 7, 2018 Major Storm; (6) March 13, 2018 Pre-Staging event; (7) April 4, 2018 Major Storm; (8) April 16, 2018 Major Storm; (9) May 4, 2018 Major Storm; and (10) June 18, 2018 Major Storm.

Audit noted in the Final Report² that for the period of January 1, 2018 through September 30, 2018, a total of \$18,126,413 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430. As of April 30, 2019, the Storm Funding Deferral account had a balance of \$10,748,606. The funding, which is posted to account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account.

² Page 4 of the Final Report (Attachment 1).

Staff Analysis

The audit summary begins on Page 59 of the Final Report.

Audit Issue #1 – Eversource stated that it will continue the practice, started in December 2019, to prepare and book an annual transfer of the accumulated balance in account 228.430 to account 186.430, subject to subsequent audit after the reconciliation is filed and offsetting entries are posted. Audit reviewed the referenced journal entries and docket numbers provided by the Company and agrees with the response by Eversource. This audit issue has been resolved.

Audit Issue #2 was partially resolved with the removal of \$6,190 by the Company in the Final Report. However, Audit had identified an additional \$365 in charges (\$207 from the 3/2/18 pre-stage event and \$158 from the 5/4/18 storm event)³ that do not have supporting documentation and recommended removing the total of \$6,555 from the storm reserve to address Audit Issue #2. Staff reviewed this additional \$365 in charges with Eversource. On January 14, 2021, the Company agreed to remove the additional \$365. This audit issue has been resolved.

Audit Issue #3 has been resolved with the removal of \$2,441 by the Company.

Audit Issue #4 recommended removal of \$20,510 of identified charges from West Interactive Services Corporation in the amount of \$17,926 for communications⁴ costs, \$396 for PSNH Miscellaneous expenses, \$360 for Wagner Technical Services, \$572 for Uline, and \$1,256 for Kubra Arizona. The Company agreed to remove \$360 for Wagner Technical Services and \$572 for Uline in the Final Report.

Although Staff does not challenge the prudence of the remaining costs in the amount of \$19,578, during Audit's review of the supporting documentation it was determined that these expenditures were for items that were deemed not applicable for recovery from the storm fund, as they are not related to the restoration of power. The disallowance for these communications expenditures through the storm fund is consistent with the Secretarial Letter issued on March 26, 2019⁵ in Docket No. DE 18-058, and with the Secretarial Letter issued on September 21, 2020⁶ in Docket No. DE 19-050, disallowing similar communications costs.

³ Page 62 of the Final Report (Attachment 1).

⁴ Communications costs for out-dial usage, email, and SMS notifications to customers during certain Pre-Staging and Storm events.

⁵ https://www.puc.nh.gov/Regulatory/Docketbk/2018/18-058/LETTERS-MEMOS-TARIFFS/18-058_2019-03-26_SEC_LTR_EVERSOURCE_STORM_EXPENSES.PDF

⁶ https://www.puc.nh.gov/Regulatory/Docketbk/2019/19-050/LETTERS-MEMOS-TARIFFS/19-050_2020-09-21_SEC_LTR_APPROVING_RECOVERY_STORM_COSTS.PDF

Staff notes that in Docket DE 19-057, Eversource's rate case, the Company included a normalizing adjustment in its annual revenue requirements for media communications costs during storm and pre-staging events in its May 28, 2019 filing for permanent rates. This normalizing adjustment for \$69,523 was determined by the Company from actual media communications costs during the test year 2018.

Staff also reviewed the test year media communications costs, and the data response for Staff 5-020 in Docket No. DE 19-057, which addresses these costs. (See Attachments 2 and 3.) Staff determined from this data response that additional communications costs in the amount of \$51,597 should also be removed from the Storm Fund.

On January 8, 2021, Staff reviewed these charges with Eversource. In the interest of closing out the audit of the 2018 storms, Eversource agreed to remove the balance costs of \$19,578 identified by Audit, and agreed to remove the additional costs of \$51,597 identified by Staff.

Eversource noted that while they agree to the removal of these charges in the 2018 storm cost recovery docket, the Company reserves the right to dispute the exclusion of any other incremental media and communications charges that are incurred as part of emergency restoration activities. Eversource added that communication to customers is an important piece of the restoration process to keep customers informed of progress throughout the event to allow for proper planning. This audit issue has been resolved.

Staff Recommendation

The Company has agreed to remove a total of \$81,103 of storm costs. This total amount is from the Company's agreement to remove \$9,563 in the Final Report, and its agreement to remove an additional \$71,540 with Staff. All audit issues have been resolved.

Staff recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$18,045,310 (Audit-recommended an amount of \$18,096,907 in the Final Report⁷, less \$51,597) from the MSCR fund, in addition to any adjusted amount of appropriate carrying charges. Eversource should notify Staff when this is completed, and confirm the amount of recovery and the balance of the MSCR fund.

⁷ Page 59 of the Final Report (Attachment 1)

STATE OF NEW HAMPSHIRE
Inter-Department Communication

DATE: July 17, 2020

AT (OFFICE): NHPUC

FROM: Krista Leigh, Examiner

SUBJECT: Public Service of New Hampshire (PSNH) d/b/a Eversource Energy
DE 19-105 Major Storms 2018
FINAL REPORT

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

INTRODUCTION

On May 31, 2019 Eversource (PSNH, the Company) filed a petition to recover costs of ten storms and/or pre-staging events that occurred between January and June of 2018. The filing was docketed as DE 19-105 and is consistent with the request in the February 2, 2019 recommendation of the Commission Staff in Docket No. DE 18-058, as well as the March 26, 2019 secretarial letter which stated that, *“For calendar year 2018 storm costs, the Commission decided to permit Eversource to file its report on June 1, 2019, as requested by the Company.”* The Company is not seeking a rate adjustment of any kind, rather requests Commission approval to recover the costs from the Major Storm Cost Reserve (MSCR), which was specifically designed for that purpose.

Definition of a Major Storm and Authorized Pre-Staging Event

Order 25,465 issued on 2/26/2013 in docket DE 12-320, defines a major storm and pre-staging event as the following:

“Under the MSCR, a qualifying major storm is defined as a storm that results in either (1) 10% or more of PSNH’s retail customers being without power in conjunction with more than 200 reported troubles, or (2) more than 300 reported troubles during the event... For weather events having a “high” probability, that is, greater than 60% of reaching [Energy Event Index] EEI Level 3, pre-staging costs would be charged to the MCSR.” Using the EEI from the Data Transmission Network (DTN), the Company reviews the forecasted data which ranks the potential strength of a storm from 1 to 5, with 5 being the most severe.

For the purpose of verifying whether or not the major storms audited had at least 10% or more of retail customers, Audit reviewed the IR 90-218 report, filed by the Company, depicting the monthly customer count and the twelve-month average customer count. Audit examined the

2018 summary of customers, on Bates page 19 of IR 90-218, and noted a customer count of 517,361 for the year.

Prior Storm Audit

The audit of the 2016-2017 pre-staging and major storm event costs incurred by the Company was completed on June 4, 2020, for the adjusted recovery amount of \$49,179,461 in storm costs. The following costs were subject to that audit and summarized in Docket No. DE 19-050:

<u>Event</u>	<u>Costs</u>	<u>Carrying Costs 2/28/19</u>	<u>Total Cost 2/28/19</u>
07/23/16 Storm	\$ 4,078,516	\$ 553,113	\$ 4,631,629
12/29/16 Pre-Staging	\$ 1,025,023	\$ 120,325	\$ 1,145,349
02/12/17 Pre-Staging	\$ 161,058	\$ 16,825	\$ 177,884
02/16/17 Pre-Staging	\$ 41,464	\$ 3,187	\$ 44,651
03/02/17 Storm	\$ 2,235,611	\$ 259,696	\$ 2,495,307
03/14/17 Pre-Staging	\$ 593,484	\$ 224,473	\$ 817,957
03/15/17 Storm	\$ 2,610,183	\$ 61,969	\$ 2,672,152
03/31/17 Pre-Staging	\$ 346,924	\$ 34,525	\$ 381,449
10/29/17 Storm	\$ 32,143,515	\$ 2,199,663	\$ 34,343,178
12/23/17 Storm	\$ 2,083,497	\$ 126,309	\$ 2,209,805
12/25/17 Pre-Staging	\$ 309,778	\$ 18,966	\$ 328,744
Total	\$ 45,629,053	\$ 3,619,052	\$ 49,248,106

Carrying costs continue to accrue on the \$49,248,106 filed for storm cost recovery, after the March 19, 2019 filing date. The Company is currently awaiting the Commission order, requesting that they notify Staff when the adjusted amount of appropriate carrying charges has been determined; thereby, confirming the amount of the recovery and balance of the MSCRF fund. This determined amount will represent the Company's storm costs related to pre-staging and storm restoration efforts from July 23, 2016 through December 25, 2017, which have been audited and reviewed by Staff.

General Ledger

On April 30, 2019, the storm fund reserve account reported a general ledger (GL) balance of \$10.8 million. The funding, which is posted to GL account #22843, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. Audit understands that the Company has accrued \$49.6 million of deferred storm costs and additional carrying costs for the July 2016 through December 2017 storm events filed in Docket No. DE 19-050, as well as \$18.1 million of deferred storm costs, for the January through September 2018 storm events that are subject to this audit. The testimony of Marc Lemenager, page 4, identifies that, "Assuming the \$49.6 million [an amount which includes additional carrying charges incurred since filed in Docket No. DE 19-050] are approved, the storm fund would not be sufficient to

meet the level of costs deferred and would be deficient by about \$38.8 million.” Audit reviewed the Settlement Agreement for Docket No. DE 19-057, issued on June 13, 2019, which states that, *“PSNH will begin amortizing the unrecovered storm costs, currently estimated at \$68,474,355 as of December 31, 2018, over a five-year period beginning August 1, 2019.”* Audit reviewed the journal entry for the approved five-year amortization of the \$68.4M in storm costs, noting the monthly amortized amount of \$1,141,239. The monthly amortization will continue through June 30, 2024.

The storm cost reserve is GL Account #186430. Audit reviewed the Company provided GL as well as an Excel spreadsheet, detailing the monthly activity within the account. Audit noted that the GL balance for account #186430 was \$82,172,455, as of April 30, 2019, compared to the \$82,085,757 total in deferred MSCR storm costs reported, which includes the 2016-2017 storm events subject to Docket No. DE 19-050, as well as the October 2018 – August 2019 storm costs requested for recovery and filed in Docket No. DE 20-062. Audit inquired about the \$86,698 variance between the GL balance for the storm fund deferral account and the deferred storm costs reported. The Company replied with the following statement:

“\$40,519,108.83 in storm costs were removed in March per the Secretarial Letter issued in March 2019 in Docket No. DE 18-058. This amount was adjusted for in the April starting balance in the original entry for April 2019, but was not applied to the Average Balance, net of tax...By revising down the carryforward costs into April to reflect the March 2019 offset, the revised deferred return is \$342,888.65. The adjustment for \$85,536.21 was made to address this difference and lower the deferred return to reflect the timing of the removal of the storm costs.”

Audit reviewed the 2019 deferred return April adjustment spreadsheet. The \$85,536 adjustment from the originally calculated return was recalculated and identified as the 2019 tax and April interest adjustment. An additional variance of (\$1,162), between the \$86,698 variance that Audit initially questioned and the Company’s response of the \$85,536 adjustment, was noted and deemed immaterial.

The costs related to the previously audited storms, including adjusted carrying costs, were approved for recovery in the Commission’s Secretarial letters, dated September 17, 2018, for the 2011-2013 storm cost total of \$49,021,172 and dated March 26, 2019 for the 2013-2016 storm cost total of \$40,519,109. Combined, these previously audited storm costs total \$89,540,281 and as of December 31, 2017, they had not been offset by the storm fund reserve account. On September 25, 2018, the Company offset the \$49,021,172 in total storm costs and carrying charges, for the 2011-2013 storm events, by the storm funding account. In March 2019, the Company offset the \$40,519,109 costs associated with the audit of the 2013-2016 storms.

The Company was authorized to offset storm costs with the storm funding, via Commission Order 23,443, dated April 19, 2000 of docket DE 99-099, pages 214-215. Order 25,465, issued on 2/26/2013 in docket DE 12-320, also states that, *“The MSCR is an accounting mechanism that has previously been approved by the Commission and provides for the recovery from customers of a specified annual amount in distribution rates that is used to offset costs incurred in the event that a qualifying Major Storm occurs.”* However, as of April 30, 2019, the Company had not offset the \$49.2 million in storm costs for the 2016-2017 pre-stage and storm events, or the \$18.1 million in storm costs for the January through September 2018 pre-stage and storm events. Audit addressed the storm costs incurred that had not been offset by the storm fund account and the Company provided journal entries, in support of previously audited storms 2011–2013 and 2013–2016, detailing the offsetting entries.

