

STATE OF NEW HAMPSHIRE
Inter-Department Communication

DATE: January 9, 2019

AT (OFFICE): NHPUC

FROM: Audit Staff, Public Utilities Commission

SUBJECT: Public Service of New Hampshire (PSNH) d/b/a Eversource Energy
DE 18-058 Major Storms 2013 - 2016
FINAL REPORT

TO: Tom Frantz, Director Electric Division
Les Stachow, Assistant Director
Rich Chagnon, Utility Analyst

INTRODUCTION

On April 5, 2018 Eversource (PSNH, the Company) filed a petition to recover costs of seven weather events which took place 2011 - 2013, and which were audited with a report issued April 7, 2014, as well as eight storm and pre-staging events which occurred 12/2013 through 4/2016. 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, which was specifically designed for that purpose. The filing was docketed as DE 18-058.

On April 13, 2018 Eversource withdrew the 4/5/2018 petition and replaced it in full with a revised filing that included two revisions. The first revision was a typographical error, where the name PSNH was used for the Company, and was later revised to the company's name, Eversource. The second revision stated the following in relation to providing any documents needed for the audit:

“Eversource has or will provide all information and documentation necessary to facilitate the Commission’s audit of these eight events.”

Definition of a Major Storm and Authorized Pre-Staging Event

Using an Energy Event Index (EEI) from DTN (an outside vendor), Eversource reviews the forecasted data which ranks the potential strength of a storm from 1 to 5, with 5 being the most severe. A major storm is defined as 10% or more of retail customers being without power, in conjunction with more than 200 reported troubles, or more than 300 troubles reported during the event. Pre-staging costs are based on at least a 60% probability that the storm will reach a level 3 or stronger, according to the EEI.

Audit reviewed Order 25,465 issued on 2/26/2013 in docket DE 12-320 which approved the pre-staging costs as outlined above, as well as reaffirmed the definition of a major storm. The Order also stated on page 1: *“The MSCR is an accounting mechanism that has previously been approved by the Commission and provides for the recovery from customers of a specified annual amount in distribution rates **that is used to offset costs incurred in the event that a qualifying Major Storm occurs.**”* Audit emphasized the directed use of the fund.

Testimony of Marc Lemenager (Bates page 000006) indicates the following:

“In this filing, the Company is seeking approval to transfer funding from the major storm fund to recover the costs of seven weather events which occurred between August 2011 and March 2013 and which have already been audited by the Commission and approved for cost recovery, but have yet to be funded through the Reserve.” **AUDIT ISSUE #1**

Mr. Lemenager’s testimony also indicates that there have been storm and pre-staging events which occurred after the filed April 2016 storms included in this instant docket, but as of the date of filing (4/13/2018) the weather event cost schedules have not been finalized and copies of invoices have not been compiled. **AUDIT ISSUE #2**

General Ledger

The storm cost reserve is General Ledger Account #18643. The March 31, 2013 GL balance of \$37,713,706 matches the total deferred MSCR storm costs reported. The testimony of Mr. Lemenager, Bates page 000007, reflects the MSCR funding history, with the balance at 12/31/2017 reported to be \$79.6 million. 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.

The DE 18-058 Summary of Requested Storm and Pre-Staging Cost Recovery

Previously audited storms as reflected within Mr. Lemenager’s testimony:

<u>Event</u>	<u>Costs</u>	<u>Carrying Costs</u>		<u>Docket</u>
		<u>a/o 12/31/17</u>	<u>Total 12/31/17</u>	
Irene 2011	\$ 6,781,491	\$ 2,476,769	\$ 9,258,260	DE 12-110
October Snowstorm 2011	\$15,426,775	\$ 5,306,431	\$20,733,207	DE 12-110
Sandy 2012	\$11,189,908	\$ 3,128,498	\$14,318,406	DE 13-127
12/27/12 Pre-staging	\$ 698,494	\$ 180,822	\$ 879,316	DE 13-127
02/08/13 Pre-staging	\$ 1,272,458	\$ 331,992	\$ 1,604,450	DE 13-127
02/27/13 Pre-staging	\$ 231,258	\$ 59,873	\$ 291,131	DE 13-127
03/19/13 Pre-staging	<u>\$ 96,935</u>	<u>\$ 24,410</u>	<u>\$ 121,345</u>	<u>DE 13-127</u>
Total	\$35,697,320	\$11,508,795	\$47,206,115	

