

STATE OF NEW HAMPSHIRE
Intra-Department Communication

DATE: September 13, 2023

FROM: Audit Staff, Division of Enforcement
NH Department of Energy

SUBJECT: Public Service of New Hampshire (PSNH) d/b/a Eversource Energy
DE 23-051 Major Storms 2022
FINAL REPORT

TO: Thomas Frantz, Director Regulatory Programs, Department of Energy
Elizabeth Nixon, Director Electric, Regulatory Programs, Department of Energy
Stephen Eckberg, Utility Analyst, Regulatory Programs, Department of Energy
Mary Schwarzer, Attorney, Department of Energy

Introduction

On May 1, 2023 Eversource (PSNH, the Company) filed a petition to recover the expenses from nine storm and/or pre-staging events that occurred between January 2022 and July 2022. The filing was docketed as DE 23-051 and is consistent with 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 the Commission, *“agreed to Eversource's request for a May 1 deadline for filing its future annual reports of the storm costs incurred for the prior year, which would be subject to audit by Audit Staff.”* 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.

Qualifying Criteria for Recovery of Authorized Storm-Related Costs

Order 25,465 issued on 2/26/2013 in Docket No. 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.

Audit requested clarification regarding the definition of a reported “trouble” and what distinguishes it from retail customers’ reported power outages. The Company explained that, *“A ‘trouble’ is any event on the system that requires a response by Eversource crews. These are typically for outage events, where one trouble could affect a varying number of customers based on the trouble location; but ‘trouble’ also refers to non-outage events where crews are taking action to prevent a potential customer outage from occurring (for example, a customer reports a tree hanging low over wires).”*

Audit understands that Order #25,465 allows for the recovery of costs incurred during a major storm, as defined by “...more than 300 reported troubles during the [weather] event.” Audit also recognizes that there is no concurrency requirement for reported troubles, unless there are fewer than 300 reported. In that instance, *recovery of costs incurred during a major storm is defined by “...10% or more of PSNH’s retail customers being without power in conjunction with more than 200 reported troubles.”*

If a weather event reported less than 300 troubles and for the purpose of verifying whether or not the major storms audited had at least 10% or more of retail customers, Audit reviewed the monthly Customer Count by Revenue Services report, which depicted the Company’s monthly customer count for the year 2022, as well as the twelve-month average. Audit noted that there was an average of 533,904 customers reported, as of December 2022. When applicable, Audit would compare the 10% of retail customers without power, to the Outage Management Troubles Report provided by the Company. If there were less than 300 reported troubles, Audit verified compliance with Order 25,465, by confirming that at least 10% of retail customers were without power “in conjunction” with more than 200 reported troubles.

Summary of Prior Storm Audits: Docket DE 19-050 and DE 19-105

As part of the Settlement Agreement within Docket No. DE 19-057, PSNH was authorized to “...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 2018 general ledger and verified the following balances on the MSCR accounts, as of 12/31/18:

<u>Account</u>	<u>Balance</u>	<u>Description</u>
186430	\$ 114,987,268	Storm costs through 12/31/18, DE 19-050 and DE 19-105
228430	<u>(46,512,913)</u>	Monthly revenue of \$1M recovered from customers plus carrying charges
	\$ 68,474,355	Unrecovered Storm Costs Approved for 5 year Amortization

The 2019 general ledger summary for account 186430, as well as detailed journal entries were reviewed. Audit verified the July 2019 credit on the account, in the amount of \$68,474,355 for the transfer of approved 2016 – 2018 storm costs from the major storm deferred account. Audit confirmed that \$68.5M was offset to the Approved Storm Costs account 182SQ0, to be amortized over 5 years, as part of Docket No. DE 19-057 Temp Settlement Agreement. The monthly amortization was verified as a debit to expense account 407300, with the offsetting credit to account 182SQ0. Audit confirmed the straight-line basis for the amortization amount with no exceptions noted.

In a Secretarial Letter dated 9/21/20, the final storm costs filed within Docket No. DE 19-050 were approved. The letter stated that, “Eversource shall notify Staff when the Company has determined the amount of appropriate carrying charges, and it shall confirm the amount of the recovery and balance of the MSCR fund.” In a follow-up letter to the Commission, dated 2/18/21, Eversource notified the Staff that, “[...]the total amount of recovered costs is \$50,343,061 which reflects the balance of costs noted in the Commission’s letter as updated with the application of the appropriate carrying charges through September 2020.”

In a Secretarial Letter dated 5/18/21, the final storm costs filed within Docket No. DE 19-105 were approved and “...the total amount of recovered costs is \$18,321,869 which reflects the balance of costs noted in the Commission’s letter as updated with the application of the appropriate carrying charges through March 2021.” Audit reviewed the revised carrying charges through March 2021 and confirmed the RoR calculations were in compliance with the Settlement Agreement in Docket No. DE 19-057, which authorizes a carrying charge equal to its embedded cost of long-term debt. No exceptions were noted.

General Ledger

The following represents balances on the MSCR accounts, as of 04/30/23:

<u>Account</u>	<u>Balance</u>	<u>Description</u>
186430	\$ 197,304,316	Includes the storm costs incurred after 11/01/2022, not yet finalized
228430	-0-	Monthly revenue of \$1M recovered from customers plus carrying charges
	\$ 197,304,316	Unrecovered Storm Costs a/o 4/30/23

Audit noted that the storm cost roll forward is not in balance with the monthly revenue, resulting in unrecovered storm costs totaling \$197,304,316, as of April 30, 2023. The amount includes storm costs incurred after November 2022 that have not yet been finalized for recovery. The Company stated that, “In compliance with Section 5 of the Settlement, the Company is not able to seek a recovery amount in excess of the \$12 million annual amount through a rate surcharge as the cost of no single event included in the [\$15.9] million exceeded the \$25 million threshold established in Section 5.2. Any proposed change to the \$12 million annual amount recovered in base rates will be addressed in the Company’s next base distribution rate case filing.”

Audit confirmed the terms of the Settlement Agreement, approved by Commission Order No. 26,433 of Docket No. DE 19-057, which states the following: “Section 5, Major Storm Cost Reserve, provides that Eversource will include \$12 million annually in rates for the major storm reserve. Rather than implement a reconciling mechanism for storm costs, the Company would be permitted to file for a separate, temporary amortization of storm costs for storm events that exceed \$25 million per event, which may include a request to recover costs for repair of damage due to such storm events through a surcharge (Storm Cost Adjustment Mechanism).” Audit understands that the \$12 million collected for the annual funding level in the MSCR—per Commission Order No. 25,534 of Docket No. DE 13-127—authorized the Company to maintain a \$12 million annual funding level in the MSCR that cannot be adjusted until the next rate case. Audit reviewed the general ledger and confirmed the December 2022 storm balance transfer of \$12,282,487 from the storm funding deferral account 228430 to the storm cost reserve account 186430.

The funding, which is posted to the MSCR Fund general ledger account 228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. Audit reviewed the calculation for the carrying charges. The statutory tax rate and RoR calculations on the funding account were verified. As of March 31, 2023 the account had a balance of \$3,041,137.47, which the Company applied to offset the storm cost account 186430; thereby creating a \$0 balance for the end-of-the month in April 2023. On March 23, 2023, the Commission issued Order No. 26,789 of Docket No. DE 22-031—regarding the 2020 – 2021

storm costs—where the Company was “*authorized cost recovery in the amount of \$45,337,135 from the MSCR fund, as well as appropriate carrying charges.*” In a letter to the Commission, filed on April 17, 2023, the Company “*determined that the appropriate amount of recovery, including carrying charges through March 23, 2023[...] totaled 47,162,886; deduction of this amount results in an MSCR Fund balance of zero as of March 23, 2023 (i.e., the MSCR Fund is now depleted) and an unrecovered balance of \$21,790,340 remains. The unrecovered balance will be deferred to the Company’s storm cost asset account 186430. The unrecovered balance deferred to this asset account will continue to incur carrying costs until the Company has recovered the full amount of storm costs approved pursuant to the Order.*”

The storm cost reserve is general ledger account 186430. The calculation for the total storm costs on the deferral account 186430 was reviewed. Audit noted that the April 30, 2023 reported general ledger balance on the account was \$197,304,316, as compared to the Company’s calculated \$198,184,622 storm cost total—which included the November 2022 through March 2023 storm costs that are not yet finalized by the Company. The Company explained the variance of \$880,306, between the general ledger and the calculated storm costs on the storm cost reserve account, in the following statement: “*The \$880,306 variance between the GL balance and the total storm costs calculation is partly due to costs manually removed from storms’ gross costs balance prior to the April close and not yet recorded into the general ledger system[...and] an error in recording the transfer of the Major Storm Cost Recovery fund to account 186430. The \$3,041,137 transferred to account 186430 in March should have been recorded as \$4,041,137 in April as the Company is now moving the \$1,000,000 per month directly into account 186430 until unrecovered storm costs are fully recovered and the MSCR fund is reestablished. This is in accordance with DE 22-031 letter submitted by the Company to the PUC on 4/17/2023.*” Audit confirmed a sampled detailed journal entry for the removal of costs booked for a 2022 storm but should have been booked for a 2023 storm. Audit verified that the entry was for the reclass of storm expenses from the 3/8/2022 major storm to the correct 1/22/2023 major storm.