Audit reviewed the provided journal entry numbers 314344, recorded in September 2018, and 335833, recorded in March 2019. The 314344 journal entry showed a transfer of \$49,021,172, from account 228430 to 186430, in response to the NHPUC Docket DE 18-058 dated September 17, 2018. This entry was for recovery of costs associated with August 2011 through March 2013 storm events. Journal entry 335833 showed a transfer of \$40,519,109, from account 228430 to 186430, in response to the NHPUC Docket DE 18-058 dated March 26, 2019. This entry was for the recovery of costs associated with the December 2013 through April 2016 storm events. Audit acknowledges that in 2018 and 2019, the Company offset the costs associated with the 2011-2013 and 2013-2016 storm events, respectively. As of April 30, 2019, the Company had not offset the \$49.2 million in storm costs for the 2016-2017 pre-stage and storm events, or the \$18.1 million in storm costs for the January through September 2018 pre-stage and storm events. **AUDIT ISSUE #1**

The DE 19-105 Summary of Requested Storm and Pre-Staging Cost Recovery

The following costs are subject to this audit and summarized in Docket No. DE 19-105:

Event	Costs	Carry Costs 4/30/19	Total Cost 4/30/19
01/4/18 Pre-Staging	\$ 602,347	\$ 39,612	\$ 641,959
01/23/18 Storm	\$ 926,679	\$ 62,386	\$ 989,065
02/07/18 Pre-Staging	\$ 201,086	\$ 12,377	\$ 213,463
03/02/18 Pre-Staging	\$ 388,068	\$ 22,741	\$ 410,809
03/07/18 Storm	\$ 3,606,318	\$ 211,805	\$ 3,818,123
03/13/18 Pre-Staging	\$ 371,368	\$ 23,100	\$ 394,468
04/04/18 Storm	\$ 3,127,283	\$ 168,421	\$ 3,295,704
04/16/18 Storm	\$ 995,525	\$ 52,819	\$ 1,048,343
05/04/18 Storm	\$ 2,992,449	\$ 153,645	\$ 3,146,094
06/18/18 Storm	\$ 3,986,135	\$ 182,249	\$ 4,168,385
Total	\$ 17,197,258	\$ 929,155	\$ 18,126,413

The Company provided Excel spreadsheets for each storm event, detailing the storm cost summary itemized by contractor and procurement card charges, as well as the payroll cost summary. Additionally, spreadsheets detailing the charges for overheads, vehicles, materials, and employee expenses were also included. Audit verified the amounts reported on the storm cost summary sheets to the filed costs for each storm event.

Audit understands that the carrying costs continue to accrue after the May 31, 2019 filing for storm cost recovery and before the written approval for recovery by the Commission. As such, the Company will have the opportunity to prepare the final costs related to pre-staging and storm restoration efforts from January 4, 2018 through June 18, 2018 and subject to an effective date as determined by the Commission, after the audit of these costs is complete. At that time, the Company's prepared final costs will include the updated carrying costs as accrued through the Commission determined effective date.

Each storm or pre-stage event was summarized by work order and expense type, with the following compiled by Audit:

Event Date	01/04/18	01/23/18	02/07/18	03/02/18	03/07/18	03/13/18	04/04/18	04/16/18	05/04/18	06/18/18	Totals
Event Type	Storm	Storm	Pre-Stage	Pre-Stage	Storm	Pre-Stage	Storm	Storm	Storm	Storm	By
Workorder	<u>EXPSTGA8</u>	<u>MS18A006</u>	<u>EXPSTGB8</u>	<u>EXPSTGC8</u>	<u>MS18C006</u>	<u>EXPSTGD8</u>	<u>MS18D006</u>	<u>MS18E006</u>	<u>MS18F006</u>	<u>MS18G006</u>	<u>Increment</u>
Contractor/Vendor	\$ 364,004	\$ 416,605	\$ 86,922	\$ 318,853	\$ 2,084,942	\$ 190,050	\$ 2,123,712	\$ 507,144	\$ 2,019,660	\$ 2,860,758	\$ 10,972,650
Storm Payroll	185,561	383,235	80,181	56,027	1,221,647	150,528	748,294	364,878	676,746	861,562	4,728,659
Payroll OH/Tax	7,841	14,715	1,363	5,395	62,418	4,815	60,029	13,274	133,342	72,334	375,526
Vehicle Expenses	43,260	106,367	31,792	6,777	182,260	23,226	175,000	105,653	122,915	138,923	936,173
Other Employee Expense	1,681	5,641	827	1,017	21,018	2,749	11,191	3,914	14,469	14,793	77,300
Materials	-	117	-	-	34,033	-	9,057	663	25,317	37,765	106,952
Total Costs	\$ 602,347	\$ 926,679	\$ 201,086	\$ 388,068	\$ 3,606,318	\$ 371,368	\$ 3,127,283	\$ 995,525	\$ 2,992,449	\$ 3,986,136	\$17,197,259
Carrying Charge a/o 4/30/19	<u>39,612</u>	<u>62,386</u>	<u>12,377</u>	<u>22,741</u>	<u>211,805</u>	<u>23,100</u>	<u>168,421</u>	<u>52,819</u>	<u>153,645</u>	<u>182,249</u>	<u>929,155</u>
TOTAL	\$ 641,959	\$ 989,065	\$ 213,463	\$ 410,809	\$ 3,818,123	\$ 394,468	\$ 3,295,704	\$ 1,048,343	\$ 3,146,094	\$ 4,168,385	<u>\$18,126,413</u>

01/04/18 Pre-Stage Event EXPSTGA8 \$641,959

Order No. 25,465, issued on February 26, 2013, of Docket No. DE 12-320 states that, "For weather events having a 'high' probability, that is, greater than 60% of reaching EEI Level 3, pre-staging costs would be charged to the MCSR." Audit requested and reviewed the weather forecast, as outlined in summaries from the DTN, for each of the filed storm events. According to the Schneider Electric Event Index Definition for January 4, 2018, the weather forecast was described with a "high" probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation greater than 8 inches in the eastern and southern regions of the state. Audit confirmed that the January 4, 2018 pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of "pre-staging" costs.

Audit was provided with Attachment Exhibit 1, which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 364,004
Direct Labor (WMECO and other NU Companies)	185,561
Payroll Related Overheads and Taxes	7,841
Vehicles	43,260
Other Employee Related Expenses	1,681
Material (including Stores Loading and Lobby Stock)	-
Carrying Charge through April 30, 2019	<u>39,612</u>
Actual Storm Reserve Balance April 30, 2019	<u>\$ 641,959</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$364,004

Documentation from the January 4, 2018 pre-staging event, totaling \$364,004 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 12 invoices to review, totaling \$68,660 or 19% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category:

Contractor	\$ 185,989
Vegetation	142,366
Mutual Aid	-
Procurement Card	34,393
Environmental	-
Traffic Control / Police Services	663
Food and Lodging	594
Material	-
Other	<u>-</u>
Total External Contractors/Vendors, Mutual Aid, and Procurement Cards	<u>\$ 364,004</u>

Contractor

A total of \$185,989 in Contractor charges was recorded on the storm reserve account. Audit selected 4 invoices, totaling \$46,625 or 25% of the total Contractor charges, to review in detail. Of the invoices reviewed, charges were for labor, equipment, and vehicles. The Company submitted corresponding Daily Work Reports, as well as the billing detail for labor. Audit verified the dates of the invoices and recalculated the hours worked multiplied by the corresponding pay rate. The invoice totals were confirmed and no exceptions were noted.

Vegetation

Charges totaling \$142,366 were recorded to the storm cost reserve for Vegetation services provided during the January 4th pre-stage storm event. Six invoices were reviewed by Audit, totaling \$21,050 or 15% percent of the total Vegetation invoices charged to the storm. All sampled vegetation services invoices were provided by Asplundh. Audit reviewed the 2018 billing rates by pay code, the weekly operations report for each of the vegetation charges, the hours recorded as worked, and the work order numbers. No exceptions were noted.

Procurement Card

The total Procurement Card expenses totaled \$34,393 and consisted of one category for Food and Lodging. The following depicts the Procurement Card Summary of Expenditures by Description:

Food and Lodging	\$	34,393
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>34,393</u>

Audit selected three charges for review, totaling \$11,941 or 35% of the Procurement Card transactions. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for hotel stays and meals, plus applicable gratuity. Audit verified the dates on the invoices and recalculated the charges. The following exception was noted.

High Tea Caterers: A charge of \$2,112 was listed on Exhibit 3, page 1 of 2. Audit reviewed the supporting invoice and noted charges were for sixty employee dinners, plus a 20% gratuity. Audit recalculated the dinner and gratuity charges, for a total of \$1,980. There was an additional charge on the invoice for \$132; however, Audit was not able to determine the reason for the charge, as no description on the invoice and no additional documentation was provided.

AUDIT ISSUE #2

Traffic Control / Police Services

One invoice, totaling \$663, was charged to the storm reserve under the category of Traffic Control / Police Services. Audit reviewed the invoice, noting services provided included traffic control. In addition to the invoices, Audit also reviewed the daily time sheet and Acknowledgement of Service, detailing the date and the hours worked for each traffic controller, as well as the contract requirements for the job. Audit recalculated the rate multiplied by the hours worked with no exceptions noted.

Food and Lodging

A total of \$594 was recorded to the storm cost reserve for food and lodging charges. Audit selected seven invoices, totaling \$322 in meals charges, to review in detail. Audit verified the dates of the invoices and recalculated the total amount of the charge. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$185,561

PSNH	\$	170,512
PSNH Transmission		14,784
EESCO		<u>265</u>
Storm-Related Payroll	\$	<u><u>185,561</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected a total of seven individual employee direct labor charges, with a total of \$7,040, including all three of the companies listed and representing six individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid.

On the Itemization of Direct Labor sheets, Audit noted the inclusion of exempt employee payments, from each of the companies with Direct Labor amounts recorded, were included for hourly pay with the storm costs when their salaries are already included in the rate base. Testimony of Marc E. Lemenager (Bates page 000014) explains exempt employee payments in the following statement:

“Exempt employee time is captured and tracked in the same storm account. Since exempt employees are not routinely paid for overtime, this time entry is for tracking purposes only. During the most severe weather events, exempt employees are required to work an extensive number of hours over their typical work week. Depending on the severity of the event, exempt operations supervisory employees are paid for overtime worked during a storm event, consistent with the Eversource storm pay policy. For exempt employees that do not fall into the operations supervision category or if the [Emergency Response Plan] level of the event is not met, employees at the level of manager and below may be awarded fixed compensation. None of the 10 Storm Events contain compensation awards for exempt employees who worked extended hours in support of the restoration process.”

Payroll-Related Overheads \$7,841

The Company provided the itemized payroll-related overhead amount, totaling \$7,841 for the January 4th pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits.

Audit requested the calculation for determining the Non-Productive Time Rate (NPT) and the Payroll Benefits Rate (PBR). In response, the Company provided the 2017-2019 Loader rates for the NPT and PBR, as well as an Excel spreadsheet detailing the payroll-related overhead calculations for each storm and pre-stage event.

Audit reviewed the NPT overhead and payroll benefits, noting that they were calculated based on the direct labor amounts for PSNH Transmission. The individual direct labor amounts were then multiplied by the corresponding 2018 overhead rate.

Individual division payroll benefits were calculated by taking the company's corresponding 2018 overhead rate and multiplying it by the direct labor amount for the specific division. The product is then added to the direct labor amount for the specific division and then multiplied by the company's corresponding 2018 payroll benefit rate.

The following is derived from the non-productive time overhead and payroll benefits calculation spreadsheet that was submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	2,070
Payroll Benefits		<u>5,771</u>
Total PSNH Transmission	\$	<u>7,841</u>
 Total Payroll-Related Overheads	 \$	 <u><u>7,841</u></u>

The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations, noting that the direct labor amounts for PSNH Transmission included a February 2018 total, for the January 4th pre-stage storm event. Audit questioned the inclusion of the February 2018 direct labor amount, as it is outside of the January 4th pre-stage storm event. The Company explained with the following statement: *"The direct labor charges in months subsequent to the storm event are related to payroll adjustments that are identified as needing correction."*

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$170,512 and \$265 respectively—but they do not have any payroll-related overheads reported.

In response, the Company stated that, *“PSNH and EESCO overheads have historically not been transferred to the major storm reserve for cost recovery purposes, only direct labor amounts are transferred to the major storm reserve for cost recovery purposes.”*

Vehicles \$43,260

The total vehicle expense for the January 4th pre-stage storm event was \$43,260. The following depicts the vehicle charges for the corresponding company:

PSNH	\$	41,004
PSNH Transmission		2,243
EESCO		<u>12</u>
	\$	<u><u>43,260</u></u>

Vehicle usage amounts were recorded for each of the following companies: PSNH, PSNH Transmission, and EESCO. The Company explained that, *“Vehicle costs are no longer calculated on a rate schedule, but rather are based on an allocation.”* Audit requested this allocation and the Company provided an Excel workbook with calculations, by department and vehicle, for the pre-stage or storm’s monthly vehicle cost by “sister company.” All of the vehicles were charged based on a the current annual cost of each vehicle compared with the percentage of the total cost of the fleet, and the sum of the dollars of productive labor including overtime (OT).