As of April 30, 2016, Audit noted the Storm Cost Reserve Deferral Account #18643 balance summary was \$78,864,373. This balance includes the previously audited storm costs and accumulated carrying charges of 2011-2013, as well as the storm costs subject to DE18-058. The GL has a balance of \$78,957,803 for April 30, 2016. The \$93,430 variance between the Storm Cost Deferral Account and the GL represents an \$87,500 cost that was incorrectly charged to the Eversource storm reserve, along with \$5,930 of accompanying carrying charges. Audit noted that the filing of the summary for the deferral account #186430 included total amounts based on cost and carrying charge calculations through 12/31/17. Therefore, Audit reviewed only the cost and carrying charges through the last pre-stage event of 4/3/16 in this filing.

The Commission’s audit of the 2011 – 2013 storms resulted in the following audit report conclusion for the period ending 3/31/2013 (report issued on April 7, 2014):

Filed Costs	\$35,911,001	
Audit Adjustments	<u>(213,681)</u>	
Adjusted Costs	\$35,697,320	which agrees with the current testimony
Filed Carrying Costs	<u>2,354,641</u>	
Adjusted Total	<u>\$38,051,961</u>	

The Company did not offset the audited storm cost by the MSCR at the time of the previous audit. **AUDIT ISSUE #3**

Therefore, at the request of Commission Staff, on August 27, 2018 Eversource submitted final costs relating to pre-staging and storm restoration efforts from August 28, 2011 through March 19, 2013, which included the Company’s accepted audit adjustments and updated carrying charges. The final costs submitted reflect the total storm cost balance of \$49,021,172, effective September 30, 2018. The PUC Electric Division Staff verified the accuracy of the final cost submission in the following statement from an Inter-Department Communication by Rich Chagnon, Utility Analyst.:

“Staff has reviewed the costs submitted, confirmed that the adjustments from the audit report have been properly accepted by the Company and calculated correctly, that the carrying charges were correctly calculated from the stipulated rate of return, and confirmed that the total costs match the same total anticipated by Audit Staff for an effective date of September 30, 2018.”

As outlined in a September 17, 2018 Secretarial Letter from Executive Director, Debra Howland, regarding the petition for recovery of storm expenses, the Commission has approved Eversource’s request to recover \$49,021,172 incurred in connection with storm-related costs between August 28, 2011 and March 19, 2013 from the MSCR. This approval is effective September 30, 2018 and it is based on [Staff’s] review of Eversource’s filing, the Audit Division report dated April 7, 2014 on storm recovery costs, and Staff’s recommendation.

The cost subject to this audit and outlined in Docket No. DE 18-058 was summarized in the filing:

<u>Event</u>	<u>Carrying Cost</u>		
	<u>Costs</u>	<u>a/o 12/31/17</u>	<u>Total 12/31/17</u>
12/20/13 Pre-staging	\$ 4,483,469	\$ 958,389	\$ 5,441,858
03/12/14 Pre-staging	\$ 235,989	\$ 47,974	\$ 283,963
11/26/14 Storm	\$26,299,430	\$4,142,184	\$30,441,614
12/09/14 Pre-staging	\$ 553,009	\$ 85,473	\$ 638,482
01/04/15 Pre-staging	\$ 43,908	\$ 6,702	\$ 50,610
01/26/15 Pre-staging	\$ 993,415	\$ 151,611	\$ 1,145,026
02/15/15 Pre-staging	\$ 221,362	\$ 32,557	\$ 253,919
04/03/16 Pre-staging	\$ 141,205	\$ 11,930	\$ 153,135
Total	\$32,971,787	\$5,436,820	\$38,408,607

Each event was summarized by workorder and expense type, with the following compiled by Audit:

Event Date	12/20/13	03/12/14	11/26/14	12/09/14	01/04/15	01/26/15	02/15/15	04/03/16	Totals by
Event Type	Pre-staging	Pre-staging	Storm	Pre-staging	Pre-staging	Pre-staging	Pre-staging	Pre-staging	Incremental
Workorder	<u>EXPSTGD3</u>	<u>EXPSTGA4</u>	<u>STR0614J</u>	<u>EXPSTGD4</u>	<u>EXPSTGA5</u>	<u>EXPSTGB5</u>	<u>EXPSTGC5</u>	<u>EXPSTGA6</u>	Type
External Contractor/Vendor	\$ 2,112,300	\$ 135,021	\$ 17,559,502	\$ 492,720	\$ 142	\$ 831,632	\$ 91,826	\$ 22,479	\$ 21,245,622
Procurement Card	\$ 209,312	\$ 6,655	\$ 924,840	\$ 9,332	\$ 3,440	\$ 35,388	\$ 4,860	\$ 3,404	\$ 1,197,231
Storm Related Payroll	\$ 1,382,542	\$ 75,527	\$ 5,171,564	\$ 40,353	\$ 35,698	\$ 100,851	\$ 106,314	\$ 102,735	\$ 7,015,584
Payroll Overhead/Taxes	\$ 625,246	\$ 3,942	\$ 1,680,470	\$ 1,921	\$ -	\$ 464	\$ -	\$ 85	\$ 2,312,128
Vehicle Expenses	\$ 128,258	\$ 11,930	\$ 465,339	\$ 6,761	\$ 3,767	\$ 18,030	\$ 17,489	\$ 10,987	\$ 662,561
Other Employee Expenses	\$ 25,812	\$ 2,913	\$ 126,824	\$ 1,922	\$ 861	\$ 7,049	\$ 874	\$ 1,516	\$ 167,771
Materials	\$ -	\$ -	\$ 370,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,891
Total Costs	\$ 4,483,470	\$ 235,988	\$ 26,299,430	\$ 553,009	\$ 43,908	\$ 993,414	\$ 221,363	\$ 141,206	\$ 32,971,788
Carrying Charges a/o 12/31/17	\$ <u>958,389</u>	\$ <u>47,974</u>	\$ <u>4,142,184</u>	\$ <u>85,473</u>	\$ <u>6,702</u>	\$ <u>151,611</u>	\$ <u>32,557</u>	\$ <u>11,930</u>	\$ <u>5,436,820</u>
TOTAL	\$ 5,441,859	\$ 283,962	\$ 30,441,614	\$ 638,482	\$ 50,610	\$ 1,145,025	\$ 253,920	\$ 153,136	\$ 38,408,608

12/20/2013 Pre-staging Event EXPSTGD3 \$5,441,858

According to the Schneider Electric Event Index Definition for December 20, 2013, the weather forecast was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by ice accumulation that is greater than 3/8 inch, in the Seacoast, Northern, Western, and Central parts of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-1A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$2,321,611
Direct Labor (WMECO and other NU Companies)	\$1,382,542
Payroll Related Overheads and Taxes	\$ 625,246
Vehicles	\$ 128,258
Other Employee Related Expenses	\$ <u>25,812</u>
Total Storm Cost Transferred to Reserve	\$4,483,469
Carrying Charge through December 31, 2017	\$ <u>958,389</u>
Actual Storm Reserve Balance December 31, 2017	\$ <u>5,441,858</u>

Documentation from the December 20, 2013 Pre-staging Event, totaling \$2,409,376 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. A total of \$87,765 was deducted for a contractor settlement, resulting in the storm expenses of \$2,321,611. Audit selected 155 invoices to review, or 33% of the total contractor, vendor, and mutual aid expenses.

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,321,611

There were a total of 468 contractors, vendor, and mutual aid invoices, plus procurement card expenses totaling \$209,312.