The DE 23-051 Summary of Requested Storm and Pre-Staging Cost Recovery

The following costs are subject to this audit and summarized in Docket No. DE 23-051:

<u>Storm</u>	<u>Direct Costs</u>	<u>Carrying Costs 03/31/2023</u>	<u>Total Cost 03/31/2023</u>
01/17/2022/Pre-stage	\$1,597,348	\$81,312	\$1,678,660
01/29/2022 Pre-stage	\$2,732,181	\$141,244	\$2,873,425
02/04/2022 Pre-stage	\$113,700	\$5,863	\$119,563
2/25/2022 Pre-stage	\$167,602	\$9,505	\$177,107
03/08/2022 Major Storm	\$988,412	\$55,149	\$1,043,561
03/11/2022 Pre-stage	\$2,321,704	\$100,222	\$2,421,926
04/20/2022 Major Storm	\$2,108,810	\$97,791	\$2,206,601
07/21/2022 Major Storm	\$4,248,649	\$136,353	\$4,385,002
07/24/2022 Pre-stage	\$953,632	\$30,060	\$983,693
Total (rounded)	\$15,232,040	\$657,500	\$15,889,539

The Company provided Audit with the work order summaries—consisting of the storm costs for each major storm or pre-staged event—that were subject to the filing and listed on

Bates page 000013 of the joint testimony of Marisa B. Paruta, Director of New Hampshire Revenue Requirements, and Dean C. Desautels, Manager of Emergency Preparedness. The Company provided summaries for the storm costs, which were categorized by work order and expense type; itemizations were provided for contractor and procurement card charges. The payroll cost summary and detailed charges for overheads, vehicles, materials, and employee expenses, were also included. The following, categorized by major storm or pre-stage event, was compiled by Audit to depict the summary of storm costs provided by the Company as support for the filing in Docket No. DE 23-051:

Event Date	1/17/2022	1/29/2022	2/4/2022	2/25/2022	3/8/2022	3/11/2022	4/20/2022	7/21/2022	7/24/2022	Totals
Event Type	Pre-stage	Pre-stage	Pre-Stage	Pre-Stage	Major Storm	Pre-stage	Major Storm	Major Storm	Pre-stage	By
Workorder	EXPSTGA2	EXPSTGB2	EXPSTGC2	ESPSTGD2	MS22B006	EXPSTGE2	MS22C006	MS22D006	EXPSTGF2	Increment
Contractor/Vendor/Procurement	\$1,434,530	\$2,300,627	\$71,174	\$145,161	\$499,701	\$2,186,961	\$1,438,236	\$2,585,943	\$879,838	\$11,542,172
Direct Labor	\$119,359	\$334,179	\$24,004	\$8,989	\$418,277	\$103,943	\$528,249	\$1,185,312	\$49,715	\$2,772,027
Payroll OH/Tax	\$6,621	\$10,167	\$413	\$821	\$20,458	\$153	\$13,854	\$30,500	\$419	\$83,406
Vehicle Expenses	\$35,352	\$84,105	\$17,656	\$12,546	\$39,133	\$29,366	\$118,778	\$430,891	\$22,918	\$790,744
Other Employee Expenses	\$1,487	\$3,102	\$454	\$85	\$5,623	\$1,281	\$7,605	\$13,456	\$739	\$33,832
Materials	-	-	-	-	\$5,221	-	\$2,087	\$2,546	\$4	\$9,858
Total Costs (rounded)	\$1,597,349	\$2,732,180	\$113,701	\$167,602	\$988,413	\$2,321,704	\$2,108,809	\$4,248,648	\$953,633	\$15,232,040
Carrying Charge a/o 3/31/23	\$81,312	\$141,244	\$5,863	\$9,505	\$55,149	\$100,222	\$97,791	\$136,353	\$30,060	\$657,500
Total (rounded)	\$1,678,660	\$2,873,425	\$119,563	\$177,107	\$1,043,561	\$2,421,926	\$2,206,601	\$4,385,002	\$983,693	\$15,889,539

01/17/2022 Pre-stage Weather Event EXPSTGA2 \$1,678,660

Bates pages 000025 – 000026 of the filing included the weather forecast from January 17th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast for 01/17/22 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 Northern and Western regions of the state. Additionally, there was a “high” probability of reaching EEI Level 3, as determined by wind/gusts greater than 45/50 mph, in the Eastern region of the state. Audit confirmed that the January 17th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The Company provided a work order summary of the 01/17/22 pre-staging event costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 1,434,530
Direct Labor (PSNH and Other Eversource Companies)	119,359
Payroll Related Overheads and Taxes	6,621
Vehicles	35,352
Other Employee Related Expenses	1,487
Material (including Stores Loading and Lobby Stock)	-
Carrying Charge through March 31, 2023	81,312
Actual Storm Reserve Balance March 31, 2023 (rounded)	<u>\$ 1,678,660</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,434,530

Documentation from the January 17th pre-staging weather event, totaling \$1,434,530 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected invoices to review, totaling \$976,598 or 68% of the total amount in

external contractors, vendors, mutual aid expenses, and procurement card charges. The following describes a summary of the expenses incurred, per expense category:

Contractor	\$ 1,310,681
Vegetation	107,812
Mutual Aid	-
Procurement Card	1,764
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	14,273
Material	-
Other	-
Total Ext Contractors/Vendors, Mutual Aid, and Procurement Cards (rounded)	<u>\$ 1,434,530</u>

Contractor

Audit selected invoices to review in detail. Of the invoices reviewed, services were provided from the following companies: Asplundh Tree Expert, Cianbro Corp., Harlan Electric, IC Reed, JCR Construction, Lucas Tree Experts, Nelson Tree Service, Michel's Power, and Sparks Energy. Charges were for labor, equipment, and meals needed for the restoration of power. The Company submitted corresponding Contractor Daily Work Reports and corresponding invoices, including the contractor name, date and hourly rate for the working hours.

Vegetation

Charges totaling \$107,812 were recorded to the storm cost reserve for Vegetation services provided during the January 17th pre-staging weather event. Invoices were reviewed by Audit from Asplundh Tree, Lucas Tree Experts, and Nelson Tree Service—as well as the corresponding weekly operations summary reports, including the dates of service and the work order numbers.

Procurement Card

The Procurement Card expenses totaled \$1,764 and included Food and Lodging charges. Audit selected three charges for review. The Company provided copies of receipts and/or invoices in support of the selected charges. Reviewed invoices included expenses for meals purchased during the 01/17/2022 pre-staging weather event. Audit verified the dates of the receipts and the total charged to the work order provided in support of the filed storm costs.

Food and Lodging

Audit reviewed a sampled charge that totaled \$10,605 within the food and lodging expense category. The invoice reviewed was from Sparks Energy and detailed meals charges at a rate of \$21 per meal for a total of 505 meals provided from 1/15/22 – 1/17/22. Audit confirmed total amount incurred to the work order details.

Direct Labor (PSNH and other Eversource Companies) \$119,359

PSNH	\$ 79,981
PSNH Transmission	37,361
EESCO	2,017
Storm-Related Payroll	<u>\$ 119,359</u>

The Company provided supporting information, including the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit noted the method of capturing exempt employee time—as reported on Bates page 000022 of the filed joint testimony of Marisa B. Paruta, Director of New Hampshire Revenue Requirements, and Dean C. Desautels, Manager of Emergency Preparedness—was described 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 multi-day restoration weather events, exempt employees are typically required to work an extensive number of hours over their typical work week and can receive emergency response compensation for overtime hours, consistent with Eversource storm pay policy.”

Audit reviewed individual employee direct labor charges provided by the Company. Selections were made for the PSNH, PSNH Transmission, and EESCO companies. Audit reviewed the confidential supporting timesheets for sampled selections, including the employee ID, title, time code, and week-ending date.

Payroll-Related Overheads and Taxes \$6,621

The Company provided the itemized payroll-related overhead amount, totaling \$6,621 for the January 17th pre-staging weather 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 (NPT) overhead and the payroll benefits rate (PBR).

Audit requested the calculation for determining the NPT and the PBR. In response, the Company provided the 2022 loader rates for the NPT and PBR, as well as the payroll-related overhead calculations and bases used for each of the 2022 filed major storm and pre-stage weather events. For all filed major storm and pre-stage events, Audit reviewed the NPT overhead and the PBR, noting that they were calculated based on the direct labor amounts for the companies utilized. For the non-productive time overhead, the individual direct labor amounts were multiplied by the corresponding overhead rate. The payroll benefits for each division were calculated by taking the Company’s corresponding overhead rate and multiplying it by the direct labor amount for the specific division. The product is then added to the division’s direct labor amount and then multiplied by the Company’s corresponding payroll benefit rate. The calculated NPT is then added to the calculated payroll benefits for the total benefits per filed storm. Audit confirmed the NPT overhead and payroll benefits calculations using the confirmed overhead rate.

The following is derived from the NPT overhead and PBR information that was submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	5,615
Payroll Benefits		1,005
Total PSNH Transmission (rounded)	\$	6,620
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads (rounded)	\$	<u>6,621</u>

The NPT and PBR were confirmed to the 2022 loader rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations.