Audit requested further explanation of the calculation for vehicle charges to the storm reserve. The Company replied with the following explanation:

“Beginning in 2016, Eversource transitioned to an allocation process for vehicle costs. The actual vehicle costs for each subsidiary are accumulated and allocated to departments based on their vehicle complement. The vehicle cost assigned to each department is then allocated at the work order level based on productive labor.”

Audit also reviewed the vehicle allocation process and supporting Excel worksheets, as submitted by the Company. The following describes the calculation method of vehicle charges to the storm reserve account:

The Cost Centers are assigned vehicles and then Source Cost Center clusters are developed, which are groupings of Cost Centers with a like compliment of vehicles (e.g. OH/UG lines, engineering, constructions, meters, etc.). Then, the total cost of the fleet for each cluster grouping is determined, based upon the current annual cost of each vehicle in that cluster. Each cluster’s percentage of the total cost of the fleet for that entity is determined. The cost center’s

allocation percentage of the total cluster is then driven by the sum of the dollars of productive labor, including OT, but excluding non-productive and premium pay. The Cost Center's labor will be used to allocate costs, using eligible work orders charged by each Source Cost Center to determine the number of labor dollars as a percentage of the total labor dollars in that cluster. The vehicle costs are accumulated in FERC account 184010 by entity and will be cleared monthly according to the percentage applied to each cluster. The Company explained that the vehicle allocation process will run the 2nd workday of the month after all payroll charges have been recorded and the process allocates the current month's expenses. Furthermore, the Company stated that, *"Due to the nature of the allocation process, minimal vehicle charges may remain in the clearing account and will be added to the following month."*

Audit examined the Excel worksheets provided by the Company, detailing the 2018 labor and vehicle allocation based on vehicle percentage of usage within the specific company, as well as the annual cost of each vehicle within the cluster grouping. Companies used throughout all of the storm events' vehicle allocation process include PSNH, CL&P, NSTAR, WMECO, NUSCO/EESCO, and Yankee Gas. Audit requested the vehicle types and class of the vehicles for each fleet within the cluster groupings indicated on the vehicle allocation spreadsheets. The Company provided a spreadsheet with the listing of vehicles, as well as the 2018 vehicle rates by type and class, with the calculation of the cluster percentages. Audit recalculated the vehicle cost for each of the three companies whose vehicles were utilized during the January 4th pre-stage storm event. No exceptions were noted.

Other Employee-Related Expenses \$1,681

The Employee-Related Expenses for the 01/04/18 pre-stage storm event totaled \$1,681. The following represents the Summary of Expenditures by Company:

PSNH	\$	1,498
PSNH Transmission		154
EESCO		<u>29</u>
Total Other Employee-Related Expenses	\$	<u><u>1,681</u></u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Audit selected three items, totaling \$1,081 from the meals and mileage expense categories within PSNH, PSNH Transmission, and EESCO. Each of Audit's selections had a purchase price over \$25, as the Company's policy does not require an employee to submit a receipt if the purchase is under \$25.

The Company provided scanned copies of receipts, invoices, credit card statements in support of charges incurred, and a spreadsheet, detailing the employees' meal expenses. The

spreadsheet accounted for the employees' names, amount of the contractual meal, and the week end date of the acquired expense. Audit noted that there were fifty-two employees with corresponding meals charges listed as "under \$25, receipt not required."

1/23/2018 Major Storm Event MS18A006 \$989,065

The weather for the January 23rd major storm resulted in .30-3 inches of ice and wet snow. The Company provided a "troubles report" spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage at least once. Order No. 25,465, issued on February 26, 2013, states that, *"Under the MSCR, a qualifying major storm is defined as a storm that results in either 10% or more of PSNH's retail customers being without power in conjunction with more than 200 reported troubles, or more than 300 reported troubles during the event."* Audit noted that there were 392 reported troubles; thus, a qualifying factor in defining this event as a major storm and subject to recovery of storm costs through the MSCR.

Audit was provided with Exhibit-1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	416,605
Direct Labor (WMECO and other NU Companies)		383,235
Payroll Related Overheads and Taxes		14,715
Vehicles		106,367
Other Employee Related Expenses		5,641
Material		<u>117</u>
Total Storm Cost Transferred to Reserve	\$	<u>926,679</u>
Carrying Charge through April 30, 2019	\$	<u>62,386</u>
Actual Storm Reserve Balance April 30, 2019	\$	<u>989,065</u>

External Contractors, Mutual Aid and Procurement Cards \$416,108

Documentation from the January 23, 2018 major storm, totaling \$416,108 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 18 invoices, totaling \$153,967, or 37% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$	304,571
Vegetation		87,280
Mutual Aid		-
Procurement Card		22,093

Environmental	-
Traffic Control / Police Services	248
Food and Lodging	1,916
Material	-
Other	-
Total Contractors, Mutual Aid, and Procurement Cards	<u>\$ 416,108</u>

Contractor

A total of \$304,571 in Contractor expense was recorded on the storm reserve account. Audit selected invoices totaling \$129,546, or 43% of total contractor expenses, to review in detail. Charges were for the labor and equipment needed to perform storm restoration services. Invoices and the Contractor Daily Work Reports from Evans Line, Grattan Line Construction, and IC Reed and Sons, Inc. were reviewed by Audit, including the date of the work performed, the work order number, and the hours worked. No exceptions were noted.

Vegetation

\$87,280 was charged to the storm reserve for Vegetation services provided during the January 23rd major storm event. Eighteen percent of the total vegetation invoices, totaling \$15,294, were reviewed by Audit. All vegetation services reviewed were provided by Asplundh Tree with one exception noted.

Asplundh Tree: Audit reviewed the weekly operations report for storm clean-up services totaling \$2441. The date listed on the report was for 2/20/18 – 2/22/18; thereby, post-dating the 1/23/18 storm event by 28 days. **AUDIT ISSUE #3**

Traffic Control / Police Services

One invoice, totaling \$248, was charged to the storm reserve under the category of Traffic Control / Police Services. Audit reviewed the invoice and noted the services provided included police detail for the Town of Londonderry, occurring on January 23rd. No exceptions were noted.

Food and Lodging

A total of \$1,916 in food and lodging expenses was recorded to the storm cost reserve. Audit reviewed thirteen invoices, comprising \$853 in meals provided during the January 23rd major storm event. The dates of each invoice, as well as the total charge, was verified by Audit with no exceptions noted.

Procurement Card

The total Procurement Card expenses were for Food and Lodging, as well as Miscellaneous charges. The following is the Summary of Expenditures by Description:

Food and Lodging	\$ 21,669
Contractor	-
Material	-
Miscellaneous	<u>424</u>
Total Procurement Card	<u>\$ 22,093</u>

Audit selected six invoices to review in detail, totaling \$8,025 or 36% of the total Procurement Card Charges. Invoices reviewed were for meals, snacks, and lodging provided during the January 23rd major storm event. One exception was noted.

City Moose Café and Catering: A charge for \$2,606 was paid on 2/7/18 by credit card, as specified on the sales receipt provided by the Company. There were no details listed on the receipt to indicate when the \$2,606 charges incurred or what comprised the charges. **AUDIT ISSUE #2**

Direct Labor (PSNH and other Companies) \$383,235

PSNH	\$ 358,116
PSNH Transmission	27,746
EESCO	373
Capital Adjustment	<u>(3,001)</u>
Storm-related Payroll	<u>\$ 383,235</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected a total of nine individual employee direct labor charges, with a total of \$11,821, including all three of the companies listed and representing five individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid.

Audit identified the capital adjustment of \$(3,001) and requested the supporting detail for the amount. The Company provided an Excel workbook, with spreadsheets detailing the estimated labor from the work management system, adjusted for adverse weather conditions, and explained that, "[The] O&M Portion of Capital is the labor related to the expense portion of capital asset replacement work orders that were written to capture assets replaced during the storm event." Audit noted that the Journal 301727 and 301744 ID entries were moved labor

from the storm expense work order MS18A006 to the individual capital asset work orders, as detailed on the Journal Support tab of the Excel Workbook.

Payroll-Related Overhead \$14,715

The Company provided the itemized payroll-related overhead amount, totaling \$14,715 for the 01/23/18 major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the NPT overhead and the PBR. Refer to the Payroll-Related Overhead section of this report, for the 01/04/18 pre-stage storm event, for details regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculation spreadsheet submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	3,884
Payroll Benefits		<u>10,830</u>
Total PSNH Transmission	\$	<u>14,715</u>
Total Payroll-Related Overheads	\$	<u><u>14,715</u></u>

The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations.

Vehicles \$106,367

The vehicle expense for the January 23rd major storm event totaled \$106,367. The following vehicle charges were identified by company:

PSNH	\$	100,360
PSNH Transmission		4,040
EESCO		25
Capitalization		<u>1,942</u>
Total Vehicles	\$	<u><u>106,367</u></u>

Vehicle usage amounts were recorded for both PSNH, PSNH Transmission, and EESCO. Audit reviewed the provided vehicle calculation spreadsheet and recalculated the vehicle cost for the two companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 01/04/18 pre-stage storm event section of the report for further details on the calculation of the vehicle usage amounts.

The capitalization of \$1,942 was listed in the total amount for vehicle expenses reported in the filing. Audit noted that the vehicle usage spreadsheet included a column showing the variance between the total vehicles amount in the filing of and the manual calculation amount. The Company explained that the manual calculation depicts the system allocation calculation for the Vehicle Allocation Program. Audit requested further explanation of the vehicle allocation process and the Company stated that, *“The manual calculation gets you close [to the actual allocation] and proves out the process behind the system allocation calculation, but there is a slight variance because there are some true-ups for previous months that happen as part of the system process.”*

Audit requested the support for the manual calculation, demonstrating the details and process behind the \$1,942 variance. The Company provided spreadsheets depicting the vehicle calculation by month, cost center cluster, and cost center labor. Refer to the Vehicles section of the 01/04/18 pre-stage storm event for further detail on the vehicle allocation process. Audit reviewed the Excel spreadsheets supporting the manual calculation of the variance with no exceptions noted.

Other Employee-Related Expenses \$5,641

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected three items from the meals, transportation, and miscellaneous expense categories within PSNH and PSNH Transmission. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25.

The following depicts the total Employee-Related Expenses for the January 23rd major storm event:

PSNH	\$ 4,959
PSNH Transmission	607
EESCO	<u>74</u>
Total Other Employee-Related Expenses	<u>\$ 5,641</u>

Audit requested the receipts and invoices to support the category expenses selections. The Company provided copies of the restaurant and travel invoices and credit card receipts, as well as the employee’s time entry printout. The time entries indicated the date and time that the employee, who had incurred the charges, had worked. The Company also provided a spreadsheet, detailing the employees’ name, amount of the contractual meal, and the week end date of the acquired expense. Audit noted that there were sixteen employees with corresponding meals charges listed as “under \$25, receipt not required.”

Materials \$117

The materials expense for the January 23rd major storm, totaled \$117. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected the only materials charge, totaling \$92, that was listed as issued during the January 23rd major storm. Documentation was requested, depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company then provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. There were sixteen sealant, RTV Silicone tubes removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about the recorded capital adjustment, which accounted for the remaining \$25 of the \$117 Materials charge to the storm cost reserve. The Company responded with the following explanation:

“The January and March 2018 storms utilized an approach where individual work orders were written to capture units of property. The amounts shown as capital adjustments are the O&M portion of the costs associated with those work orders and adjustments were made to the storm costs to include those O&M amounts as they were attributable to the storm event.”

02/07/18 Pre-Stage Event EXPSTGB8 \$213,463

The weather forecast for the February 7th pre-stage event described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation that is greater than 8 inches, in the central, northern, and western parts of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. A summary of the pre-stage cost recovery qualifications is located within the 01/04/18 pre-stage event’s forecast section of this report.

The Company provided Audit with Exhibit 1, which summarized the February 7th pre-stage costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	86,922
Direct Labor (WMECO and other NU Companies)		80,181
Payroll Related Overheads and Taxes		1,363
Vehicles		31,792
Other Employee Related Expenses		827
Total Storm Cost Transferred to Reserve	\$	<u>201,086</u>
Carrying Charge through April 30, 2019	\$	<u>12,377</u>
Actual Storm Reserve Balance April 30, 2019	\$	<u>213,463</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$86,922

Documentation from the February 7th pre-stage event, totaling \$86,922 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected five invoices for review, totaling \$26,857 or 31% of the total contractors/vendors, mutual aid and procurement card charges.