Summary of Expenditures by Description:

Contractor	\$ (60,951)
Vegetation	1,092,067
Mutual Aid	1,021,274
Procurement Card	209,312
Environmental	-
Traffic Control / Police Services	2,442
Food and Lodging	7,710
Material	-
Other	<u>49,758</u>
Total External Contractors/Vendors, Mutual Aid, and Procurement Cards	<u>\$ 2,321,611</u>

Contractor

A total of \$(60,951) in Contractor amounts was recorded on the storm reserve account. Audit selected 5 of the 16 invoices, totaling \$(65,044) to review in detail. Of the invoices reviewed were generator rental services, line crews, police detail, and other services. No exceptions were noted.

MTV Solutions: A settlement in the amount of \$(87,765) was recorded as per an agreement with Eversource and MTV Solutions for an overbilling issue. Eversource provided the settlement agreement that was reached with MTV to ensure that such billing inaccuracies would not reoccur. Eversource provided a copy of the settlement amounts, including the allocation of \$(87,765.45) to PSNH d/b/a Eversource Energy.

ElecComm Power Services: Audit reviewed an invoice totaling \$13,528 in generator rental fees. The hours used and corresponding charges were logged for six generators during the dates of 12/21/13 through 12/23/13.

Vegetation

\$1,092,067 was charged to the storm reserve for Vegetation services provided during the December 20, 2013 Pre-stage Event. One hundred and twenty-three invoices, totaling \$727,102

were reviewed by Audit. All vegetation services were provided by Lewis Tree Service Inc., Asplundh, Tree Technology & Landscaping, and ACRT Inc., between 12/21/13 and 12/22/13. One exception was noted.

Lewis Tree Services: Audit reviewed three invoices, each with a total of \$1,229, and one invoice totaling \$4,271.79, all for standby and travel expenses of a Ground Hand and Foreman.

Tree Technology & Landscaping: Two invoices for emergency tree services and storm work, each with a total of \$5,192, were reviewed by Audit. The rates used to calculate the charges on the invoices for a Foreman were not consistent with the contract rates provided, resulting in a total variance of \$6,137 for both invoices. **AUDIT ISSUE #6**

Eversource explained the discrepancy in the following statement: *“Upon reaching out to the vendor, they confirmed that their Sunday Storm rates in 2013 were in fact [accurate], but did not readily have a formal rate schedule to provide the Company.”*

Mutual Aid

A total of \$1,021,274 in invoice amounts was recorded to the storm reserve. Audit selected 7 of the 35 invoices, or 21% of total mutual aid expenses, totaling \$742,589 to review in detail. Of the invoices reviewed were labor, equipment rentals, and meals expenses.

Alliance Power Group: Audit reviewed an invoice totaling \$54,301 for labor expenses. Employees were paid at double-time rate (DT) on Saturday instead of an overtime (OT) rate, resulting in an additional \$2,906.

Eversource response: *“Alliance Power Group, like a number of other contractors, does not have a formal rate agreement in place with the Company. In these instances, PSNH issues a PO for the work to be performed, and binds both parties as though countersigned by each. The invoice is reviewed for the work performed and hours logged, and if approved, are paid. Moreover, the use of double time for all storm hours is a common practice.”*

McPhee Electric: Audit reviewed an invoice totaling \$127,611. The equipment extended cost should be \$10,017.54 and not \$10,297.98; thereby, overstating the invoice amount by \$280.44. **AUDIT ISSUE #7**

Procurement Card

The total Procurement Card expenses were broken into three categories: Food and Lodging, Fuel, and Miscellaneous.

Procurement Card Summary of Expenditures by Description

Food and Lodging	\$	208,729
Fuel		101

Miscellaneous	482
Total Procurement Cards	<u>\$ 209,312</u>

Audit selected twenty-nine invoices from the Food and Lodging expense category. Entries totaling \$111,483 were selected for review: twenty-seven of the selections were without issue but Audit noted exceptions with the following two invoices:

Eastern Inn: An amount of \$1,231 was charged to the storm reserve. Supporting detail was not provided. **AUDIT ISSUE #4**

Mr. Pizza Fysh: An amount of \$995 was charged to the storm reserve. Supporting detail was provided but illegible. **AUDIT ISSUE #4**

Traffic Control / Police Services

Two invoices totaling \$2,442 were charged to the storm reserve under the category of Traffic Control / Police Services. Audit selected and reviewed both of these invoices. Services provided included police detail and traffic control for the Manchester Airport, as well as two other towns. No exceptions were noted.