Although the itemization of direct labor, identified PSNH and EESCO as having Direct Labor amounts of \$79,981 and \$2,017, respectively, they had no payroll-related overheads or taxes reported. The Company had previously explained 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 \$35,352

Vehicle usage amounts were based on allocation. The allocated amounts were charged to PSNH, PSNH Transmission, and EESCO companies for the January 17th pre-staging weather event. To verify the vehicle cost allocation, Audit requested the calculation of the vehicle allocation amount for each storm event filed. The Company provided supporting information by company cluster and vehicle—where the current annual cost of each vehicle in a cluster was applied in the vehicle allocation calculation—for both the storm or pre-stage monthly vehicle cost, that was allocated to PSNH and its subsidiaries. All of the vehicles were charged based on the vehicle rates and vehicle types, 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: “*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 confirmed through the Company that, “*Chevin or FleetWave (used interchangeably) is the Fleet software used by the Fleet group to house all information regarding each vehicle (ex. who the vehicle is assigned to, what maintenance is performed, what materials/parts are used etc.). Data is extracted from this system to use in refreshing the clusters twice per year.*”

Audit requested the specific details regarding the vehicle current annual cost. The Company stated that the rates “[...]are set to recoup the annual budget for the Fleet Clearing. These rates are set two times per year, once in January and the second time mid-year. The clearing must be made whole at the end of the year (i.e., cleared to zero); therefore, the actual costs must be allocated in full to those operational areas that are assigned vehicles. The vehicles are assigned to a CCC [Cost Control Center], we develop vehicle clusters to group ‘like’ areas together[...]and the]clusters are weighted by percent, using the estimated annual cost to maintain the vehicles. The clusters are then assigned a percentage of the whole and depending upon the ‘actuals’ charged to the clearing each month, determines the portion of costs assigned to that cluster. The distribution of the costs then looks at source labor and is loaded to the actual labor costs and follows the employees using those vehicles as they charge work orders.”

Audit reviewed information provided by the Company in support of the vehicle allocation calculations. The calculation method for the vehicle charges includes the following steps: 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 was 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 noted that the vehicle allocation calculations had small variances between the total vehicle amount manually calculated and the system calculated vehicle amount. The Company explained 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 examined information provided by the Company, which included the 2022 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 the filed storm events’ vehicle allocation process include PSNH, PSNH Transmission, EESCO, and NSTAR Electric. For the vehicle allocation process, Audit requested the vehicle types for each fleet within the cluster groupings, as well as details regarding the vehicle rates. The Company stated that, “The current vehicle list price rates are refreshed coincident with the vehicle cluster refresh. The Company revises the annual estimated rate using the forecasted

budget as a marker for how much the Fleet will cost annually[.] The composition of the inventory of vehicles and their assigned CCCs change twice per year when the Company extracts revised data (maintenance performed, who is assigned to the vehicle, the vehicles sold, bought, auctioned etc.); therefore, each vehicle price is revised accordingly.” The Company also provided information including the listing of vehicles, as well as the 2022 – 2023 vehicle rates by type and class, with the calculation of the cluster percentages. Audit tested samples of the vehicle cluster grouping amounts—that comprised the total vehicle expense of \$35,352—and confirmed the total vehicle cost charged to the storm reserve account for the January 17th pre-stage weather event.

Other Employee-Related Expenses \$1,487

The Company provided supporting information for the amount of employee-related expenses sorted by company and expense category. The job description of the employee who incurred the expense was also listed. Audit selected employee expenses from PSNH and PSNH Transmission within the contractual meals and meals expense categories. The Company provided copies of employee timecards and meal receipts in support of the selected charges. Audit reviewed the Company’s meal policy, including the per diem amount for contractual meals compensated to employees: *“For a day worker, [a minor] meal...shall be subject to a \$10.00 maximum payment/reimbursement limitation. For a day worker, [a major] meal...shall be subject to a \$25.00 maximum payment/reimbursement limitation.”* The Company added that, *“In accordance with the Company’s long-standing policy, the Company does not require meal receipts for meal reimbursement amounts less than \$25.”* As such, the meals charged that were less than \$25 were confirmed through the work shift dates reported on the corresponding employee time card; Audit noted that the reported employee job description corresponded with the meals charge and thus, verified the job description to the applicable employee timecards. Audit also reviewed a receipt for a non-contractual meal purchase that was under the meals expense category. The date of the receipt was confirmed, as well as the total amount and food items purchased.

01/29/2022 Pre-stage Weather Event EXPSTGB2 \$2,873,425

Bates page 000031 of the filing included the weather forecast from January 29th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast for 01/29/22 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 Central region of the state. Audit confirmed that the January 29th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the *Qualifying Criteria for Recovery of Authorized Storm-Related Costs* section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The Company provided a summary of the 01/29/22 pre-staging weather event costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,300,627
Direct Labor (PSNH and other Eversource Companies)	334,179
Payroll Related Overheads and Taxes	10,167
Vehicles	84,105
Other Employee Related Expenses	3,102
Material	-
Total Storm Cost Transferred to Reserve (rounded)	<u>\$ 2,732,181</u>
Carrying Charge through March 31, 2023	<u>\$ 141,244</u>
Actual Storm Reserve Balance March 31, 2023 (rounded)	<u>\$ 2,873,425</u>

External Contractors, Mutual Aid and Procurement Cards \$2,300,627

Documentation from the January 29th pre-staging weather event was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected invoices, totaling \$1,847,667 or 80%, of the contractor, vendor, mutual aid, and procurement card expenses. The following describes a summary of the expenses incurred, per expense category:

Summary of Expenditures by Description:

Contractor	\$ 2,290,963
Vegetation	-
Mutual Aid	-
Procurement Card	9,664
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	-
Total Contractors, Mutual Aid, and Procurement Cards (rounded)	<u>\$ 2,300,627</u>

Contractor

Audit sampled invoices to review in detail. Charges were for the labor and equipment used during the pre-staging event. Invoices and the contractor daily work reports were reviewed. Services were rendered from Cianbro Corporation, Elecnor Hawkeye, Holland Power Services, and One Source Power. Audit verified the dates of the invoices and the totals were confirmed to the work order that was provided in support of the filed storm costs.

Procurement Card

The total Procurement Card expenses were comprised from the Food and Lodging and Material categories. Audit selected four amounts to review in detail. Supporting receipts were for meals and supplies provided during the January 29th pre-stage weather event. Audit verified the dates of the invoices and the totals were confirmed to the work order. One exception was noted:

Smokin Ts Bar & Grill – A charge of \$552 was listed on the work order detail for the January 29th pre-stage weather event. Audit requested the supporting documentation for the charge. In response, the Company stated that, *“Upon review of the invoices for the selections from the EXPSTGB2 pre-staging event on 1/29/2022, one transaction totaling \$59.03 in the group invoice total (JPM - SMOKIN TS BAR & GRILL[...\$552) was identified as having*

charges for pre-staging event EXPSTGC2 on 2/4/2022. The Company seeks recovery of the total invoice amount of \$552.28 as all costs relate to storms that met the minimum requirement for cost recovery. The Company plans to reclassify the \$59.03 storm costs through a manual journal entry in order to properly reflect these storm costs in the appropriate storm work order (\$59.03 from EXPSTGB2 to EXPSTGC2). The Company will adjust the carrying charges to reflect the reclassification.” Audit reviewed the Smokin’ Ts Bar & Grill receipt and verified the 2/4/2022 date, as well as the amount for the meals charged. **AUDIT ISSUE #1**

Direct Labor (PSNH and other Eversource Companies) \$334,179

PSNH	\$	277,040
PSNH Transmission		55,815
EESCO		1,325
Storm-Related Payroll (rounded)	\$	<u>334,179</u>

The Company provided information in support of the direct labor expense, including the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected individual employee direct labor charges—from all three of the companies listed—with nine individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. Refer to the Direct Labor section within the 01/17/2022 pre-staging weather event for details regarding exempt employee time.

Payroll-Related Overheads and Taxes \$10,167

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$10,167 for the January 29th pre-stage weather 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company’s calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

The following totals (rounded) are derived from the NPT overhead and PBR information submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	<u>-</u>
PSNH Transmission		
Non-Productive Time Overhead	\$	8,389
Payroll Benefits		1,778
Total PSNH Transmission	\$	<u>10,167</u>
Total Payroll-Related Overheads	\$	<u><u>10,167</u></u>

The NPT and PBR were confirmed to the 2022 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the Payroll-

Related Overheads and Taxes from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$84,105

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the vehicle allocation calculations and tested a sample of the vehicle cluster grouping amounts. The total vehicle cost charged to the storm reserve account was recalculated and confirmed for the January 29th pre-stage weather event. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

Other Employee-Related Expenses \$3,102

The Company provided supporting documentation for the amount of employee-related expenses sorted by company and expense category. Audit selected employee expenses from PSNH, PSNH Transmission, and EESCO within the mileage and transportation expense categories. The Company provided supporting invoices and Audit confirmed the dates and amounts of the charges. Regarding the mileage expenses, the Company explained that, *“Mileage is reimbursed at the applicable IRS rate. For 01/01/2022 – 06/30/2022, the IRS rate was 58.5 cents per mile. For 07/01/2022 – 12/31/2022, the IRS rate was 62.5 cents per mile.”* Audit verified the IRS rate to the www.irs.gov website and recalculated the mileage charged.

02/04/22 Pre-Stage Weather Event EXPSTGC2 \$119,563

Bates page 000037 of the filing included the weather forecast from February 4th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast for 02/04/22 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 Central region of the state. Additionally, the forecast described a high probability of reaching EEI Level 4, as determined by snow accumulation greater than 12 inches, in the Northern region of the state. Audit confirmed that the February 4th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The Company provided a summary of the 02/04/2022 pre-staging weather event costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 71,174
Direct Labor (PSNH and other Companies)	24,004
Payroll Related Overheads and Taxes	413
Vehicles	17,656
Other Employee-Related Expenses	454
Materials	-
Total Storm Cost Transferred to Reserve (rounded)	\$ 113,700
Carrying Charge through March 31, 2023	\$ 5,863
Actual Storm Reserve Balance March 31, 2023 (rounded)	<u>\$ 119,563</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$71,174

Documentation from the February 4th pre-stage weather event, totaling \$71,174 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected six invoices, totaling \$40,504 or 57%, of the contractor, vendor, mutual aid, and procurement card expenses. The following describes a summary of the expenses incurred, per expense category:

Contractor	\$ 70,146
Vegetation	-
Mutual Aid	-
Procurement Card	864
Environmental	-
Other	<u>164</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards (rounded)	<u>\$ 71,174</u>

Contractor

A total of \$70,146 in contractor expenses was recorded on the storm reserve account. Audit selected a sample of charges recorded on the work order summary for further review. Charges were for the labor utilized during the pre-staging event. Invoices and the contractor daily work reports were reviewed. Services were rendered from Elecnor Hawkeye, Grattan Line Construction, IC Reed and Sons, and JCR Construction. Audit verified the dates of the invoices and the totals were confirmed to the work order that was provided in support of the filed storm costs.