Summary of Expenditures by Description:

Contractor	\$	67,566
Vegetation		9,705
Mutual Aid		-
Procurement Card		9,504
Environmental		-
Traffic Control / Police Services		-
Food and Lodging		147
Material		-
Other		-
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	\$	<u>86,922</u>

Contractor

A total of \$67,566 in Contractor expenses was recorded on the storm reserve account. Audit selected invoices totaling \$23,518, or 35% of total contractor expenses, to review in detail. Charges were for the labor and equipment needed to “stand-by” for possible storm restoration services, as well as communication services. Invoices and the accompanying Contractor Daily Work Report was reviewed by Audit, including the date of the work performed, the work order number, and the hours worked. One exception was noted.

West Interactive Services Corp: Audit reviewed an invoice for \$17,926 for out-dial usage, SMS notifications, and vendor tax. Audit determined that these charges are not directly related to the restoration of power during the storm event. **AUDIT ISSUE #4**

Vegetation

A total of \$9,705 was charged to the storm reserve for Vegetation services provided during the February 7th pre-stage event. Thirteen percent of the total vegetation charges, totaling \$1,262, were reviewed by Audit. The vegetation service was provided by Asplundh Tree for the week ending 2-10-18. The invoice and the accompanying Weekly Operations Report, was reviewed by Audit, including the work order number, the date of the work performed, and the total hours. No exceptions were noted.

Procurement Card

The total Procurement Card expenses of \$9,504 was for Food and Lodging, Miscellaneous, and Material charges. The following is the Summary of Expenditures by Description:

Food and Lodging	\$	9,403
Contractor		-
Material		35
Miscellaneous		<u>67</u>
Total Procurement Cards	\$	<u>9,504</u>

Audit selected one charge of \$1,930 to review in detail. The charge was for one hundred and twenty meals, provided by Granite State Lunch Box on February 7, 2018. Meals were \$14 each, plus tip. No exceptions were noted.

Food and Lodging

A \$147 invoice from Granite Steak & Grill comprised the total amount that was recorded to the storm reserve. Audit reviewed this invoice for meals provided on 02-07-18 and no exceptions were noted.

Direct Labor (PSNH and other Companies) \$80,181

PSNH	\$	77,416
PSNH Transmission		2,571
EESCO		<u>194</u>
Storm-Related Payroll	\$	<u>80,181</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected a total of eight individual employee direct labor charges, with a total of \$2,754, including all three of the companies listed and representing six individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid. No exceptions were noted.

Payroll-Related Overhead \$1,363

The Company provided the itemized payroll-related overhead amount, totaling \$1,363 for the 02/07/18 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive

time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 01/04/18 pre-stage storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH	
Non-Productive Time Overhead	\$ -
Payroll Benefits	-
Total PSNH	\$ -
PSNH Transmission	
Non-Productive Time Overhead	\$ 360
Payroll Benefits	1,003
Total PSNH Transmission	\$ 1,363
EESCO	
Non-Productive Time Overhead	\$ -
Payroll Benefits	\$ -
Total EESCO	\$ -
Total Payroll-Related Overheads	\$ 1,363

The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations. Refer to the 01/04/18 pre-stage event's Payroll-Related Overhead for details regarding the Company's calculation of overhead charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$77,416 and \$194 respectively—but they don't have any payroll-related overheads reported. For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overhead section of this report.

Vehicles \$31,792

The total vehicle expense for the February 7th pre-stage storm event was \$31,792. The following vehicle charges were broken down by entity:

PSNH	\$ 31,393
PSNH Transmission	371
EESCO	28
Total Vehicles	\$ 31,792

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the provided vehicle calculation spreadsheet and recalculated the vehicle cost for the three companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 01/04/18 pre-stage storm event section of the report for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$827

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected two items from the meals and mileage expense categories within PSNH. Each of Audit's selections had a purchase price over \$25, as the Company's policy does not require an employee to submit a receipt if the purchase is under \$25.

The following represents the total Employee-Related Expenses for the February 7th pre-stage storm event:

PSNH	\$	827
PSNH Transmission		-
EESCO		-
Total Other Employee-Related Expenses	\$	<u>827</u>

Audit requested the supporting invoices and receipts for the two charges sampled from the meals and mileage expense categories. The Company provided the mileage receipt and a spreadsheet, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. Audit noted that there were sixteen employees with corresponding meals charges listed at under \$25.

03/02/18 Pre-Staging Event EXPSTGC8 \$410,809

The weather forecast for March 2, 2018 described a "high" probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by wind speed that is greater than 50 mph in the eastern regions of the state. This weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. A summary of the pre-stage cost recovery qualifications is located within the 01/04/18 pre-stage event's forecast section of this report.

Audit was provided with Exhibit 1, which summarized the costs for the March 2, 2018 pre-stage event as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 318,853
Direct Labor (WMECO and other NU Companies)	56,027
Payroll Related Overheads and Taxes	5,395
Vehicles	6,777
Other Employee Related Expenses	<u>1,017</u>
Total Storm Cost Transferred to Reserve	<u>\$ 388,068</u>
Carrying Charge through April 30, 2019	<u>22,741</u>
Actual Storm Reserve Balance April 30, 2019	<u>\$ 410,809</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$318,853

Documentation from the March 2nd pre-stage event, totaling \$318,853 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. The following represents the summary of expenditures by description:

Contractor	\$ 204,075
Vegetation	113,677
Mutual Aid	-
Procurement Card	949
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	152
Material	-
Other	<u>-</u>
Total Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 318,853</u>

Audit selected seventeen invoices for review, totaling \$104,654 or 33% of the total contractors/vendors, mutual aid and procurement card charges. Copies of receipts supporting the charges were provided by the company.

Contractor

A total of \$204,075 in Contractor expenses was recorded on the storm reserve account. Audit selected invoices totaling \$75,696, or 37% of total contractor expenses, to review in detail. Charges were for the labor and equipment needed to “stand-by” for possible storm restoration services. Invoices and the accompanying Contractor Daily Work Report were reviewed by Audit, including the date of the work performed, the work order number, and the hours worked.

Vegetation

A total of \$113,677 was charged to the storm reserve for Vegetation services provided during the March 2nd pre-stage event. Twenty-five percent of the total vegetation invoice expenses, with a sum of \$28,729, were reviewed by Audit. All vegetation services required labor and equipment stand-by and were provided by Asplundh Tree for the week ending 03/03/2018. Audit reviewed the individual Weekly Operations Reports, noting the work order number, amount of the service, date of the report, and hours worked.

Food and Lodging

A total of \$152 in was charged to the storm cost reserve for meals provided from Grandma's Restaurant for six workers on 03/02/2018. Audit reviewed the invoice and accompanying guest check. No exceptions were noted.

Procurement Card

The 03/02/18 pre-stage event procurement card expenses totaled \$949 and were categorized as Food and Lodging or Miscellaneous. The following depicts the Procurement Card Summary of Expenditures by description:

Food and Lodging	\$	873
Contractor		-
Material		-
Miscellaneous		<u>76</u>
Total Procurement Cards	\$	<u>949</u>

Audit selected one invoice, totaling \$76, to review in detail. Charges incurred were for drinks and snacks purchased at Walmart. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$56,027

PSNH	\$	45,489
PSNH Transmission		10,172
EESCO		<u>366</u>
Storm-Related Payroll	\$	<u>56,027</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected a total of eight individual employee direct labor charges, with a total of \$5,649, including all three of the companies listed and representing six individual job descriptions. The

Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid.

Payroll-Related Overheads \$5,395

The Company provided the itemized payroll-related overhead amount, totaling \$5,395 for the 03/02/18 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 01/04/18 pre-stage storm event for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-

PSNH Transmission

Non-Productive Time Overhead	\$	1,424
Payroll Benefits		3,971
Total PSNH Transmission	\$	5,395

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-

Total Payroll-Related Overheads	\$	5,395
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The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$45,489 and \$366 respectively—but they don't have any payroll-related overheads reported. For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of this report.

Vehicles \$6,777

The total vehicle expense for the March 2nd pre-stage storm event was \$6,777. The following vehicle charges were identified by company:

PSNH	\$	5,906
PSNH Transmission		871
EESCO		-
Total Vehicles	\$	<u>6,777</u>

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the provided Excel worksheets, detailing the labor and vehicle allocation percentage based on cost center and company, and recalculated the vehicle cost for PSNH, based on the cost for each fleet recorded and the dollars of productive labor issued. No exceptions were noted. Refer to the 01/04/18 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$1,017

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected two items from the meals and mileage expense categories within PSNH and PSNH Transmission.

The following represents the total Other Employee-Related Expenses for the March 2nd pre-stage storm event:

PSNH	\$	585
PSNH Transmission		431
EESCO		-
Total Other Employee-Related Expenses	\$	<u>1,017</u>

Audit requested the supporting documentation for the two charges sampled from the meals and mileage expense categories. The Company provided a spreadsheet, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. Audit noted that there were nineteen employees with corresponding meals charges under \$25. There were also two mileages charges, totaling \$153, where the mileage was recorded as paid at the rate of \$0.55/mile.

PSNH Meals: Audit noted three charges, totaling \$207, listed on the provided expense spreadsheet as having the "receipt provided." However, Audit was not able to locate the supporting receipts. **AUDIT ISSUE #2**

03/07/2018 Major Storm MS18C006 \$3,818,123

The weather for the March 7th major storm resulted in 6-20 inches of heavy, wet snow. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting a loss in power. Audit noted that 87,814 customers, or 17 % of the Company’s 517,361 total customers, reported an outage at least once. There were also 700 documented trouble events; thereby, qualifying this event as a major storm and subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit-1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,084,942
Direct Labor (WMECO and other NU Companies)	1,221,647
Payroll Related Overheads and Taxes	62,418
Vehicles	182,260
Other Employee Related Expenses	21,018
Material	<u>34,033</u>
Total Storm Cost Transferred to Reserve	<u>\$ 3,606,318</u>
Carrying Charge through April 30, 2019	<u>\$ 211,805</u>
Actual Storm Reserve Balance April 30, 2019	<u>\$ 3,818,123</u>

External Contractors, Mutual Aid and Procurement Cards \$2,084,942

Documentation from the March 7, 2018 major storm, totaling \$2,084,942 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 42 invoices, totaling \$575,213, or 28% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$ 1,480,872
Vegetation	348,806
Mutual Aid	-
Procurement Card	167,038
Environmental	-
Traffic Control / Police Services	1,361
Food and Lodging	3,818
Material	-
Other	<u>83,047</u>
Total Contractors, Mutual Aid, and Procurement Cards	<u>\$ 2,084,942</u>

Contractor

A total of \$1,480,872 in Contractor amounts was recorded on the storm reserve account. Audit selected invoices totaling \$439,849, or 30% of total contractor expenses, to review in detail. All contractor services required labor and equipment for power restoration. Audit reviewed the individual invoices, Daily Sign-Off Sheets, and Contractor Daily Work Reports, noting the work order number, amount of the service, date of the report, and hours worked. No exceptions were noted.

Vegetation

A total of \$348,806 was charged to the storm reserve for Vegetation services provided during the March 7th major storm event. Nineteen percent of the total vegetation invoices, totaling \$64,422, were reviewed by Audit. All vegetation services reviewed were provided by Asplundh Tree between 03/08/18 and 03/10/18. No exceptions were noted.

Procurement Card

The Procurement Card expenses for the 03/07/18 major storm totaled \$167,038. The following depicts the summary of expenditures by description:

Food and Lodging	\$	165,674
Contractor		-
Material		571
Miscellaneous		793
Total Procurement Cards	\$	<u>167,038</u>

Audit selected six invoices to review in detail, totaling \$40,882 or 25% of the entire procurement card expense. Invoices reviewed were for meals and lodging, snacks, and materials purchased between the dates of 03/08/18 and 03/09/18. No exceptions were noted.

Traffic Control / Police Services

One invoice, totaling \$496, was charged to the storm reserve under the category of Traffic Control / Police Services. Audit reviewed the invoice for the Town of Londonderry and noted the services provided included traffic detail for two police officers.

Food and Lodging

Audit reviewed one invoice, totaling \$951, for thirty-one meals provided at the Derry T-Bones Restaurant. No exceptions were noted.

Other

Audit noted a capital adjustment, in the amount of \$83,047, listed in the expense category of “other.” When inquiring about the purpose of the adjustment, the Company provided the spreadsheet containing the capital adjustment calculation, as well as the following explanation:

“[The] contractor capital adjustment containing the O&M portion of asset replacement work orders that were written to support assets replaced as a result of the storm event. Costs for contractors that supported the specific work were charged directly to the specific asset replacement work order. The expense portion of those capital asset replacement costs were then charged back to the storm expense work order because the expense was directly related to the storm event.”

Direct Labor (PSNH and other Companies) \$1,221,647

PSNH	\$ 1,141,424
PSNH Transmission	117,695
EESCO	39,114
Capitalization	<u>(76,585)</u>
Storm-Related Payroll	<u>\$ 1,221,647</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected a total of seventeen individual employee direct labor charges, with a total of \$67,829, including all three of the companies listed and representing ten individual job descriptions. The Company provided the supporting time sheets for Audit’s sampled selections, including the employee name, pay period, and amount paid.