Food and Lodging

A total of \$7,710 in invoice amounts was recorded to the storm reserve. Audit selected 11 of the 18 invoices, or 61% of Food and Lodging expenses, totaling \$6,309 to review in detail. No exceptions were noted.

Other

For review, Audit selected eight expenditures, totaling \$46,215, or 73% of the total charges within the category of “other.” Two exceptions were noted.

Campton Elementary School: Audit reviewed an invoice, dated July 25, 2014, totaling \$6,800 for excavation and pavement of a parking lot. Supporting detail included a fax describing the excavation and paving project as being the result of a driveway that PSNH “broke up.”

Comdata: An invoice totaling \$7,172 for trip and fuel permits was submitted as supporting documentation for the \$7,415 charge to the storm reserve. Backup documentation to support the additional charge of \$243 was not provided. Eversource explained that, “*The additional \$243.13 is CT tax applied to the invoice because the purchase order is a Connecticut purchase order.*”

Cote Electric: One invoice, totaling \$3,360, was paid for employees who were called in for a potential ice storm on 12/22/13 in Manchester, NH. Each employee is guaranteed a four-hour minimum at the overtime rate of 1.5 times the normal rate. Standard rates were applied for the employees' respective vehicles.

LaCasse Paving and Construction: Audit reviewed an invoice for storm maintenance in Gorham, NH, totaling \$810.

Pro Quip, Inc.: Audit reviewed an invoice for \$325 worth of equipment rentals and subsequent delivery charges.

The Ergonomics Group: Two invoices for IT services, totaling \$4,999, were provided for the ice storm coverage on the dates of 12/20/13 through 12/22/2013. Audit reviewed the charges, which included lodging for the three IT technicians and questioned how these are relevant to the storm fund for recovery. The Company responded with the following explanation:

“The charges associated with The Ergonomics Group that were incurred during the weather event are incremental and would not otherwise be incurred by the Company had there not been a weather event. These are costs that and are not otherwise recovered via PSNH’s base rates. The Ergonomics Group helps ensure that the operations and logistics personnel are able to direct and provide essential support to the field personnel restoring power during events. This helps ensure that power is able to be restored in a safe, reliable, and efficient manner.” **AUDIT ISSUE #9**

Twenty First Century Communications: Audit reviewed an invoice, totaling \$24,854.44 worth of communication usage during the 12/20 Pre-stage event. A monthly recurring fee of \$2,348 was subtracted from the total invoice amount, resulting in a final charge of \$22,506 to the storm reserve account. Audit questioned relevancy of communications charges for inclusion within the storm fund recovery of expenses. The Company responded with the following statement:

“The charges associated with Twenty First Century that were incurred during the weather event are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH’s base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, Twenty First Century’s services are not only convenient and helpful for customers, they’re expected.” **AUDIT ISSUE #9**

Direct Labor (PSNH and other Companies) \$1,382,542

PSNH	\$	258,426
PSNH Transmission		677
NUSCO		35,322
CL&P		532,372
WMECO		86,151
NSTAR		<u>469,593</u>
Storm-related Payroll	\$	<u><u>1,382,542</u></u>

Eversource initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a total of seventeen job descriptions, which covered five of the companies and eighteen individual employees. Audit received an Excel spreadsheet that broke down the hours and pay for each of the eighteen employees. One exception was noted.