Procurement Card

The total Procurement Card expense of \$864 was for Food and Lodging charges. The following was provided by the Company for the summary of expenditures by description:

Food and Lodging	\$ 864
Contractor	-
Material	-
Miscellaneous	-
Total Procurement Cards	<u>\$ 864</u>

Audit selected one invoice from the food and lodging category, totaling \$461 or 53% of the procurement card expenses, to review in detail. Audit confirmed the date of the invoice, as well as the total amount charged for meals.

Direct Labor (PSNH and other Eversource Companies) \$24,004

PSNH	\$	21,738
PSNH Transmission		2,266
EESCO		-
Storm-Related Payroll (rounded)	\$	<u>24,004</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected individual employee direct labor charges—from both of the companies listed—with five individual job descriptions represented. One exception was noted:

Lineworker (ALTP), Employee ID 205940 – An amount that totaled \$476 was made to a PSNH Transmission Lineworker, as reported on line 75 of the itemization of direct labor that was provided in work order EXPSTGC2. Supporting information provided by the Company listed the week end date for the payment as 05/28/2022. Audit noted that the week end date post-dated the 02/04/2022 pre-stage event. **AUDIT ISSUE #2**

Refer to the Direct Labor section within the 01/17/2022 pre-staging weather event for details regarding exempt employee time.

Payroll-Related Overheads and Taxes \$413

The Company provided the itemized payroll-related overhead amount, totaling \$413 for the February 4th pre-stage weather event, that was charged to the storm cost reserve and reported within the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR). The following is derived from the NPT overhead and PBR calculations that were submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	<u>-</u>
PSNH Transmission		
Non-Productive Time Overhead	\$	341
Payroll Benefits		72
Total PSNH Transmission	\$	<u>413</u>
Total Payroll-Related Overheads	\$	<u>413</u>

The NPT and PBR were confirmed to the 2022 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the 01/17/2022 Payroll-Related Overheads and Taxes section of the report for details regarding the calculation of overhead charges, as well as the PSNH overheads not transferred to the MSCR for recovery purposes.

Vehicles \$17,656

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the vehicle allocation calculations and tested a sample of the vehicle cluster grouping

amounts. The total vehicle cost charged to the storm reserve account was recalculated and confirmed for the February 4th pre-stage weather event. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

02/25/22 Pre-Stage Event EXPSTGD2 \$177,107

Bates pages 000041 – 000043 of the filing included the weather forecast from February 23rd – 24th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast for 02/25/22 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 all regions of the state. Audit confirmed that the February 25th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The Company provided a work order summary of the 02/25/22 pre-staging event costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 145,161
Direct Labor (PSNH and other Eversource Companies)	8,989
Payroll Related Overheads and Taxes	821
Vehicles	12,546
Other Employee Related Expenses	85
Total Storm Cost Transferred to Reserve	\$ 167,602
Carrying Charge through March 31, 2023	9,505
Actual Storm Reserve Balance March 31, 2023	<u>\$ 177,107</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$145,161

Documentation from the February 25th pre-stage weather event, totaling \$145,161 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	\$ 114,039
Vegetation	30,169
Mutual Aid	-
Procurement Card	952
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	-
Material	-
Other	-
Rounded Total Contractors / Vendors, Mutual Aid, and Procurement Cards (rounded)	<u>\$ 145,161</u>

Contractor

Audit selected a sample of charges recorded on the work order summary for further review. Charges were for the labor utilized during the pre-staging event. Invoices and the contractor daily work reports were reviewed from Cianbro Corporation, Elecnor Hawkeye, and Grattan Line Construction. Audit verified the dates of the invoices and the totals were confirmed to the work order that was provided in support of the filed storm costs.

Vegetation

Invoices were reviewed by Audit from Asplundh Tree and Lucas Tree Experts. The corresponding weekly operations summary reports were also reviewed. Audit confirmed the dates recorded and the total amount charged to the work order that was provided in support of the filed storm costs.

Procurement Card

The following depicts the Procurement Card Summary of Expenditures by description, per the pre-stage event Work Order EXPSTGD2:

Food and Lodging	\$ 952
Contractor	-
Material	-
Miscellaneous	-
Total Procurement Cards	<u>\$ 952</u>

Bedford T-Bones – Audit selected an amount of \$708 to review in detail and requested the supporting documentation. The Company stated that, “*For the pre-staging event EXPSTGD2 on 2/25/2022, the transaction JPM - BEDFORD T-BONES[...]in the amount of \$708.47 will be removed. The Company will adjust the carrying charge to reflect the reclassification.*” **AUDIT ISSUE #3**

Direct Labor (PSNH and other Eversource Companies) \$8,989

PSNH	\$ 4,424
PSNH Transmission	4,508
EESCO	58
Total Direct Labor (rounded)	<u>\$ 8,989</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected a sample of individual employee direct labor charges—from each of the companies listed—with seven individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected.

Payroll-Related Overheads and Taxes \$821

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$821 for the February 25th pre-stage weather 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding

the Company's calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

The following totals (rounded) are derived from the NPT overhead and PBR information submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	678
Payroll Benefits		144
Total PSNH Transmission	\$	821
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	821

The NPT and PBR were confirmed to the 2022 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the Payroll-Related Overheads and Taxes from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$12,546

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the vehicle allocation calculations and tested a sample of the vehicle cluster grouping amounts. The total vehicle cost charged to the storm reserve account was recalculated and confirmed for the February 25th pre-stage weather event. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

03/08/2022 Major Storm MS22B006 \$1,043,561

Bates page 000047 of the filing indicated that there was a total of 336 outage events reported during the March 8th major storm. Supporting documentation including outage events was provided by the Company and reviewed. The first outage trouble was dispatched on 03/07/2022 at 1:04 and the final restoration time was reported on 03/09/2022 at 1:00. Audit sampled additional trouble events, including information regarding the onsite date, the cause and location, and the restoration date of the troubles. Audit noted that the cause of the outage was predominantly tree related, due to tree and/or limb interference with the power lines. Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of the report for details regarding the

qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The following is a summary of the costs for the March 8, 2022 major storm event:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 499,701
Direct Labor (PSNH and other Eversource Companies)	418,277
Payroll Related Overheads and Taxes	20,458
Vehicles	39,133
Other Employee Related Expenses	5,623
Material	<u>5,221</u>
Total Storm Cost Transferred to Reserve (rounded)	\$ 988,412
Carrying Charge through March 31, 2023	<u>\$ 55,149</u>
Actual Storm Reserve Balance March 31, 2023	<u>\$ 1,043,561</u>

External Contractors, Mutual Aid and Procurement Cards \$499,701

Documentation from the March 8, 2022 Major Storm weather event, totaling \$499,701 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit reviewed eighteen invoices, totaling \$306,099, or 61% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$ 394,351
Vegetation	22,898
Mutual Aid	-
Procurement Card	14,934
Environmental	64,397
Traffic Control / Police Services	3,121
Food and Lodging	-
Material	-
Other	-
Total Contractors, Mutual Aid, and Procurement Cards	<u>\$ 499,701</u>

Contractor

A total of \$394,351 in contractor amounts was recorded on the storm reserve account. Audit selected a sample of charges incurred and reviewed the supporting documentation. Individual invoices and accompanying Contractor Daily Work Reports and/or timesheets, were reviewed. The total amount of the invoice, as well as the date of the work performed and/or workorder reference number, was confirmed.

Vegetation

Audit reviewed sampled invoices accrued for the vegetation expense. Charges were from Asplundh Tree for labor and equipment. The work order number and date on the Weekly Operations Reports, as well as the total amount charged was verified.

Procurement Card

The following depicts the summary of procurement card expenditures by category:

Food and Lodging	\$ 14,934
Contractor	-
Material	-
Miscellaneous	-
Total Procurement Cards	<u>\$ 14,934</u>

Audit selected a sample of charges to review in detail and the supporting documentation was provided by the Company. The supporting invoices detailed the expenses incurred for lodging and meals. Audit verified the total amount charged to the workorder, as well as the date of the invoices.

Direct Labor (PSNH and other Eversource Companies) \$418,277

PSNH	\$ 326,687
PSNH Transmission	50,867
EESCO	13,813
NSTAR East	90,933
EGMA	1,772
CL&P	-
Capitalization	<u>(65,796)</u>
Total Direct Labor (rounded)	<u>\$ 418,277</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected a sample of individual employee direct labor charges, with twenty individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected.

A capitalization adjustment of (\$65,796) was listed on the itemization of direct labor report. Audit refers to Bates page 000015—within filed joint testimony of Marisa B. Paruta, Director of New Hampshire Revenue Requirements, and Dean C. Desautels, Manager of Emergency Preparedness—which states the following: “[...]initially all material and labor are charged to the expense work order established for the event to track costs for the storm event. After the storm, all material charges are reviewed and any units of property are moved to a capital work order, along with the associated labor costs. As a result, the costs submitted in this filing for recovery through rates are exclusive of any capitalized costs incurred to make storm-related repairs. All capital costs are simply reflected within utility plant subject to the ordinary distribution ratemaking process.”