Audit identified a capitalization of (\$76,585) and requested the details supporting the adjustment. The Company replied with the following statement:

“The \$76,585 is the net of the amount of estimated capital labor removed from the storm work order (\$103,428) offset by the expense portion of capital asset replacement work orders that were written to repair damage to the system as a result of the storm event (\$26,843). In 2017 and through April 2018, the Company utilized a different approach for capitalizing storm costs where material and contractor labor used during the event was charged directly to individual capital asset replacement work orders in the work management system, not the generic storm expense work order. Since the expense portion of that capital work order was part of the reserve storm, it was considered part of the storm costs and transferred to the reserve. That is the piece called the capital adjustment shown [as (\$76,585)].”

Audit reviewed the provided spreadsheets, detailing the estimated capital labor, the transferred capitalized labor, and the O&M portion. The estimated capital labor amount was removed from the work order, transferred to individual capital asset work orders, and the amount of related O&M expense was transferred back on the O&M portion, for a net amount of (\$76,585) in estimated capital labor removed from the 3/7/18 storm work order.

Payroll-Related Overhead \$62,418

The Company provided the itemized payroll-related overhead amount, totaling \$62,418 for the 03/07/18 major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 01/04/18 pre-stage storm event, for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-

PSNH Transmission

Non-Productive Time Overhead	\$	16,477
Payroll Benefits		45,941
Total PSNH Transmission	\$	62,418

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-

Total Payroll-Related Overheads	\$	62,418
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The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of April 2018 and July 2018 direct labor amounts for the March 7th major storm event expenses. Refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of the report for the Company's explanation of including other months' expenditures.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$1,141,424 and \$39,114 respectively—but they do not have any payroll-related overheads reported. For the Company’s response, refer to the 01/04/18 pre-stage event’s Payroll-Related Overheads section of this report.

Vehicles \$182,260

The vehicle expense for the March 7th major storm event totaled \$182,260. The following vehicle charges were identified by company:

PSNH	\$ 163,740
PSNH Transmission	10,152
EESCO	205
Capital Adjustment	<u>8,162</u>
Total Vehicles	<u>\$ 182,260</u>

Vehicle usage amounts for the 03/07/18 major storm event were recorded for each of the following companies: PSNH, PSNH Transmission, and EESCO. Audit reviewed the provided vehicle calculation spreadsheet and recalculated the vehicle cost for each of the three companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 01/04/18 pre-stage storm event’s Vehicles section of the report for further details on the calculation of the vehicle usage amounts.

The capital adjustment of \$8,162 was listed in the total amount for vehicle expenses reported in the filing. Audit noted that the vehicle usage spreadsheet included a column showing the variance between the total vehicles amount in the filing of and the manual calculation amount. The Company explained that the manual calculation depicts the system allocation calculation for the Vehicle Allocation Program. Audit requested further explanation of the vehicle allocation process and the Company stated that, *“The manual calculation gets you close [to the actual allocation] and proves out the process behind the system allocation calculation, but there is a slight variance because there are some true-ups for previous months that happen as part of the system process.”*

Audit requested the support for the manual calculation, demonstrating the details and process behind the \$8,162 variance. The Company provided spreadsheets depicting the vehicle calculation by month, cost center cluster, and cost center labor. Refer to the Vehicles section of the 01/04/18 pre-stage storm event for further detail on the vehicle allocation process. Audit reviewed the Excel spreadsheets supporting the manual calculation of the variance with no exceptions noted.

Other Employee-Related Expenses \$21,018

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected four items from the meals and mileage expense categories within PSNH, PSNH Transmission, and EESCO.

The following represents the total Employee-Related Expenses for the March 7th major storm event:

PSNH	\$	17,906
PSNH Transmission		1,740
EESCO		<u>1,373</u>
Total Other Employee-Related Expenses	\$	<u><u>21,018</u></u>

Audit reviewed the supporting invoices and receipts for the sampled amounts. Items reviewed included charges for restaurant meals, catering services, and travel. A spreadsheet was also provided, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. There were also transportation charges, totaling \$150, where receipts were provided for charges over \$25.

PSNH Miscellaneous: Audit sampled a charge for \$1,293 in miscellaneous expenditures and requested the receipt/s for the amount. Supporting documentation was provided and Audit noted a charge for \$396 for "*Booth 628 2018 Expo.*" **AUDIT ISSUE #4**

Materials \$34,033

The materials expense for the March 7th major storm, totaled \$34,033. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected four materials charges, totaling \$10,476, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Cables, repair kits, and steel padlocks were removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about a recorded capital adjustment of \$2,146. Refer to the 01/23/18 major storm Materials section of this report for the Company's response to this inquiry, as it applies to both the January and March storm events.

03/13/18 Pre-Stage Event EXPSTGD8 \$394,468

The weather forecast for the March 13, 2018 pre-stage event described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation that is greater than 8 inches in all regions of the state. For the central, eastern, and southern regions of the state, the probability was also “high” of reaching EEI Level 4, indicating snow expectancy to be equal to or greater than 12 inches. This weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the pre-stage storm event cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the costs for the March 13, 2018 pre-stage event as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 190,050
Direct Labor (WMECO and other NU Companies)	150,528
Payroll Related Overheads and Taxes	4,815
Vehicles	23,226
Other Employee Related Expenses	2,749
Material	-
Total Storm Cost Transferred to Reserve	<u>\$ 371,368</u>
Carrying Charge through April 30, 2019	<u>23,100</u>
Actual Storm Reserve Balance April 30, 2019	<u>\$ 394,468</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$190,050

Documentation from the March 2nd major storm event, totaling \$190,050 expenses, was submitted from contractors, vendors, and procurement card charges. Audit selected twelve invoices, totaling \$55,488 or 29% of the total contractors/vendors, mutual aid, and procurement card expenses to review. The following is the summary of expenditures by description:

Contractor	\$ 84,004
Vegetation	70,494
Mutual Aid	-
Procurement Card	35,368
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	184
Material	-

Other	_____ -
Total External Contractors / Vendors and Procurement Cards	<u>\$ 190,050</u>

Contractor

Ten invoices, totaling \$84,004 in Contractor expenses, were recorded to the storm cost reserve account. Audit selected two invoices totaling \$39,090 to review in detail. All contractor services required labor and equipment for stand-by, in case of a need for power restoration. Audit reviewed the individual invoices and Contractor Daily Work Reports, noting the work order number, amount of the service, date of the report, and hours worked. No exceptions were noted.

Vegetation

A total of \$70,494 was charged to the storm reserve for Vegetation services provided during the March 13th pre-stage storm event. Audit reviewed five invoices, totaling \$9,846, from Lewis Tree for labor and equipment stand-by services. The work order number and date on the invoice, as well as the employee hours and rates, was noted with no exceptions.

Procurement Card

The Procurement Card expenses totaled \$35,368 and consisted of two categories: Food and Lodging and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$ 35,312
Material	-
Miscellaneous	<u>56</u>
Total Procurement Cards	<u>\$ 35,368</u>

Audit selected four charges for review, totaling \$6,454 or 18% of the Procurement Card expenses. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for meals provided on 03/14/18. The following exception was noted.

Hebert's Restaurant : Audit requested the supporting documentation to verify the \$3,248 charge recorded to the storm cost reserve account. The Company did not provide the requested documentation, stating that, "At this time, the Company does not have readily available the supporting documentation...[the] Company will continue to work to obtain the supporting material and will provide that information to Audit if and when we receive it." **AUDIT ISSUE #2**

Food and Lodging

A total of \$184 was charged storm cost reserve under the expenditure category of Food and Lodging. Audit reviewed one invoice, totaling \$98, from Grandma's Restaurant. The charges were for dinners provided to three employees on 03/13/18. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$150,528

PSNH	\$	136,483
PSNH Transmission		9,080
EESCO		<u>4,965</u>
Storm-related Payroll	\$	<u>150,528</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected seven individual employee direct labor charges, with a total of \$8,807, including all three of the companies listed and representing four individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid. No exceptions were noted.

Payroll-Related Overhead \$4,815

The Company provided the itemized payroll-related overhead amount, totaling \$4,815 for the 03/13/18 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 01/04/18 pre-stage storm event, for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		<u>-</u>
Total PSNH	\$	<u>-</u>

PSNH Transmission

Non-Productive Time Overhead	\$	1,271
Payroll Benefits		<u>3,544</u>
Total PSNH Transmission	\$	<u>4,815</u>

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	<u>4,815</u>

The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of April 2018 direct labor amounts for the March 13th major storm event expenditures. Refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of the report for the Company's explanation on including other months' direct labor charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$136,483 and \$4,965 respectively—but they don't have any payroll-related overheads reported. For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of this report.

Vehicles \$23,226

The vehicle expense for the March 13th pre-stage storm event totaled \$23,226. The vehicle charges were for the following companies:

PSNH	\$	22,279
PSNH Transmission		912
EESCO		<u>35</u>
Total Vehicles	\$	<u>23,226</u>

The amounts charged to the companies for vehicle usage were recorded for the three companies listed above. Audit reviewed the provided Excel worksheets, detailing the labor and vehicle allocation percentage based on cost center and company, and recalculated the vehicle costs for the seven companies, based on the cost for each fleet recorded and the dollars of productive labor issued. No exceptions were noted. Refer to the 1/04/18 pre-stage storm event section of the report for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$2,749

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected two items from the meals expense categories within PSNH and EESCO. Each of Audit's selections had a purchase price over \$25, as the Company's policy does not require an employee to submit a receipt if the purchase is under \$25.

The following represents the total Employee-Related Expenses for the March 13th pre-stage storm event:

PSNH	\$	2,484
PSNH Transmission		19
EESCO		<u>246</u>
Total Other Employee-Related Expenses	\$	<u>2,749</u>

Audit reviewed the supporting invoices and/or receipts for the sampled amounts. Items reviewed included charges for restaurant meals, catering services, and travel. A spreadsheet was also provided, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. There were thirty-three individual employees listed with meals charges under \$25.

04/04/2018 Major Storm MS18D006 \$3,295,704

The weather for the April 4th major storm resulted in severe winds, with speeds recorded up to 55 mph. The Company provided a "troubles report" spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage. Audit noted that 106,094 customers, or 21% of the Company's total customers, were without power. There were also 758 reported troubles; thus, qualifying this event as a major storm and subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	2,123,712
Direct Labor (WMECO and other NU Companies)		748,294
Payroll Related Overheads and Taxes		60,029
Vehicles		175,000
Other Employee Related Expenses		11,191
Material		<u>9,057</u>
Total Storm Cost Transferred to Reserve	\$	<u>3,127,283</u>
Carrying Charge through April 30, 2019		<u>168,421</u>
Actual Storm Reserve Balance April 30, 2019	\$	<u>3,295,704</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,123,712

A total of 442 contractor and vendor invoices, plus the procurement card expenses, resulted in a total of \$2,123,712 in charges from the April 4th pre-stage event. The Company submitted supporting documentation in support of the expenses charged to the MSCR. Audit selected 20 invoices to review, totaling \$504,466 or 24% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category: and are depicted in the following summary of expenditures by description:

Contractor	\$ 1,675,414
Vegetation	323,044
Mutual Aid	-
Procurement Card	103,202
Environmental	-
Traffic Control / Police Services	19,847
Food and Lodging	1,521
Material	-
Other	<u>685</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 2,123,712</u>

Contractor

A total of \$1,675,414 in Contractor expenses was recorded on the storm reserve account. Audit selected five invoices, totaling \$442,323 or 26% of the total contractor expenditures, to review in detail. Of the invoices, time sheets, and Daily Work Reports reviewed, services included equipment rentals, line crews, and vehicles used for the purpose of power restoration. No exceptions were noted.

Vegetation

Expenditures totaling \$323,044 were charged to the storm reserve for Vegetation services provided during the April 4th major storm event. Audit reviewed nine invoices, totaling \$34,386, from Asplundh Tree for labor and equipment services needed for power restoration. The work order number and date on the invoice, as well as the employee hours and rates, was noted with no exceptions.

Traffic Control / Police Services

One invoice, totaling \$2,739, was charged to the storm reserve under the category of Traffic Control / Police Services. Audit reviewed the invoice and Daily Time Sheet from New England Traffic Control, noting the services provided included traffic detail for seven controllers between the dates of 04/05/18 and 04/06/18.

Food and Lodging

Audit reviewed ten restaurant meal checks, totaling \$483, for thirty-three meals provided at Grandma's Restaurant between the dates of 04/05/18 and 04/06/18. No exceptions were noted.