Audit sampled two of the direct labor amounts paid to NSTAR employees, totaling \$6,106, and requested their individual timesheets for review. Adequate timesheets were provided to Audit with no exceptions to report. However, while providing Audit with this request, Eversource reported a \$250 direct labor charge for a separate employee that should not have been billed to the storm. **AUDIT ISSUE #4**

Audit inquired about four of the six NSTAR job descriptions, with a total of \$4,450, which included amounts paid to employees with zero hours recorded as worked. In response, the Company provided screen shots of the actual time sheets from their production database software. The time sheets displayed the hours worked for the employees that were listed with zero hours on the Itemization of Direct Labor. The Company also explained that, “*The hours are listed as zero because they are calculations of premiums.*” Audit further inquired as to what constitutes a “premium.” The Company responded with this statement:

“[We are] following up with the response from our payroll group: The reason the employee gets the 6% premium is based on the contract...including an excerpt from the Wage Section of the Local 369 contract [which states], ‘The Company agrees that, if employees are required to work outside of the territory served directly by the Company in order to render assistance to other companies, said employees shall be paid six percent (6%) above the employee’s regular hourly rate.’”

Audit then reviewed the employee hours and amount for the remaining twelve employee selections provided from companies PSNH, CL&P, WMECO, and NUSCO. This information matched the initial documentation submitted. Audit noted that the dates on the Excel spreadsheet included hours and pay for 1/4/2014 for each company, resulting in \$11,782.95 paid to employees on a date after the 12/20/13 pre-stage event. Eversource explained the inclusion of the January dates in the following statement:

“For the December 2013 pre-stage event, the event occurred over a weekend at the end of the 2nd week pay cycle for the month and year, so some hours ended up falling into December (pay period ending 12/21/13) while other hours ended up falling into January (pay period ending 1/4/14).”

Audit questioned why exempt employees’ amounts from PSNH, CL&P, WMECO, and NUSCO were included for hourly pay with the storm costs when their salaries are already included in the rate base.

Eversource explained the exempt charges in the following statement: *“Employees [from] PSNH Generation, PSNH Transmission, WMECO, NSTAR, CL&P, the other Transmission sister companies, Yankee Gas and NSTAR Gas, do not support PSNH Distribution’s routine operations and thus these costs are considered incremental and including their labor hours billed to storm and pre-staging work orders for recovery is appropriate. Additionally, any stipends paid in association with storm work orders, regardless of the operating company, is appropriate for cost recovery and consistent with the Company’s compensation policy...For exempt employees that work beyond 40 hours, the weekly salary is spread over the hours that were worked in the week to come up with an hourly rate. That hourly rate is applied to the hours worked on the work order.”*

Testimony of Mr. Lemenager (Bates page 000018) further explains that, *“Exempt employee time is captured and tracked in the same storm account. Since exempt employees are not routinely paid for overtime, this time entry is for tracking purposes only. During the most severe weather events, exempt employees are required to work an extensive number of hours over their typical work week. In certain cases, because of the extent of the hours worked, employees at the level of manager and below are awarded fixed compensation. The 11/26/14 Storm contains compensation awards for exempt employees who worked extended hour in support of the restoration process.”*

Eversource also made note of the following adjustment: *“In reviewing this question, base labor for NUSCO and PSNH Distribution exempt employees was found to have been*

inadvertently charged to the pre-staging storms EXPSTGD3 (Dec 20, 2013) and EXPSTGA4 (Mar 12, 2014). The other pre-staging storms did exclude base labor associated with NUSCO and PSNH Distribution exempt employees. For base labor associated with affiliate companies the base labor is appropriately charged to the pre-staging event. For example, PSNH Transmission and PSNH Generation employee costs are charged to the storm when they perform work associated with storms and to Transmission or Generation when they perform Transmission or Generation work, and would be recovered via the PSNH Transmission and PSNH Generation rates. EXPSTGD3: \$56,535 (PSNH \$46,606.78, NUSCO \$9,928.22)...as a result, [this amount] should be excluded from the storm reserve recovery as they should have been included in base distribution costs.” **AUDIT ISSUE #8**

Payroll-related Overheads \$625,246

Non-productive time overhead and payroll benefits were calculated based on the direct labor amounts for PSNH Transmission, CL&P, WMECO, and NSTAR. The individual direct labor amounts were then multiplied by the corresponding 2013 overhead rate.