In reference to revised capital adjustments—including the revision of the \$(65,796) capital adjustment for the March 8th major storm (MS22B006)—the Company stated that, “Upon review of the capitalized labor model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized labor amounts are as follows: (\$65,659) for MS22B006, (\$75,983) for MS22C006, and (\$105,873) for MS22D006. The Company will be reclassifying \$137 from STM0618G (FERC Account 107) to MS22B006 (FERC Account 186430), \$203 from STM0618G (FERC Account 107) to MS22C006

(FERC Account 186430), and \$687 from STM0618G (FERC Account 107) to MS22D006 (FERC Account 186430), accordingly. The Company will recalculate the carrying charge for all three major storms to reflect the adjustment.” The total capitalization adjustment of (\$65,659) was verified to the Capitalization of Restoration Costs report. Audit confirmed the variance of \$137—between the reported adjustment of (\$65,796) and the revised adjustment of (\$65,659)—to be reclassified to the March 8th major storm work order MS22B006. **AUDIT ISSUE #1**

Refer to the Audit Issue #1 section at the end of the report for the reclassification recommendation in all of the above referenced storms.

Payroll-Related Overheads and Taxes \$20,458

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$20,458 for the March 8th major storm 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company’s calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

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

PSNH	
Non-Productive Time Overhead	\$ -
Payroll Benefits	-
Total PSNH	<u>\$ -</u>
PSNH Transmission	
Non-Productive Time Overhead	\$ 7,645
Payroll Benefits	<u>1,621</u>
Total PSNH Transmission	<u>\$ 9,266</u>
EESCO	
Non-Productive Time Overhead	<u>\$ -</u>
Payroll Benefits	-
Total EESCO	<u>\$ -</u>
EGMA	
Non-Productive Time Overhead	\$ 306
Payroll Benefits	<u>580</u>
Total EGMA	<u>\$ 887</u>
NSTAR East	
Non-Productive Time Overhead	\$ 17,668
Payroll Benefits	<u>(7,363)</u>
Total NSTAR East	<u>\$ 10,305</u>
Total Payroll-Related Overheads	<u><u>\$ 20,458</u></u>

The NPT and PBR were confirmed to the 2022 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the Payroll-

Related Overheads and Taxes from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$39,133

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, EESCO, and NSTAR East. Audit reviewed the vehicle allocation calculations and tested a sample of the vehicle cluster grouping amounts. The total vehicle cost charged to the storm reserve account was recalculated and confirmed for the March 8th major storm event. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

Other Employee-Related Expenses \$5,623

The Company provided supporting detail for the amount of employee-related expenses sorted by company and expense category. The job description of the employee who incurred the expense was also listed. Audit selected employee expenses from PSNH, PSNH Transmission, NSTAR East and EESCO companies within the contractual meals, meals, and mileage expense categories. The Company provided supporting invoices and/or receipts for meals charges over \$25, as well as the corresponding employee timecard for the contractual meals. Audit confirmed the dates and amounts of the charges. For further details regarding the contractual meals policy, refer to the Other Employee-Related Expenses section of the report for the 01/17/2022 Pre-stage Weather Event.

A mileage expense in the amount of \$204 was reviewed. Audit recalculated the amount using the applicable IRS rate. Refer to the Other Employee-Related Expenses section of the report within the 01/17/2022 Pre-stage Weather Event for further details regarding the calculation of mileage charges.

Materials \$5,221

The Company provided a listing of all materials utilized during the March 8th major storm, in the amount of \$5,221, which included their quantities and total cost. Audit selected materials charges and requested the documentation in support of the items that were removed from inventory, including the storeroom location of the items removed. Supporting information provided included the materials' description, their quantities, cost, and corresponding storeroom. The selected materials charges were confirmed to the supporting information and Audit noted a capital adjustment in the amount of \$(43,835). The adjustment represents the O&M portion of the costs associated with work orders where adjustments were made to the storm costs to include those O&M amounts as they were attributable to the storm event. The Company stated that, *"Upon review of the capitalized materials model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized amounts are as follows: (\$43,810), (\$41,401), and (\$26,976), respectively. The Company will be reclassifying \$25 from STM0618G to MS22B006, \$66 from STM0618G to MS22C006, and \$363 from STM0618G to MS22D006, accordingly. The Company will recalculate the carrying charge for all three major storms to reflect the adjustment."* Audit reviewed the calculation, as well as the detailed journal entry, and verified the capitalization adjustment of (\$43,810). Audit confirmed the variance of \$25—between the reported adjustment

of \$(43,835) and the revised adjustment of (\$43,810)—to be reclassified to the March 8th major storm, work order MS22B006. **AUDIT ISSUE #1**

Refer to *Audit Issue #1* for the reclassification recommendation in all of the above referenced storms.

03/11/2022 Pre-stage Event EXPSTGE2 \$2,421,926

Bates pages 000049 of the filing included the weather forecast from March 11, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, 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 Northern region of the state. Audit confirmed that the March 11th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the *Qualifying Criteria for Recovery of Authorized Storm-Related Costs* section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The following is a summary of the 03/11/2022 pre-stage weather event costs:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,186,961
Direct Labor (PSNH and Other Eversource Companies)	103,943
Payroll Related Overheads and Taxes	153
Vehicles	29,366
Other Employee Related Expenses	1,281
Material	-
Total Storm Cost Transferred to Reserve	\$ 2,321,704
Carrying Charge through March 31, 2023	100,222
Actual Storm Reserve Balance March 31, 2023	<u>\$ 2,421,926</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,186,961

Documentation from the March 11th pre-stage weather event, totaling \$2,186,961 in expenses, was submitted from contractors, vendors, and procurement card charges. The following is the summary of expenditures by description:

Contractor	\$ 2,163,113
Vegetation	-
Mutual Aid	-
Procurement Card	2,374
Environmental	-
Food and Lodging	21,475
Material	-
Other	-
Total External Contractors / Vendors and Procurement Cards (rounded)	<u>\$ 2,186,961</u>

Contractor

A total of \$2,163,113 in contractor expenses was recorded to the storm cost reserve account. The contractor services were provided by Cianbro, Tempest Energy, and Valiant Energy Service. Audit reviewed a sample of charges, including the individual invoices and the accompanying Contractor Daily Work Reports. The date of the work performed, as well as the total amount for the services were confirmed to the work order provided in support of the filed storm costs.

Procurement Card

The Procurement Card expenses totaled \$2,374 for the March 11th pre-stage event and consisted of charges in the Food and Lodging category. Audit sampled charges incurred and the Company provided the supporting documentation. Receipts were reviewed for the purchase of meals. The date of the receipt and the amount was confirmed.

Food and Lodging

Audit reviewed receipts in support of the food and lodging charges incurred. The date and the total amount of the meals expensed was verified to the work order provided in support of the filed storm costs.

Direct Labor (PSNH and other Companies) \$103,943

PSNH	\$ 103,103
PSNH Transmission	840
Storm-Related Payroll (rounded)	<u>\$ 103,943</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected a sample of individual employee direct labor charges—from both of the companies listed—with seven individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected.

Payroll-Related Overheads and Taxes \$153

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$153 for the March 11th pre-stage weather 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company's calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

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

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	126
Payroll Benefits		27
Total PSNH Transmission	\$	153
Total Payroll-Related Overheads	\$	153

The NPT and PBR were confirmed to the 2022 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the Payroll-Related Overheads and Taxes from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH overheads not transferred to the MSCR for recovery purposes.

Vehicles \$29,366

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the vehicle allocation calculations and tested a sample of the vehicle cluster grouping amounts. The total vehicle cost charged to the storm reserve account was recalculated and confirmed for the March 11th pre-stage weather event. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

Other Employee-Related Expenses \$1,281

The Company provided the amount of employee-related expenses sorted by company and expense category. The job description of the employee who incurred the expense was also listed. Audit selected employee expenses from the PSNH, PSNH Transmission, and EESCO companies within the contractual meals, meals, miscellaneous, and mileage expense categories. The Company provided supporting invoices and/or receipts for meals charges over \$25, as well as the corresponding employee timecard for the contractual meals. For further details regarding the contractual meals policy, refer to the Other Employee-Related Expenses section of the report for the 01/17/2022 Pre-stage Weather Event.

The meals charged that were less than \$25 were confirmed through the work shift dates reported on the corresponding employee time card; Audit noted that the reported employee job description corresponded with the meals charge and thus, verified the job description to the applicable employee timecards. A mileage expense was also reviewed. Audit recalculated the amount using the applicable IRS rate. Refer to the Other Employee-Related Expenses section of the report within the 01/17/2022 Pre-stage Weather Event for further details regarding the calculation of mileage charges.