Other

Audit reviewed one invoice for Wagner Technical Services. The invoice total was for \$1,962, of which only \$360 was charged to the storm cost reserve account. The description on the invoice stated that the amount charged was for one designer to perform "design services, week ending 4/22/18." Audit determined that the amount was not directly related to the restoration of power for the April 4th major storm. **AUDIT ISSUE #4**

Procurement Card

The Procurement Card expenses totaled \$103,202 and consisted of three categories: Food and Lodging, Contractor, and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$	85,684
Contractor		15,120
Miscellaneous		<u>2,398</u>
Total Procurement Cards	\$	<u><u>103,202</u></u>

Audit selected three charges for review, one charge from each expense category and totaling \$24,174 or 23% of the Procurement Card expenses. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for meals provided on 04/05/18 and 04/06/18, as well as connectors purchased as materials needed on 04/05/18. The following exception was noted.

Uline: An amount of \$572 was charged to the storm cost reserve and under the procurement card category of "miscellaneous." Audit reviewed the invoice for the charge and noted items purchased were packing list envelopes and reclose-able bags, with an order date of 03/27/18. Audit determined that these items were not directly related to the restoration of power for the April 4th major storm. **AUDIT ISSUE #4**

Direct Labor (PSNH and other Companies) \$748,294

PSNH	\$	642,199
NSTAR		68,812
PSNH Transmission		62,551

EESCO	11,029
Capital Adjustment	<u>(36,297)</u>
Storm-related Payroll	<u>\$ 748,294</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected seventeen individual employee direct labor charges, with a total of \$32,186, including all four of the companies listed and representing ten individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, storm work order number, and amount paid.

Audit identified the capital adjustment of \$(36,297) and reviewed the Company provided Excel workbook, with spreadsheets detailing the estimated labor from the work management system, adjusted for adverse weather conditions, as well as the accompanying journal entry. Refer to the 01/23/18 major storm event for a detailed explanation of the capital adjustments.

Payroll-Related Overhead \$60,029

The Company provided the itemized payroll-related overhead amount, totaling \$60,029 for the 04/04/18 major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 01/04/18 pre-stage storm event, for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		<u>-</u>
Total PSNH	\$	<u>-</u>

NSTAR

Non-Productive Time Overhead	\$	12,875
Payroll Benefits		<u>13,977</u>
Total PSNH	\$	<u>26,851</u>

PSNH Transmission

Non-Productive Time Overhead	\$	8,757
Payroll Benefits		<u>24,421</u>
Total PSNH Transmission	\$	<u>33,178</u>

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	<u>60,029</u>

The NPT and PBR were confirmed to the 2018 and 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of June 2018, July 2018, and March 2019 direct labor amounts for the April 4th major storm event expenditures. Refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of the report for the Company's explanation on including other months' direct labor charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$642,199 and \$11,029 respectively—but they do not have any payroll-related overheads reported. For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of this report.

Vehicles \$175,000

The vehicle expense for the April 4th major storm event totaled \$175,000. The vehicle charges were identified by company in the following depiction:

PSNH	\$	150,301
NSTAR		17,467
PSNH Transmission		6,916
EESCO		<u>315</u>
Total Vehicles	\$	<u>175,000</u>

The amounts charged to the companies for vehicle usage were recorded for PSNH, NSTAR, PSNH Transmission, and EESCO. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the two companies, based on the cost for each fleet recorded and the dollars of productive labor issued. No exceptions were noted. Refer to the 01/04/18 pre-stage storm event section of the report for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$11,191

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected two items from the mileage and transportation expense categories within PSNH Transmission and EESCO.

The following represents the total Employee-Related Expenses for the April 4th major storm event:

PSNH	\$	8,062
NSTAR		972
PSNH Transmission		1,666
EESCO		<u>491</u>
Total Other Employee-Related Expenses	\$	<u><u>11,191</u></u>

Audit requested the supporting documentation for the two sampled charges within the mileage and transportation expense categories. Audit reviewed the supporting invoices and receipts for the sampled amounts. Items reviewed included charges for meals and travel. A spreadsheet was also provided, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. There were also mileage charges, totaling \$567, where the mileage amount was calculated at \$0.55 per mile.

Materials \$9,057

The materials expense for the April 4th major storm, totaled \$9,057. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected three materials charges, totaling \$4,997, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Cables, repair kits, and electrical full tension connectors were removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about the recorded capitalization of (\$9,238). In response, the Company provided a spreadsheet of their capitalization model for the 04/04/18 major storm, explaining that, *"The April 2018 - June 2018 storm events utilized a spreadsheet model to calculate the capitalized amounts based on identified units of property."* Audit reviewed the capitalization model and accompanying journal entry, noting the item, quantity, and cost. No exceptions were noted.

04/16/18 Major Storm Event MS18E006 \$1,048,343

The weather for the April 16th major storm described a “high” probability (i.e. greater than 60%) of reaching EEI Level 1, as determined by wind gusts with snow and ice accumulation for all regions of the state. The actual weather reported for April 16, 2018 reported wind gusts that reached up to 57 mph with heavy rain. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage. Audit noted that there were 305 reported troubles; thus, qualifying this event as a major storm subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 507,144
Direct Labor (WMECO and other NU Companies)	364,878
Payroll Related Overheads and Taxes	13,274
Vehicles	105,653
Other Employee Related Expenses	3,914
Material	<u>663</u>
Total Storm Cost Transferred to Reserve	<u>\$ 995,525</u>
Carrying Charge through April 30, 2019	<u>52,819</u>
Actual Storm Reserve Balance April 30, 2019	<u>\$ 1,048,343</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$507,144

Documentation from the April 16, 2018 major storm, totaling \$507,144 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 19 invoices to review, totaling \$169,715 or 34% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category:

Contractor	\$ 383,716
Vegetation	99,697
Mutual Aid	-
Procurement Card	15,642
Environmental	-
Traffic Control / Police Services	7,175
Food and Lodging	914
Material	-

Other	_____ -
Total External Contractors/Vendors, Mutual Aid and Procurement Cards	\$ <u>507,144</u>

Contractor

A total of \$383,716 in Contractor expenses was recorded on the storm reserve account. Audit selected eight invoices, totaling \$129,247, to review in detail. Of the invoices reviewed, services provided were for the equipment rentals, line crews, and vehicles needed for the restoration of power. Audit reviewed copies of the invoices, along with the corresponding Daily Work Report with no exceptions noted.

Vegetation

A total of \$321,757 was charged to the storm cost reserve for Vegetation services provided during the April 16th major storm event. Nine invoices were reviewed by Audit, for labor and equipment rental services provided by Asplundh Tree, as well as the corresponding Weekly Operations Reports from the vendor. Audit noted the work order number and date on the invoice, as well as the employee hours and invoice total.

Procurement Card

The Procurement Card expenses totaled \$15,642 and consisted of two categories: Food and Lodging and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$ 15,544
Contractor	-
Miscellaneous	<u>97</u>
Total Procurement Cards	\$ <u>15,642</u>

Audit selected one charge for review, one charge from the food and lodging expense category, totaling \$2,850 or 18% of the Procurement Card expenses. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for room accommodations for sixteen workers, plus applicable taxes. Rooms were provided between the dates of 04/16/18 and 04/18/18. No exceptions were noted.

Traffic Control / Police Services

Audit reviewed one invoice, totaling \$2,961, for Traffic Control / Police Services. In addition to the invoice from New England Traffic Control, Audit also reviewed the Daily Time Sheet and noted that the services provided included traffic detail for six flaggers and controllers

between the dates of 04/16/18 and 04/19/18. Audit recalculated the invoice and noted no exceptions.

Food and Lodging

A total of \$914 from invoice amounts was recorded to the storm cost reserve for Food and Lodging expenses. Audit selected one invoice, totaling \$708 in meals and lodging charges, to review in detail. There were forty-two meals purchased from Grandma's Restaurant on 04/17/18. Audit recalculated the total and no exceptions were noted.

Direct Labor (PSNH and other Companies) \$364,878

PSNH	\$	359,963
PSNH Transmission		25,029
EESCO		1,507
Capitalization		<u>(21,620)</u>
Storm-related Payroll	\$	<u><u>364,878</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected eleven individual employee direct labor charges, with a total of \$21,319, including all three of the companies listed and representing four individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid. No exceptions were noted.

Audit identified the capital adjustment of \$(21,260) and reviewed the Company provided spreadsheet model of the capitalization calculation, detailing the labor and direct costs, as well as the accompanying journal entry. No exceptions were noted. Refer to the 01/23/18 major storm event for a detailed explanation of the capital adjustments.

Payroll-Related Overhead \$13,274

The Company provided the itemized payroll-related overhead amount, totaling \$13,274 for the 04/16/18 major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 01/04/18 pre-stage storm event, for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-

PSNH Transmission

Non-Productive Time Overhead	\$	3,504
Payroll Benefits		9,770
Total PSNH Transmission	\$	13,274

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-

Total Payroll-Related Overheads	\$	13,274
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The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of May 2018 and July 2018 direct labor amounts for the April 16th major storm event expenditures. Refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of the report for the Company's explanation on including other months' direct labor charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$359,963 and \$1,507 respectively—but they don't have any payroll-related overheads reported. For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of this report.

Vehicles \$105,653

The vehicle expense for the April 16th major storm event totaled \$105,653. The Company's vehicle charges were identified as follows:

PSNH	\$	102,375
PSNH Transmission		3,237
EESCO		40
	\$	<u>105,653</u>

The amounts charged to the companies for vehicle usage were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the three companies, based on the cost for each fleet recorded and the dollars of

productive labor issued. No exceptions were noted. Refer to the 01/04/18 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$3,914

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected four charges from the meals, mileage, miscellaneous, and transportation expense categories within PSNH, PSNH Transmission, and EESCO.

The following represents the total Other Employee-Related Expenses for the April 16th major storm event:

PSNH	\$	3,249
PSNH Transmission		219
EESCO		<u>445</u>
Total Other Employee-Related Expenses	\$	<u>3,914</u>

Audit reviewed the supporting invoices and/or receipts for the sampled amounts. Items reviewed included charges for restaurant meals and food items purchased at grocery stores. Audit reviewed the supporting invoices and receipts for the sampled amounts. A spreadsheet was also provided, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense.

Materials \$663

There was an amount of \$6,041 in materials utilized for the April 16th major storm, along with a capitalization adjustment for \$(5,378), for a total Materials expense of \$663. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected two materials charges, totaling \$1,936, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Crossarms and loadbuster tools were removed from the Bow Central Warehouse with no exceptions noted.

Audit noted the recorded capitalization of \$(5,378) and reviewed the Company provided spreadsheet, detailing their capitalization model for the 04/16/18 major storm. The accompanying journal entry was also reviewed, noting the item quantity and cost. No exceptions were noted.

05/04/2018 Major Storm MS18F006 \$3,146,094

The weather for the May 4th major storm resulted in severe winds, with speeds recorded up to 66 mph, as well as severe thunderstorms. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage. Audit noted that there were 567 reported troubles; thus, qualifying this event as a major storm subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,019,660
Direct Labor (WMECO and other NU Companies)	676,746
Payroll Related Overheads and Taxes	133,342
Vehicles	122,915
Other Employee Related Expenses	14,469
Material	<u>25,317</u>
Total Storm Cost Transferred to Reserve	<u>\$ 2,992,449</u>
Carrying Charge through April 30, 2019	<u>\$ 153,645</u>
Actual Storm Reserve Balance April 30, 2019	<u>\$ 3,146,094</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,019,660

Documentation from the May 4, 2018 major storm, totaling \$2,019,660 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 26 invoices to review, totaling \$289,949 or 14% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category:

Summary of Expenditures by Description:

Contractor	\$ 1,612,569
Vegetation	327,079
Mutual Aid	-
Procurement Card	58,650
Environmental	-
Traffic Control / Police Services	19,355
Food and Lodging	1,849
Material	-
Other	<u>158</u>

Total External Contractors / Vendors,
Mutual Aid, and Procurement Cards \$ 2,019,660

Contractor

A total of \$1,612,569 in Contractor charges was recorded to the storm reserve account. Audit selected five invoices, totaling \$239,863, to review in detail. Charges incurred were from ElecComm Corporation, Hawkeye LLC, ES Boulos, and Evans Line. Services provided included labor, equipment, vehicle rentals, meals and lodging needed for power restoration between the dates of 5/5/18 and 5/13/18. Audit reviewed the individual invoices and Contractor Daily Work Reports, noting the work order number, total amount of the service provided, date of the report, and hours worked. No exceptions were noted.

Vegetation

Charges totaling \$327,079 were recorded to the storm cost reserve for Vegetation services provided during the May 4th major storm event. Eleven invoices were reviewed by Audit, for services provided by Asplundh Tree. Also reviewed were the weekly operations reports for each of the sampled vegetation charges. Audit noted the dates, total amount of the service provided, the work order number, and the hours recorded.

Procurement Card

The Procurement Card expenses totaled \$58,650 and consisted of three categories: Food and Lodging, Contractor, and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$ 56,053
Contractor	953
Miscellaneous	<u>1,645</u>
Total Procurement Cards	<u>\$ 58,650</u>

Audit selected six charges for review, with at least one charge from each expense category. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for meals, snacks, and materials purchase between the dates of 05/05/18 and 05/06/18. No exceptions were noted.