Individual division payroll benefits were calculated by taking the sum of 1 plus the company’s corresponding 2013 overhead rate and multiplying that sum by the direct labor amount for the specific division. The product is then multiplied by the company corresponding 2013 payroll benefit rate.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted in spreadsheet 2(c) by the Company:

PSNH Transmission		
Non-Productive Time Overhead	\$	110
Payroll Benefits		<u>420</u>
Total PSNH Transmission	\$	<u>531</u>
CL&P		
Non-Productive Time Overhead	\$	84,210
Payroll Benefits		<u>388,907</u>
Total CL&P	\$	<u>473,118</u>
WMECO		
Non-Productive Time Overhead	\$	14,075
Payroll Benefits		<u>50,766</u>
Total WMECO	\$	<u>64,841</u>

NSTAR

Non-Productive Time Overhead	\$	24,456
Payroll Benefits		<u>62,301</u>
Total NSTAR	\$	<u>86,757</u>
<hr/>		
Total Payroll-Related Overheads	\$	<u>625,246</u>

Audit noted that the direct labor amounts for CL&P, WMECO, and NSTAR each included the January 2014 totals; plus, February 2014 for CL&P, March 2014 for NSTAR, and May 2014 for WMECO. Audit questioned the inclusion of the direct labor totals from months outside of the December 20th pre-stage event. Eversource explained in the following:

“For the December 2013 pre-stage event, the event occurred over a weekend at the end of the 2nd week pay cycle for the month and year, so some hours ended up falling into December (pay period ending 12/21/13) while other hours ended up falling into January (pay period ending 1/4/14). For the March labor, there were corrections to correctly assign hours to the pre-staging work order and those charges will fall into the month the corrections are made, in this case March.”

Audit requested the calculation for determining the Non-Productive Time Rate (NPT) and the Payroll Benefits Rate (PBR). Eversource submitted the following response:

“The Non-Productive Time Rate and Payroll Benefits Rate were not the same throughout the month of January 2014. There were different NPT and PBR rates for the month of January. In order to calculate the NPT and PBR dollars charged to the storm, the payroll for the month of January 2014 had to be broken out by period when the different rates applied. Updating the calculation to take this into account allows for PSNH Transmission and CL&P to reconcile. WMECO still has a minimal unidentified variance (recalculated total is \$113.22 higher than the amount charged to the storm). NSTAR Electric reconciled in the original attachment so no updates have been made.”

Audit acknowledged the \$113 variance between the loader calculation spreadsheet total of \$64,728 and the amount recorded to the storm expense for payroll-related overheads totaling \$64,841. **AUDIT ISSUE #7**

Vehicles \$128,258

The total vehicle expense for the December 20th Pre-stage event was \$128,258. The vehicle charges were identified by company.

PSNH	\$	26,166
PSNH Transmission		-
CL&P		89,243
WMECO		12,638
NUSCO		<u>211</u>
	\$	<u>128,258</u>

Vehicle usage amounts were recorded for each of the following companies: PSNH, CL&P, WMECO, and NUSCO. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost.

Audit selected vehicles from three of the companies, for a total of nine vehicles reviewed. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined in detail. One exception was noted.

CL&P: The vehicle class 5C has a total of \$427, with supporting detail listing the total vehicle class rate (fixed + variable) at \$60.98 and for 7 hours of usage. However, the actual rate for vehicle class 5C is \$43.14; thereby, resulting in a total of \$301.98 for 7 hours of usage, which is a \$125 variance from the amount recorded as a storm expense. **AUDIT ISSUE #6**

Eversource explained with the following note: *“Rate is manually calculated. Backup supports \$43.14. Data shows fixed rate as \$35.71, so rates likely changed.”*

Other Employee-related Expenses \$25,812

The total Employee-related Expenses for the 12/20 Pre-stage event were \$25,812.

PSNH	\$	4,418
PSNH Transmission		3
WMECO		1,543
CL&P		11,357
NUSCO		3,069
NSTAR		<u>5,423</u>
	\$	<u>25,812</u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Audit selected three items, one from each

expense category within PSNH, CL&P, and NSTAR, and with a purchase price over \$25. PSNH's policy does not require an employee submit a receipt if the purchase is under \$25.