Audit requested the supporting documentation for a miscellaneous expense in the amount of \$415. The following exception was noted:

PSNH Miscellaneous Expense: In response to the requested documentation in support of the \$415 miscellaneous expense that was charged to the storm cost reserve account, the Company stated the following: *“Upon reviewing the selected employee expense transactions, the Company is removing the [3/11/2022] EXPSTGE2[...] – \$415 expense from the storm cost recovery filing. The Company will adjust the carrying charges to reflect the reclassification.”*
AUDIT ISSUE #3

04/20/2022 Major Storm MS22C006 \$2,206,601

Bates page 000056 of the filing indicated that there was a total of 310 outage events reported during the April 20th major storm. Supporting documentation was provided by the Company, including information on the outages. The first outage trouble was dispatched on 04/19/2022 at 2:06 and the final restoration time was reported on 04/20/2022 at 19:50. The onsite date, the cause and location, and the restoration date of sampled troubles was reviewed, noting that the cause was predominantly tree related due to tree and/or limb interference with the power supply. Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The following is a summary of the costs for the major storm event, as provided by the Company through supporting information:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 1,438,236
Direct Labor (PSNH and other Eversource companies)	528,249
Payroll Related Overheads and Taxes	13,854
Vehicles	118,778
Other Employee Related Expenses	7,605
Material	<u>2,087</u>
Total Storm Cost Transferred to Reserve (rounded)	\$ 2,108,810
Carrying Charge through March 31, 2023	<u>97,791</u>
Actual Storm Reserve Balance March 31, 2023	<u>\$ 2,206,601</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,438,236

The following depicts a summary of the expenses incurred by description:

Contractor	\$ 1,174,665
Vegetation	179,843
Mutual Aid	-
Procurement Card	61,619
Environmental	8,508
Traffic Control / Police Services	5,681
Food and Lodging	7,921
Material	-
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards (rounded)	<u>\$ 1,438,236</u>

Contractor

A total of \$1,174,665 in contractor expenses was recorded to the storm cost reserve account. The contractor services were provided by Asplundh Construction, Cianbro Corporation, Grattan Line, Harlan Electric Construction, JCR Construction, Michels Power, Par Electrical, and Power Line Contractors. Audit reviewed sampled charges, including the individual invoices and the accompanying contractor daily work reports. The date of the work performed and the total amount for the services charged was confirmed to the work order provided in support of the filed storm costs.

Vegetation

Audit reviewed sampled charges from Asplundh Tree Expert. The supporting invoices and Weekly Operations Reports were provided in support of the charges. Services billed included labor costs and equipment used for the April 20th major storm. Audit reviewed the date on the invoices and Weekly Operations Reports, as well as the total amount charged.

Procurement Card

The Procurement Card expenses totaled \$61,619 for the April 20th major storm weather event and consisted of charges in the Food and Lodging category. Audit selected a sample charge for review and the Company provided the supporting invoice from the Holiday Inn Express. Audit verified the total charge and dates for accommodations provided between 4/19/22 – 4/20/22.

Environmental

Audit sampled one expense, totaling \$7,951, that was charged to the storm reserve under the category of environmental services. The supporting invoice was from Clean Harbors, noting that services provided included labor/equipment/materials, as well as drum disposal. Audit noted the dates of the service provided, as well as the total cost of the invoice.

Traffic Control / Police Services

Expenses totaling \$5,681, were charged to the storm reserve under the category of traffic control / police services. Audit reviewed an invoice, totaling \$2,258, for services provided from New England Traffic Control. Flaggers and wire guard were utilized as storm duty and standby during the dates of 4/19/22 – 4/20/22. The dates for crew shifts, as well as the total of the invoice, was confirmed to the work order provided in support of the filed storm costs.

Direct Labor (PSNH and other Eversource Companies) \$528,249

PSNH	\$ 519,238
PSNH Transmission	76,053
EESCO	9,144
Capitalization	(76,186)
Total Direct Labor	<u>\$ 528,249</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Selections were made for the PSNH, PSNH Transmission, and EESCO companies. Audit reviewed the

confidential supporting information for sampled selections, including the employee ID, title, time code, and week-ending date. Two exceptions were noted:

Working Foreman, Line, Employee ID 200983: The timesheet amount that was charged to the MSCR for the April 20th major storm, totaling \$3,645, included a week-end pay date of 6/25/2022 in the amount of \$147. Audit noted that the 6/25/2022 week-end pay date post-dated the 4/20/2022 major storm event. **AUDIT ISSUE #2**

Lineworker II, Employee ID 023157: The timesheet amount that was charged to the MSCR for the April 20th major storm, totaling \$3,851, included two week-end pay dates of 6/11/2022 in the amounts of \$33 and \$65. Audit noted that the total of \$98—for the 6/11/2022 week-end pay dates—post-dated the 4/20/2022 major storm event. **AUDIT ISSUE #2**

A capitalization adjustment of (\$76,186) was listed on the itemization of direct labor report. Audit reviewed the capitalization of restoration costs provided by the Company, including the capitalization adjustment calculation for the 04/20/2022 major storm. The Company stated that, *“Upon review of the capitalized labor model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized labor amounts are as follows: (\$65,659) for MS22B006, (\$75,983) for MS22C006, and (\$105,873) for MS22D006. The Company will be reclassifying \$137 from STM0618G (FERC Account 107) to MS22B006 (FERC Account 186430), \$203 from STM0618G (FERC Account 107) to MS22C006 (FERC Account 186430), and \$687 from STM0618G (FERC Account 107) to MS22D006 (FERC Account 186430), accordingly. The Company will recalculate the carrying charge for all three major storms to reflect the adjustment.”* Audit recalculated the total capitalization adjustment and confirmed the revised capitalized labor amount of \$(75,983), as well as the variance of \$203 to be reclassified to the April 20th major storm, work order MS22C006. **AUDIT ISSUE #1**

For details regarding the capitalized storm costs excluded from recovery, refer to the Direct Labor section of the 03/08/2022 Major Storm. Refer to Audit Issue #1 for the reclassification recommendation in all of the above referenced storms.

Payroll-Related Overheads and Taxes \$13,854

The Company provided supporting information for the payroll-related overheads and taxes amount, totaling \$13,854 for the April 20th major storm, 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company’s calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

The following is derived from the non-productive time overhead and payroll benefits supporting information that was provided by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	11,431
Payroll Benefits		2,423
Total PSNH Transmission	\$	13,854
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	13,854

The NPT and PBR were confirmed to the 2022 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the Payroll-Related Overheads and Taxes from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$118,778

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the vehicle allocation calculations and confirmed the total vehicle cost charged to the storm reserve account for the March 8th major storm event. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

Other Employee-Related Expenses \$7,605

The Company provided supporting information for the employee-related expenses, sorted by company and expense category. The job description of the employee who incurred the expense was also listed. Audit selected employee expenses from the PSNH, PSNH Transmission, and EESCO companies within the contractual meals, meals, miscellaneous, and mileage expense categories. The Company provided the supporting employee timecards for the contractual meals under \$25. The selected meals charges were confirmed through the work shift dates reported on the corresponding employee time card; Audit noted that the reported employee job description corresponded with the meals charge and thus, verified the job description to the applicable employee timecards. For further details regarding the contractual meals policy, refer to the Other Employee-Related Expenses section of the report for the 01/17/2022 Pre-stage Weather Event.

A mileage expense was also reviewed. Audit recalculated the amount using the applicable IRS rate. Refer to the Other Employee-Related Expenses section of the report within the 01/17/2022 Pre-stage Weather Event for further details regarding the calculation of mileage charges.

Audit requested the supporting documentation for a miscellaneous expense in the amount of \$810. The following exception was noted:

PSNH Miscellaneous Expense: In response to the requested documentation in support of the \$810 miscellaneous expense that was charged to the storm cost reserve account, the Company stated the following: *“Upon reviewing the selected employee expense transactions, the Company is removing the 4/20/2022 MS22C006[...] \$810 expense from the storm cost recovery filing. The Company will adjust the carrying charges to reflect the reclassification.”* **AUDIT ISSUE #3**

Materials \$2,087

The Company provided supporting information, including the materials utilized during the April 20th major storm, as well as their quantities and total cost. Audit selected a materials charge and requested the documentation in support of the items that were removed from inventory, including the storeroom location of the items removed. Supporting information was provided, including the materials’ description, their quantities, cost, and corresponding storeroom. The selected materials charge was confirmed to the supporting information and Audit noted a capital adjustment in the amount of \$(41,468). The Company stated that, *“Upon review of the capitalized materials model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized amounts are as follows: (\$43,810), (\$41,401), and (\$26,976), respectively. The Company will be reclassifying \$25 from STM0618G to MS22B006, \$66 from STM0618G to MS22C006, and \$363 from STM0618G to MS22D006, accordingly. The Company will recalculate the carrying charge for all three major storms to reflect the adjustment.”* Audit reviewed the calculation, as well as the detailed journal entry, and verified the capitalization adjustment of \$(41,401). Audit confirmed the rounded variance of \$66—between the reported adjustment of \$(41,468) and the revised adjustment of \$(41,401)—to be reclassified to the April 20th major storm, work order MS22C006. **AUDIT ISSUE #1**

Refer to *Audit Issue #1* for the reclassification recommendation in all of the above referenced storms. Refer to the *Materials* section within the 03/08/22 Major Storm Event for details regarding the capitalization of restoration material costs.

07/21/22 Major Storm MS22D006 \$4,835,002

Bates page 000061 of the filing indicated that there was a total of 404 outage events reported during the July 21st major storm. Supporting information was provided by the Company and included the first outage trouble, dispatched on 07/21/2022 at 4:08, as well as the final restoration time on 07/23/2022 at 11:32. Audit sampled additional trouble events and verified the onsite date, the cause and location, and the restoration date of the troubles. The cause for the outages was predominantly tree related, due to tree and/or limb interference with the power supply. Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the *Qualifying Criteria for Recovery of Authorized Storm-Related Costs* section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The following is a summary of costs (rounded) for the major storm event, as derived from the supporting information provided by the Company:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,585,943
Direct Labor (PSNH and other Eversource companies)	1,185,312
Payroll Related Overheads and Taxes	30,500
Vehicles	430,891
Other Employee Related Expenses	13,456
Material	<u>2,546</u>
Total Storm Cost Transferred to Reserve	\$ 4,248,649
Carrying Charge through March 31, 2023	<u>136,353</u>
Actual Storm Reserve Balance March 31, 2023	<u>\$ 4,385,002</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,585,943

The following depicts a summary of the expenses incurred by description:

Contractor	\$ 2,239,078
Vegetation	244,452
Mutual Aid	-
Procurement Card	100,523
Environmental	-
Traffic Control / Police Services	13,311
Food and Lodging	1,837
Material	-
Other	<u>(13,258)</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 2,585,943</u>

Contractor

A total of \$2,239,078 in contractor expenses was recorded to the storm cost reserve account. The contractor services were provided by Cianbro Corporation, Elecnor Hawkeye, Grattan Line, Harlan Electric Construction, Michels Power, MTV Solutions, Power Line Contractors, and State Electric Corp. Audit reviewed sampled charges, including the individual invoices and the accompanying contractor daily work reports. The date of the work performed and the total amount for the services charged was confirmed to the work order provided in support of the filed storm costs.