Traffic Control / Police Services

Audit reviewed two invoices from New England Traffic Control, totaling \$8,099, for Traffic Control / Police Services. In addition to the invoice from, Audit also reviewed the Daily Time Sheets and noted that the services provided included traffic detail for employed controllers. Audit verified the dates and recalculated the invoices.

Food and Lodging

A total of \$1,849 from invoice amounts was recorded to the storm cost reserve for Food and Lodging expenses. Audit selected one invoice, totaling \$1,356 in meals and lodging charges, to review in detail. There were seventy-eight meals purchased from Grandma's Restaurant on 05/05/18 and 05/06/18. Audit noted the dates of each invoice and recalculated the total. No exceptions were noted.

Other

One invoice for \$158 from the Standard Register Company was the only charge recorded to the storm cost reserve account under the expenditure description of "other." One exception was noted.

Standard Register Company: Audit requested the supporting documentation to verify the \$158 charge recorded to the storm cost reserve account. The Company did not provide the requested documentation, stating that, "[The] charge for \$158 from the 5-4-18 storm MS18F006 for Standard Register Company has been removed from the storm work order therefore the invoice is not provided." **AUDIT ISSUE #2**

Direct Labor \$676,746

PSNH	\$	550,728
CT		111,704
MA East		57,126
MA West		31,425
PSNH Transmission		55,957
EESCO		3,310
Capital Adjustment		<u>(133,504)</u>
Storm-Related Payroll	\$	<u><u>676,746</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected eleven individual employee direct labor charges, with a total of \$41,987, including all six of the companies listed and representing seven individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid. No exceptions were noted.

Audit noted the capital adjustment of \$(133,504) and reviewed the Company provided spreadsheet model of the capitalization calculation, detailing the labor and direct costs, as well as the accompanying journal entry. No exceptions were noted. Refer to the 01/23/18 major storm event for a detailed explanation of the capital adjustments.

Payroll-Related Overhead \$133,342

The Company provided the itemized payroll-related overhead amount, totaling \$133,342 for the 05/04/18 major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 01/04/18 pre-stage storm event, for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH	
Non-Productive Time Overhead	\$ -
Payroll Benefits	-
Total PSNH	<u>\$ -</u>
PSNH Transmission	
Non-Productive Time Overhead	\$ 7,834
Payroll Benefits	<u>21,842</u>
Total PSNH Transmission	<u>\$ 29,676</u>
CT	
Non-Productive Time Overhead	\$ 17,144
Payroll Benefits	<u>51,968</u>
Total CT	<u>\$ 69,112</u>
MA East (NSTAR)	
Non-Productive Time Overhead	\$ 10,688
Payroll Benefits	<u>11,603</u>
Total MA East	<u>\$ 22,291</u>
MA West (WMECO)	
Non-Productive Time Overhead	\$ 5,880
Payroll Benefits	<u>6,383</u>
Total MA West	<u>\$ 12,262</u>
EESCO	
Non-Productive Time Overhead	\$ -
Payroll Benefits	<u>\$ -</u>
Total EESCO	<u>\$ -</u>
Total Payroll-Related Overheads	<u><u>\$ 133,342</u></u>

The NPT and PBR were confirmed to the 2018 and 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of 2018 June and October direct labor amounts, as well as March 2019 direct labor amounts, for the May 4th major storm event expenditures. Refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of the report for the Company's explanation on including other months' direct labor charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$550,728 and \$3,310 respectively—but they don't have any payroll-related overheads reported. For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of this report.

Vehicles \$122,915

The vehicle expense for the May 4th major storm event totaled \$122,915. The Company's vehicle charges were identified as follows:

PSNH	\$	74,860
PSNH Transmission		7,064
CT		22,714
MA East		9,736
MA West		8,466
EESCO		<u>76</u>
	\$	<u><u>122,915</u></u>

The amounts charged to the companies for vehicle usage were recorded for PSNH, PSNH Transmission, CT, MA East, MA West, and EESCO. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the six companies, based on the cost for each fleet recorded and the dollars of productive labor issued. No exceptions were noted. Refer to the 01/04/18 pre-stage storm event section of the report for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$14,469

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected three charges from the mileage and miscellaneous expense categories within CT, PSNH Transmission, and EESCO.

The following represents the total Other Employee-Related Expenses for the May 4th major storm event:

PSNH	\$	7,628
CT		2,914
MA East		1,104
MA West		620
PSNH Transmission		805
EESCO		<u>1,398</u>
Total Other Employee-Related Expenses	\$	<u>14,469</u>

Audit reviewed the supporting invoices and/or receipts for the sampled amounts. Items reviewed included charges for meals purchased. Audit reviewed the supporting invoices and receipts for the sampled amounts. A spreadsheet was also provided, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. There were also mileage charges, totaling \$794, where mileage was paid at a rate of \$0.55 per mile. One exception was noted.

Village Pizza: In reviewing meals charges, the Company stated that, "*There is one receipt for \$68.57 for the May 4, 2018 storm...for Village Pizza in which a receipt could not be located in a timely manner. The Company will agree to remove that amount from the storm cost recovery.*" **AUDIT ISSUE #2**

Materials \$25,317

The materials expense for the May 4th major storm, totaled \$25,317. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected four materials charges, totaling \$8,788, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Cables, crossarms, and insulator posts were removed from the Bow Central Warehouse with no exceptions noted.

Audit identified a recorded capital adjustment of (\$32,254) and reviewed the Company provided spreadsheet, detailing their capitalization model for the 05/05/18 major storm. The accompanying journal entry was also reviewed, noting the item quantity and cost.

06/18/2018 Major Storm Event MS18G006 \$4,168,385

The weather for the June 18th major storm resulted in severe winds, with speeds recorded up to 75 mph, as well as severe thunderstorms. The Company provided a "troubles report" spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage. Audit noted that there were 822 reported troubles; thus,

qualifying this event as a major storm subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,860,758
Direct Labor (WMECO and other NU Companies)	861,562
Payroll Related Overheads and Taxes	72,334
Vehicles	138,923
Other Employee Related Expenses	14,793
Material (including Stores Loading and Lobby Stock)	<u>37,765</u>
Total Storm Cost Transferred to Reserve	<u>\$ 3,986,135</u>
Carrying Charge through April 30, 2019	<u>182,249</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 4,168,385</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,860,758

Documentation from the June 18, 2018 major storm, totaling \$2,860,758 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 26 invoices to review, totaling \$636,362 or 22% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category:

Contractor	\$ 2,408,119
Vegetation	313,120
Mutual Aid	-
Procurement Card	119,554
Environmental	389
Traffic Control / Police Services	17,670
Food and Lodging	333
Material	316
Other	<u>1,256</u>
Total External Contractors/Vendors, Mutual Aid and Procurement Cards	<u>\$ 2,860,758</u>

Contractor

A total of \$2,408,119 in Contractor expenses was recorded on the storm reserve account. Audit selected five invoices, totaling \$508,329 or 21% of the total contractor expenses, to review in detail. Of the invoices examined, charges were for labor, equipment, vehicles, lodging, and

meals utilized during the work involving power restoration. Invoices and the accompanying Contractor Daily Work Reports were reviewed by Audit, including the date of the work performed, the work order number, and the hours worked. No exceptions were noted.

Vegetation

A total of \$313,120 was charged to the storm cost reserve for Vegetation services provided during the June 18th major storm event. Six invoices were reviewed by Audit, for labor and equipment rental services provided by Asplundh Tree, as well as the corresponding Weekly Operations Reports from the vendor. Audit noted the work order number and date on the invoice, as well as the employee hours and invoice total.

Procurement Card

A total of \$119,554 in Procurement Card expenses was charged to the storm cost reserve. There were four categories of charges for the June 18th major storm. The following is their summary of expenditures by description:

Food and Lodging	\$	116,546
Contractor		123
Material		1,559
Miscellaneous		<u>1,326</u>
Total Procurement Card	\$	<u>119,554</u>

Audit selected four invoices to review in detail, totaling \$22,627 or 19% of the total Procurement Card Charges. Invoices reviewed were for meals and snacks purchased between the dates of 06/19/18 and 06/20/18. One exception was noted.

Walmart: Audit requested the supporting documentation to verify the \$135 charge recorded to the storm cost reserve account. The Company did not provide the requested documentation, stating that, *“At this time, the Company does not have readily available the supporting documentation...[the] Company will continue to work to obtain the supporting material and will provide that information to Audit if and when we receive it.”* **AUDIT ISSUE #2**

Traffic Control / Police Services

Audit reviewed one invoice, totaling \$3,852, for Traffic Control / Police Services. In addition to the invoice from New England Traffic Control, Audit also reviewed the Daily Time Sheet and noted that the services provided included traffic detail for nine traffic controllers between the dates of 06/19/18 and 06/20/18. Audit recalculated the invoice and noted no exceptions.

Food and Lodging

A total of \$333 in Food and Lodging charges was recorded to the storm cost reserve account. Audit selected one invoice, totaling \$312, to review in detail. Charges were from Chiggy's Place Restaurant for twenty-one meals provided to the storm crew on 06/19/18 and 06/20/18. No exceptions were noted.

Other

One invoice for \$1,256 from Kubra Arizona was the only charge recorded to the storm cost reserve account under the expenditure description of "other." One exception was noted.

Kubra Arizona: Audit reviewed one invoice totaling \$34,044. Of the total amount on the invoice, only \$1,256 was charged to the storm cost reserve. Audit noted that charges were for "monthly usage" during the month of June; specifically, described as email, voice, and text messages. **AUDIT ISSUE #4**

Direct Labor \$861,562

PSNH	\$	783,565
PSNH Transmission		89,945
MA East		59,760
EESCO		30,982
MA West		3,401
Capital Adjustment		<u>(106,091)</u>
Storm-related payroll	\$	<u><u>861,562</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected eleven individual employee direct labor charges, with a total of \$31,119, including all five of the companies listed and representing seven individual job descriptions. The Company provided the supporting time sheets for Audit's sampled selections, including the employee name, pay period, and amount paid. No exceptions were noted.

Audit identified the capital adjustment of (\$106,091) and reviewed the Company provided spreadsheet model of the capitalization calculation, detailing the labor and direct costs, as well as the accompanying journal entry. No exceptions were noted. Refer to the 01/23/18 major storm event for a detailed explanation of the capital adjustments.

Payroll-related Overheads \$72,334

The Company provided the itemized payroll-related overhead amount, totaling \$72,334 for the 06/18/18 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 01/04/18 pre-stage storm event, for detail regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	12,592
Payroll Benefits		<u>35,109</u>
Total PSNH Transmission	\$	<u>47,701</u>

MA East (NSTAR)

Non-Productive Time Overhead	\$	11,170
Payroll Benefits		<u>12,136</u>
Total MA East	\$	<u>23,306</u>

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits		<u>-</u>
Total EESCO	\$	<u>-</u>

MA West (WMECO)

Non-Productive Time Overhead	\$	636
Payroll Benefits		<u>691</u>
Total MA West	\$	<u>1,327</u>

Total Payroll-Related Overheads	\$	<u><u>72,334</u></u>
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The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of 2018 July, November, and December direct labor amounts for the June 18th major storm event expenditures. Refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of the report for the Company's explanation on including other months' direct labor charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$783,565 and \$30,982 respectively—yet they don't have any payroll-related overheads reported.

For the Company's response, refer to the 01/04/18 pre-stage event's Payroll-Related Overheads section of this report.

Vehicles \$138,923

The vehicle expense for the June 18th major storm event totaled \$138,923. The Company's vehicle charges were identified as follows:

PSNH	\$	125,488
PSNH Transmission		9,816
MA East		3,032
EESCO		228
MA West		359
	\$	<u>138,923</u>

PSNH, PSNH Transmission, MA East, EESCO, and MA West were the companies providing vehicles throughout this storm event. A total of twelve departments were used to assign vehicles for the allocation process. Audit reviewed the vehicle usage spreadsheets and recalculated the vehicle cost for each of the five companies, based on the cost for each fleet recorded and the dollars of productive labor issued. No exceptions were noted. Refer to the 01/04/18 pre-stage storm event section of the report for further details on the calculation procedure of the vehicle usage amounts.

Other Employee-Related Expenses \$14,793

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. Audit selected two charges from the mileage and transportation expense categories within PSNH Transmission and MA East.

The following represents the total Other Employee-Related Expenses for the June 18th major storm event:

PSNH	\$	9,767
PSNH Transmission		2,670
MA East		1,202
EESCO		1,015
MA West		140
Total Other Employee-Related Expenses	\$	<u>14,793</u>

Audit reviewed the supporting invoices and/or receipts for the sampled amounts. Items reviewed included charges for restaurant meals, catering services, and travel. A spreadsheet was

also provided, detailing the employees' meal expenses. The spreadsheet accounted for the employee's name, amount of the contractual meal, and the week end date of the acquired expense. There were also mileage charges, totaling \$861, where the mileage paid was calculated, at a rate of \$0.55 per mile, for eight employees.

Materials \$37,765

The materials expense for the June 18th major storm, totaled \$37,765. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected two materials charges, totaling \$19,069, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Cables and crossarms were removed from the Bow Central Warehouse with no exceptions noted.

Audit identified a recorded capitalization of (\$29,056) and reviewed the Company provided spreadsheet, detailing their capitalization model for the 06/18/18 major storm. The accompanying journal entry was also reviewed, noting the item quantity and cost.

AUDIT SUMMARY

For the period of January 1, 2018 through September 30, 2018, a total of \$18,126,413 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430. As of April 30, 2019, the Storm Funding Deferral account had a balance of \$10,748,606. The funding, which is posted to account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. Audit recommends removing the following costs from the storm reserve:

Audit Issue #1	\$	-
Audit Issue #2		6,555
Audit Issue #3		2,441
Audit Issue #4		<u>20,510</u>
Total Costs Recommended for Removal	\$	<u><u>29,506</u></u>

	Reported Balance 04/30/19	Less: Audit Adjustments	Adjusted Storm Balance
01/04/18 Pre-Staging Costs	\$ 641,959	\$ (132)	\$ 641,827
01/23/18 Major Storm Costs	989,065	(5,047)	984,018
02/07/18 Pre-Staging Costs	213,463	(17,926)	195,537
03/02/18 Pre-Staging Costs	410,809	(207)	410,602
03/07/18 Major Storm Costs	3,818,123	(396)	3,817,727
03/13/18 Pre-Staging Costs	394,468	(3,248)	391,220
04/04/18 Major Storm Costs	3,295,704	(932)	3,294,772
04/16/18 Major Storm Costs	1,048,343	-	1,048,343
05/04/18 Major Storm Costs	3,146,094	(227)	3,145,867
06/18/18 Major Storm Costs	<u>4,168,385</u>	<u>(1,391)</u>	<u>4,166,994</u>
Total Deferred MSCR Costs	<u>\$ 18,126,413</u>	<u>\$ (29,506)</u>	<u>\$ 18,096,907</u>

Audit notes that the actual balances as of 04/30/19 include carrying charges. Once Audit's suggested adjustments are made, carrying charges will need to be recalculated.

Audit Issue #1

Storm Costs Incurred Not Offset through MSCR

Background

Commission Order 25,465, issued on 2/26/2013 in docket DE 12-320, states that, “*The MSCR is an accounting mechanism that has previously been approved by the Commission and provides for the recovery from customers of a specified annual amount in distribution rates that is used to offset costs incurred in the event that a qualifying Major Storm occurs. Simultaneously, PSNH records a liability equal to the amount it recovers from customers so that the recovery does not result in earnings accruing to PSNH.*” The current filing includes costs incurred, but not offset through the MSCR, for storms and pre-staging events between January 2018 and September 2018.

Issue

As of April 30, 2019, the Company had not offset the \$49.2 million in storm costs for the 2016-2017 pre-stage and storm events, or the \$18.1 million in storm costs for the January through September 2018 pre-stage and storm events, as instructed in Order 25,465.

Recommendation

Based on Commission Order 25,465, issued on 2/26/2013 in docket DE 12-320, as well as the 2013 – 2016 Audit report and subsequent Staff recommendation that resulted in the March 26, 2019 Secretarial letter, the Company needs to offset the storm expenses with the storm revenues on an annual basis, prior to the PUC Audit staff conducting any audit procedures.

Company Response

The Company has followed NHPUC procedures relating to the accounting for storms. The Company records the amounts recovered in base distribution rates as allowed for storm costs (currently \$12M annually) to account 228.43. Preceding the Secretarial letter received in Docket DE 18-058 dated March 26, 2019, the NHPUC procedure was to have the accumulated recoveries remain in account 228.43 until the completion of a NHPUC audit of storm costs and resulting Secretarial letter stating the approved amount of the storms under audit. Upon receipt of the secretarial letter, the Company recorded a transfer from 228.43 to account 186.430 (where the storm costs are deferred). The Company has done this transfer for each of the NHPUC storm audits. The Company is providing, in Attachment Audit Issue 1 Storm Journals, two journal entries to show this transfer as follows:

- Page 1: Journal Entry 314344 recorded in September 2018 transfers \$49.0M from account 228430 to 186430 in response to the NHPUC Docket DE 18-058 dated

September 17, 2018. This is for recovery of costs associated with August 2011 through March 2013 storm events.

- Page 2: Journal Entry 335833 recorded in March 2019 transfers \$40.5M from account 228430 to 186430 in response to the NHPUC Docket DE 18-058 dated March 26, 2019. This is for recovery of costs associated with December 2013 through April 2016 storm events.

So far as the Company is aware, the NHPUC had not specifically ordered that the accumulated recoveries remain in account 228.43 until the completion of a NHPUC audit of storm costs and resulting Secretarial letter stating the approved amount of the storms under audit. However, since the inception of the MSCR in the settlement in Docket No. DE 99-099, and carried through the rate cases in Docket Nos. DE 03-200, DE 06-028, and DE 09-035, as well as through the divestiture proceeding in Docket No. DE 14-238, the practice has been to record the relevant entries and to address the accrued amounts in account 228.43 and any variances (as well as special treatment of especially large storms) in the context of the rate case and following an audit. This treatment has been in line with the terms of the settlements in each of those cases. Given the relatively regular filing of rate cases, any accumulated amounts in account 228.43 were addressed with some regularity. Due to the length of time between the filing in Docket No. DE 09-035 and the presently pending rate case in Docket No. DE 19-057 addressing the amounts in the MSCR outside of a rate case became necessary. However, the overall process for accrual and review prior to the removal of the amounts from account 228.43, whether within a rate case or not, remained the same.

Until the March 26, 2019 secretarial letter, there did not appear to be specific guidance to offset the storm costs annually. After that secretarial letter, the Company is now following the practice of offsetting annually with the balance that exists in the 228.43 account.

In the March 26, 2019 Secretarial letter, the Company was ordered to prepare an annual transfer of the accumulated balance in account 228.430 to account 186.430. In compliance with this order, the Company transferred \$13.1M in December 2019 as shown on Page 3 of Attachment Audit Issue 1 Storm Journals, Journal Entry 362035 recorded in December 2019. The \$13.1 million offset did not cover the entire amount of storm expenses incurred as the storm costs exceeded the amount in the MSCR fund.

Eversource will continue to do a true-up after the final audit report and secretarial letter are received for audited storms and will continue the practice started in December 2019 to prepare an annual transfer of the accumulated balance in account 228.430 to account 186.430.

Audit Conclusion

Audit reviewed the referenced journal entries and Docket numbers and agrees with the response by Eversource.

Audit Issue #2

No Supporting Documentation

Background

Audit reviewed spreadsheets provided by the Company, detailing the expenditures for the storms, and requested the supporting documentation for sampled amounts.

Issue

Supporting documentation was not provided or did not support the amount included in the general ledger for the selections made by Audit.

Recommendation

Audit recommends removing the following charges from the storm reserve:

High Tea Caterers	\$ 132	01/04/18 Pre-Stage
City Moose Café and Catering	2,606	01/23/18 Storm
PSNH Meals	207	03/02/18 Pre-Stage
Hebert's Restaurant	3,248	03/13/18 Pre-Stage
Standard Register Company	158	05/04/18 Storm
Village Pizza	69	05/04/18 Storm
Walmart	135	06/18/18 Storm
Total for Audit Issue #2	<u>\$ 6,555</u>	

Company Response

The Company agrees to remove \$6,121 for the following charges due to the inability to obtain a detailed receipt at this time.

High Tea Caterers	\$ 132	01/04/18 Pre-Stage
City Moose Café and Catering	2,606	01/23/18 Storm
Hebert's Restaurant	3,248	03/13/18 Pre-Stage
Walmart	135	06/18/18 Storm

There is one receipt for \$68.57 for the May 4, 2018 storm for Christopher W Hall for Village Pizza in which a receipt could not be located in a timely manner. The Company will agree to remove that amount from the storm cost recovery.

Audit Conclusion

Audit agrees with Eversource on responses where a total of \$6,190 is acknowledged for removal from the storm cost reserve. Audit identified an additional \$365 in charges that do not have supporting documentation and recommends removing the total of \$6,555, for Audit Issue #2, from the storm reserve.

Audit Issue #3

Invoice Dates Not Concurrent with the Corresponding Storm Event

Background

Audit reviewed sampled invoices and/or receipts from vendors detailing the charges incurred for storm event related work.

Issue

The dates listed on the invoices either pre-dated or post-dated the storm event for which they were applied.

Recommendation

Audit recommends removing the following charges from the storm reserve:

Asplundh Tree	\$ 2,441	01/23/18 Storm
Total for Audit Issue #3	<u>\$ 2,441</u>	

Company Response

The Company agrees to remove \$2,441 related to the Asplundh Tree invoice charged to the 01/23/18 Storm.

Audit Conclusion

Audit agrees with Eversource on their response.

Audit Issue #4

Charges Not Applicable for Storm-Related Recovery

Background

Audit reviewed invoices provided by the Company detailing the expenditures for the storms. Audit then selected specific items to review to source documentation.

Issue

During Audit's review of the supporting documentation, it was determined that specific charges should not be included in the storm fund. These expenditures were for items that were deemed not applicable for recovery from the storm fund, as they are not related to the restoration of power.

Recommendation

Audit recommends removing the following charges from the storm reserve:

West Interactive Services Corporation	\$ 17,926	02/07/18 Pre-Stage
PSNH Miscellaneous	396	03/07/18 Major Storm
Wagner technical Services	360	04/04/18 Major Storm
Uline	572	04/04/18 Major Storm
Kubra Arizona	1,256	06/18/18 Major Storm
Total for Audit Issue #4	<u>\$ 20,510</u>	

Company Response

The Company agrees to remove \$932 associated with the following charges:

Wagner technical Services	360	04/04/18 Major Storm
Uline	572	04/04/18 Major Storm

The charges associated with West Interactive Services Corporation and Kubra Arizona that were incurred during the weather events are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH's base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, West Interactive and Kubra's services are not only convenient and helpful for customers, they're expected. The Company has stated in the past and continues to reiterate that the Company respectfully disagrees with the finding that these are not valid storm related costs.

Audit Conclusion

Audit agrees with Eversource on responses where a total of \$932 is acknowledged for removal from the storm cost reserve. Audit identified an additional \$396 in charges that do not appear to be related to the restoration of power. Regarding the communication services provided by West Interactive Services Corporation and Kubra Arizona, Audit understands the history of the Company's disagreement with the finding and suggests that the Company and the Electric Division staff address the issue directly in the next storm fund docket.

Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 19-057

Date Request Received: 07/22/2019

Date of Response: 08/05/2019

Request No. STAFF 5-020

Page 1 of 1

Request from: New Hampshire Public Utilities Commission Staff

Witness: Eric H. Chung, Troy Dixon

Request:

Normalizing Adjustment for Storms (593) Reference Schedule EHC/TMD-5, line 42, p. 6. Please provide the reason for the adjustment, calculations, and documents supporting the normalizing adjustment for storms \$69,523.

Response:

As a result of the audit conducted by Audit Staff in Docket No. DE 18-058, the Company was denied recovery of certain costs deemed to be "Media Communications" as being eligible for the Major Storm Cost Reserve. The audit concluded that such costs were not allowable for treatment under the Major Storm Cost Reserve on the basis that such costs were not "directly related to the literal restoration of power." During the test year, the Company incurred \$69,523 of communications expenses that were recorded to the Major Storm Cost Reserve, and, as such, these costs were not included in per-book test year distribution expense. As a result, the normalizing adjustment of \$69,523 found on Bates 201, Line 42, Column B is necessary in order to reflect these costs in the base distribution cost of service. These costs are a necessary expenditure in order to provide adequate information to customers during storm events. Since these costs will no longer be recoverable as a Major Storm Cost Reserve expense, and they were recorded as such during the test year, this normalizing adjustment is necessary to properly reflect them as a base rate expenditure after new base rates are set as a result of this proceeding. Please see Attachment Staff 5-020 for the associated calculation.

Docket No. DE 19-057
Data Request STAFF 5-020
Dated 7/22/2019
Attachment STAFF 5-020
Page 1 of 1

2018 Reserve Events

Line	Storm	"Media Communications"	
1	01/04/18 Pre-Staging	\$	18,688
2	01/23/18 Storm	\$	-
3	02/07/18 Pre-Staging	\$	17,926
4	03/02/18 Pre-Staging	\$	-
5	03/07/18 Storm	\$	16,311
6	03/13/18 Pre-Staging	\$	16,598
7	04/04/18 Storm	\$	-
8	04/16/18 Storm	\$	-
9	05/04/18 Storm	\$	-
10	06/18/18 Storm	\$	-
11	10/15/18 Storm	\$	-
12	11/02/18 Storm	\$	-
13	11/26/18 Storm	\$	-
14	Total	\$	69,523

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