Vegetation

Audit reviewed sampled charges from Asplundh Tree Expert, Northern Tree, and Wright Tree Service. Invoices and Weekly Operations Reports were provided in support of the charges. Services billed included costs for labor costs and equipment. Audit reviewed the date on the invoices and Weekly Operations Reports, as well as the total amount charged. The following exception was noted:

Northern Tree Service – An invoice totaling \$6,177.25 in labor and equipment charges was reviewed. Audit noted that the date of the invoice and accompanying weekly operations report was for 8/5/2022; thereby, postdating the 7/21/2022 storm event. **AUDIT ISSUE #2**

Traffic Control / Police Services

Expenses totaling \$13,311, were charged to the storm reserve under the category of traffic control / police services. Audit reviewed an invoice, totaling \$3,514, for services provided from New England Traffic Control. Flaggers were utilized during the storm dates of 7/21/22 – 7/22/22 and the total amount of the invoice was confirmed to the work order provided in support of the filed storm costs.

Food and Lodging

Audit reviewed the one charge, totaling \$1,837, for the total food and lodging expense. The invoice provided was from Granite Steak and Grill for meals provided. Audit verified the dates and charges listed on the total invoice.

Direct Labor (PSNH and other Companies) \$1,185,312

PSNH	\$	1,107,625
PSNH Transmission		164,114
EESCO		14,847
NSTAR East		5,287
Capitalization		(106,560)
Total Direct Labor Payroll (rounded)	\$	<u>1,185,312</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit reviewed the confidential supporting information for sampled selections, including the employee ID, title, time code, and week-ending date.

A capitalization adjustment of (\$106,560) was identified by the Company through the provided supporting documentation. Audit reviewed the capitalization of restoration costs information provided by the Company, including their capitalization adjustment calculation for the 7/21/2022 major storm. The Company stated that, *“Upon review of the capitalized labor model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized labor amounts are as follows: (\$65,659) for MS22B006, (\$75,983) for MS22C006, and (\$105,873) for MS22D006. The Company will be reclassifying \$137 from STM0618G (FERC Account 107) to MS22B006 (FERC Account 186430), \$203 from STM0618G (FERC Account 107) to MS22C006 (FERC Account 186430), and \$687 from STM0618G (FERC Account 107) to MS22D006 (FERC Account 186430), accordingly. The Company will recalculate the carrying charge for all three major storms to reflect the adjustment.”* Audit recalculated the total capitalization adjustment and verified the revised capitalized labor of (\$105,873). Audit confirmed the variance of \$687—between the reported capitalization of (\$106,560) and the revised capitalization of (\$105,873)—to be reclassified to the July 21st major storm, work order MS22D006. **AUDIT ISSUE #1**

Refer to Audit Issue #1 for the reclassification recommendation in all of the above referenced storms. For details regarding the capitalized storm costs excluded from recovery, refer to the Direct Labor section of the 03/08/2022 Major Storm.

Payroll-Related Overheads and Taxes \$30,500

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$30,500 for the July 21st major storm 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company's calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

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

PSNH	
Non-Productive Time Overhead	\$ -
Payroll Benefits	-
Total PSNH	<u>\$ -</u>
PSNH Transmission	
Non-Productive Time Overhead	\$ 24,666
Payroll Benefits	<u>5,235</u>
Total PSNH Transmission	<u>\$ 29,901</u>
EESCO	
Non-Productive Time Overhead	<u>\$ -</u>
Payroll Benefits	<u>-</u>
Total EESCO	<u>\$ -</u>
NSTAR East	
Non-Productive Time Overhead	\$ 1,027
Payroll Benefits	<u>(428)</u>
Total NSTAR East	<u>\$ 599</u>
Total Payroll-Related Overheads	<u><u>\$ 30,500</u></u>

The NPT and PBR were confirmed to the loader rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the Payroll-Related Overheads and Taxes from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$430,891

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, EESCO, and NSTAR East. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary. Audit tested a sample of the vehicle cluster grouping amounts—that comprised the total vehicle expense of \$430,891—and then confirmed the total vehicle cost charged to the storm reserve account for the July 21st major storm. For details regarding the calculation process of the vehicle usage amounts, refer to the Vehicles section of the report for the 01/17/22 Pre-Stage Event.

Other Employee-Related Expenses \$13,456

The Company provided supporting information, including the amount of employee-related expenses sorted by company and expense category. The job description of the employee who incurred the expense was also listed. Audit selected employee expenses from the PSNH, PSNH Transmission, and NSTAR East companies within the contractual meals, meals, journal, miscellaneous, and mileage expense categories. The Company provided the supporting employee timecards for the contractual meals under \$25. The selected meals charges were confirmed through the work shift dates reported on the corresponding employee time card; Audit noted that the reported employee job description corresponded with the meals charge and thus, verified the job description to the applicable employee timecards. For further details regarding the contractual meals policy, refer to the Other Employee-Related Expenses section of the report for the 01/17/2022 Pre-stage Weather Event.

A mileage expense was also reviewed. Audit recalculated the amount using the applicable IRS rate. Refer to the Other Employee-Related Expenses section of the report within the 01/17/2022 Pre-stage Weather Event for further details regarding the calculation of mileage charges.

Audit requested the supporting documentation for a miscellaneous expense in the amount of \$560. The Company provided an invoice from Hamshaw Outdoor Power and Rental. The charge incurred was for rental of a Bobcat Diesel Loader in the amount of \$280/day. Audit noted the date of the equipment delivery and verified the amount for a two-day rental.

Materials \$2,546

The Company provided supporting information for materials utilized during the July 21st major storm, in the amount of \$2,546, which included their quantities and total cost. Audit selected materials charges and requested the documentation in support of the items that were removed from inventory, including the storeroom location of the items removed. Supporting information was provided, which included the materials' description, their quantities, cost, and corresponding storeroom. The selected materials charges were confirmed to the supporting information and Audit noted a capital adjustment in the amount of \$(27,340). The Company stated that, *"Upon review of the capitalized materials model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized amounts are as follows: (\$43,810), (\$41,401), and (\$26,976), respectively. The Company will be reclassifying \$25 from STM0618G to MS22B006, \$66 from STM0618G to MS22C006, and \$363 from STM0618G to MS22D006, accordingly. The Company will recalculate the carrying charge for all three major storms to reflect the adjustment."* Audit reviewed the supporting documentation, including the detailed journal entry, and verified the capitalization calculation of (\$26,976). Audit confirmed the rounded variance of \$363—between the reported adjustment of \$(27,340) and the revised adjustment of (\$26,976)—to be reclassified to the July 21st major storm, work order MS22D006. **AUDIT ISSUE #1**

Refer to Audit Issue #1 at the end of the report for details regarding the error in calculation for the capitalized amounts as discovered in all three storm events. Refer to the Materials section within the 03/08/22 Major Storm Event for details regarding the capitalization of restoration material costs.

07/24/2022 Pre-stage Event EXPSTGF2 \$983,693

Bates pages 000063 – 000064 of the filing included the weather forecast from July 23 through July 25th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by wind speed greater than 45 mph and wind gusts greater than 50 mph, in the eastern and southern regions of the state. Audit confirmed that the July 24th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The following is a summary of the pre-stage event costs (rounded), which were reviewed by Audit:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 879,838
Direct Labor (PSNH and Other Eversource Companies)	49,715
Payroll Related Overheads and Taxes	419
Vehicles	22,918
Other Employee Related Expenses	739
Material	4
Total Storm Cost Transferred to Reserve	\$ 953,632
Carrying Charge through March 31, 2023	30,060
Actual Storm Reserve Balance March 31, 2023	<u>\$ 983,693</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$879,838

Contractor	\$ 875,661
Vegetation	-
Mutual Aid	-
Procurement Card	4,177
Material	-
Other	-
Total External Contractors / Vendors and Procurement Cards	<u>\$ 879,838</u>

Contractor

A total of \$875,661 in contractor expenses was recorded to the storm cost reserve account. The contractor services were provided by Cianbro, IC Reed, Michels Power, MTV Solutions, and Power Line Contractors. Audit reviewed a sample of charges, including the individual invoices and the accompanying contractor work reports. The date of the work performed, as well as the total amount for the services were confirmed to the work order provided in support of the filed storm costs.

Procurement Card

The Procurement Card expenses totaled \$4,177 and included charges in the Food and Lodging category. Audit sampled charges incurred and the Company provided the supporting documentation. Receipts were reviewed for the purchase of meals. The date of the receipt and

the amount was confirmed to the workorder provided in support of the filed storm costs. One exception noted:

Longhorn Steak House – A charge in the amount of \$304 was listed on the work order information for the July 24th pre-stage weather event. Audit requested the supporting detail for the charge and the Company replied with the following: “For the pre-staging event EXPSTGF2 on 7/24/2022, the transaction JPM - LONGHORN STEAK 0125141[...]in the amount of \$303.84 will be removed. The Company will adjust the carrying charge to reflect the reclassification.”

AUDIT ISSUE #3

Direct Labor (PSNH and other Companies) \$49,715

PSNH	\$ 46,173
PSNH Transmission	2,299
EESCO	1,243
Storm-Related Payroll (rounded)	<u>\$ 49,715</u>

The Company provided information that included the listing of each job class by company, along with the per-employee hours worked and corresponding pay amount. Selections were made for the PSNH, PSNH Transmission, and EESCO companies. Audit reviewed the confidential supporting information for sampled selections, including the employee ID, title, time code, and week-ending date.

Payroll-Related Overheads and Taxes \$419

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$419 for the July 24th pre-stage weather 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 (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company’s calculation of overhead charges, refer to the Payroll-Related Overheads and Taxes section of this report within the 01/17/2022 pre-staging weather event.

The following is derived from the non-productive time overhead and payroll benefits information provided by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	<u>\$</u>	<u>-</u>
PSNH Transmission		
Non-Productive Time Overhead	\$	346
Payroll Benefits		73
Total PSNH Transmission	<u>\$</u>	<u>419</u>
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total EESCO	<u>\$</u>	<u>-</u>
Total Payroll-Related Overheads	<u>\$</u>	<u>419</u>

The NPT and PBR were confirmed to the loader rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. Refer to the *Payroll-Related Overheads and Taxes* from the 01/17/2022 pre-staging weather event section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$22,918

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary, as well as the total vehicle cost charged to the storm reserve account for the July 24th pre-stage weather event. For details regarding the calculation process of the vehicle usage amounts, refer to the *Vehicles* section of the report for the 01/17/22 Pre-Stage Event.

AUDIT SUMMARY

For the period of January 17, 2022 through July 24, 2022, a total of \$15,889,539 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430. As of April 30, 2023, the Storm Funding Deferral account had a balance of \$0. 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. In December 2022, the Company applied the year end funding account #228430 (MSCR) balance of \$12,282,487 to offset the storm cost account #186430. Audit recommends removal of the following total cost from the storm reserve:

Audit Issue #1	\$ 1,481
Audit Issue #2	(6,898)
Audit Issue #3	<u>(2,237)</u>
Total Costs Recommended for Removal	<u>\$ (7,654)</u>

Weather Event	total storm costs a/o 03/31/23	Adjustments	Adjusted Storm Balance
1/17/2022 Pre-stage	\$1,678,660	-	\$1,678,660
1/29/2022 Pre-stage	\$2,873,425	(\$59)	\$2,873,366
2/4/2022 Pre-stage	\$119,563	(\$417)	\$119,146
2/25/2022 Pre-stage	\$177,107	(\$708)	\$176,399
3/8/2022 Major Storm	\$1,043,561	\$162	\$1,043,723
3/11/2022 Pre-stage	\$2,421,926	(\$415)	\$2,421,511
4/20/2022 Major Storm	\$2,206,601	(\$786)	\$2,205,815
7/21/2022 Major Storm	\$4,385,002	(\$5,127)	\$4,379,875
7/24/2022 Pre-stage	\$983,693	(\$304)	\$983,389
Total Deferred MSCR Costs (rounded)	\$15,889,539	(\$7,654)	\$15,881,885

Audit notes that the actual balances as of 03/31/23 include carrying charges. Once recommended adjustments are made, carrying charges will need to be recalculated.

Audit Issue #1

Reclassification of Storm Costs

Background

Audit requested documentation in support of charges incurred during storm event related work.

Issue

In response to Audit's request, the Company identified that, *"Upon review of the invoices for the selections from the EXPSTGB2 pre-staging event on 1/29/2022, one transaction totaling \$59.03 in the group invoice was identified as having charges for pre-staging event EXPSTGC2 on 2/4/2022."*

The Company also responded with the following capital adjustments to the direct labor expense: *"Upon review of the capitalized labor model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized labor amounts are as follows: (\$65,659) for MS22B006, (\$75,983) for MS22C006, and (\$105,873) for MS22D006."*

Additionally, there were revised capital adjustments to the materials expense that the Company identified in the following statement: *"Upon review of the capitalized materials model for storm events MS22B006, MS22C006, and MS22D006, an error was found in the calculation for all three storm events. The correct capitalized amounts are as follows: (\$43,810), (\$41,401), and (\$26,976), respectively."*

Recommendation

Audit recommends the plans to reclassify the identified amount of \$59 and also the calculated variances that resulted from revised capital adjustments, as the Company stated in the following: *"The Company plans to reclassify the \$59.03 storm costs through a manual journal entry in order to properly reflect these storm costs in the appropriate storm work order (\$59.03 from EXPSTGB2 to EXPSTGC2)[...]The Company will be reclassifying \$137 from STM0618G (FERC Account 107) to MS22B006 (FERC Account 186430), \$203 from STM0618G (FERC Account 107) to MS22C006 (FERC Account 186430), and \$687 from STM0618G (FERC Account 107) to MS22D006 (FERC Account 186430), accordingly[...]The Company will be reclassifying \$25 from STM0618G to MS22B006, \$66 from STM0618G to MS22C006, and \$363 from STM0618G to MS22D006, accordingly."*

Audit also recommends plans to adjust the carrying charges accordingly, as the Company stated in the following: *"The Company will adjust the carrying charges to reflect the reclassification."*

The following represents a summary of the Company's proposed reclassification of the \$59 in costs, as well as the proposed reclassification of the calculated variances between the reported capital adjustments and the revised capital adjustments:

<u>Recommendation</u>	<u>Amount</u>	<u>Weather Event</u>
Reclass from EXPSTGB2	\$ (59)	01/29/2022 Pre-stage
Reclass to EXPSTGC2	59	02/04/2022 Pre-stage
Reclass to MS22B006	137	03/08/2022 Major Storm
Reclass to MS22B006	25	03/08/2022 Major Storm
Reclass to MS22C006	203	04/20/2022 Major Storm
Reclass to MS22C006	66	04/20/2022 Major Storm
Reclass to MS22D006	687	07/21/2022 Major storm
Reclass to MS22D006	<u>363</u>	07/21/2022 Major storm
Total Audit Issue #1	\$ 1,481	

The reclassification of costs to storms MS22B006, MS22C006, and MS22D006 is from STM0618G, which is not a storm event included in the filed deferred MSCR costs.

Company Response

The Company agrees to reclassify the following costs to the correct storm work order:

Reclass from EXPSTGB2	(\$59)	01/29/2022 Pre-stage
Reclass to EXPSTGC2	\$59	02/04/2022 Pre-stage
Reclass to MS22B006	\$137	03/08/2022 Major Storm
Reclass to MS22B006	\$25	03/08/2022 Major Storm
Reclass to MS22C006	\$203	04/20/2022 Major Storm
Reclass to MS22C006	\$66	04/20/2022 Major Storm
Reclass to MS22D006	\$687	07/21/2022 Major Storm
Reclass to MS22D006	<u>\$363</u>	07/21/2022 Major Storm
Total	<u>\$ 1,481</u>	

Conclusion

Audit agrees with the Company's response for the reclassification of \$1,481 to the correct storm work order. Supporting journal entries are requested as soon as they are booked.

Audit Issue #2

Supporting Documentation Not Concurrent with Storm Event

Background

Audit reviewed supporting documentation for charges incurred during storm event related work.

Issue

The dates listed on the supporting documentation post-dated the storm event for which they were applied.

Recommendation

Audit recommends removing the following total charges from the storm cost reserve:

Line worker (ALTP), Employee ID 205940	\$ 476	02/04/2022 Pre-stage
Working Foreman, Line, Employee ID 200983	147	04/20/2022 Major Storm
Line Worker II, Employee ID 023157	98	04/20/2022 Major Storm
Northern Tree Service	<u>6,177</u>	07/21/2022 Major Storm
Total for Audit Issue #2	<u>\$ 6,898</u>	

Company Response

The Company agrees to remove the following from the storm cost reserve:

Line worker (ALTP), Employee ID 205940	\$ 476	02/04/2022 Pre-stage
Working Foreman, Line, Employee ID 200983	147	04/20/2022 Major Storm
Line Worker II, Employee ID 023157	98	04/20/2022 Major Storm
Norther Tree Service	<u>6,177</u>	07/21/2022 Major Storm
Total	<u>\$ 6,898</u>	

Conclusion

Audit agrees with the Company's response for the removal of \$6,898 from the storm cost reserve. Supporting journal entries are requested as soon as they are booked.

Audit Issue #3 **No Supporting Documentation**

Background

Audit reviewed information provided by the Company for the storm expenditures. The supporting documentation for sampled amounts was requested.

Issue

Supporting documentation was not provided.

Recommendation

Audit recommends removing the following charges from the storm cost reserve:

Bedford T-Bones	\$ 708	02/25/2022 Pre-stage
PSNH Miscellaneous Expense	415	03/11/2022 Pre-stage
PSNH Miscellaneous Expense	810	04/20/2022 Major Storm
Longhorn Steak House	<u>304</u>	07/24/2022 Pre-stage
Total for Audit Issue #3	<u>\$ 2,237</u>	

Company Response

The Company agrees to remove the following from the storm cost reserve:

Bedford T-Bones	\$ 708	02/25/22 Pre-stage
PSNH Miscellaneous Expense	415	03/11/22 Pre-stage
PSNH Miscellaneous Expense	810	04/20/22 Major Storm
Longhorn Steak House	<u>304</u>	07/24/22 Pre-stage
Total	<u>\$ 2,237</u>	

Conclusion

Audit agrees with the Company's response for the removal of \$2,237 from the storm cost reserve. Supporting journal entries are requested as soon as they are booked.