Audit reviewed a \$1,743 meals expense for PSNH. Adequate receipts were provided and no exceptions were noted.

Of the total \$7,329 in meals expenses from CL&P, \$6,980 consisted of amounts totaling \$25 or less and per diem amounts for meals; thus, no receipts were provided in accordance to PSNH's policy and these amounts were not reviewed in detail. Audit selected the remaining \$348.91 of meals expenses to review for CL&P. No exceptions were noted.

Audit selected a \$4,939 in meals expenses from NSTAR and discovered a typo on the supporting documentation provided from PSNH. The lodging expense of \$247 for NSTAR is actually recorded as an expense for NUSCO.

03/12/2014 Pre-staging Event EXPSTGA4 \$283,963

The weather forecast for March 12th described a "high" probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation that is greater than 12 inches, in the Seacoast, Northern, Western, and Central parts of the state. This weather event qualified for the recovery of "pre-staging" costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-2A which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	141,676
Direct Labor (WMECO and other NU Companies)		75,527
Payroll Related Overheads and Taxes		3,942
Vehicles		11,930
Other Employee Related Expenses		<u>2,913</u>
Total Storm Cost Transferred to Reserve	\$	<u>235,989</u>
Carrying Charge through December 31, 2017	\$	<u>47,974</u>
Actual Storm Reserve Balance December 31, 2017	\$	<u>283,963</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$141,676

Documentation from the March 12, 2014 Pre-staging Event, totaling \$141,676 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 79 of 184 invoices to review, or 43% of the total contractor, vendor, mutual aid and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$	54,191
Vegetation		75,492
Mutual Aid		-
Procurement Card		6,655
Environmental		-
Traffic Control / Police Services		1,480
Food and Lodging		2,348
Material		-
Other		<u>1,510</u>
Total External Contractors/Vendors, Mutual Aid, and Procurement Cards	\$	<u>141,676</u>

Contractor

A total of \$54,191 in Contractor amounts was recorded on the storm reserve account. Audit selected 13 of the 16 invoices, totaling \$51,126 or 94% of total contractor expenses, to review in detail. No exceptions were noted.

JCR Construction: Ten invoices, totaling \$34,992, were charged as storm expenses for labor, equipment, and vehicles and the charges were reviewed by Audit.

Three Phase Line Construction: Audit reviewed an invoice totaling \$4,953 for line crews and equipment. The General Foreman and Foreman employees' hours and amounts were combined on the invoice to reflect one total in General Foreman hours and one total in Foreman hours.

Utility Service & Assistance: Audit reviewed two invoices for line crews, equipment, and vehicles, totaling \$11,181

Vegetation

\$75,492 was charged to the storm reserve for Vegetation services provided during the March 12th Pre-stage event. Forty-five percent of the total vegetation invoices, totaling \$51,258, were reviewed by Audit. All vegetation services were provided by Asplundh and Lucas Tree, between 3/12/14 and 3/13/14. No exceptions were noted.

Asplundh Tree: Audit reviewed forty-nine invoices from this vendor, totaling \$48,841. The invoices were for ground crews and equipment charges.

Lucas Tree Experts: Five invoices, totaling \$2,417, were reviewed by Audit. The invoices documented charges related to the labor cost for ground crews and equipment usage.

Traffic Control / Police Services

Five invoices, totaling \$1,480, were charged to the storm reserve under the category of Traffic Control / Police Services. Audit selected all invoices for a detailed review. Services provided included police detail and traffic control for the Keene, Sunapee, and the Lakes Region. No exceptions were noted.

Food and Lodging

A total of \$2,348 in invoices amounts was recorded to the storm reserve. Audit selected 4 of the 7 invoices, or 57% of total Food and Lodging expenses, totaling \$1,199 to review in detail.

Celebrations Distinctive Catering: Audit reviewed two invoices for breakfast and lunch catering services totaling \$489. Individual guest checks for meals comprised the total invoice amounts.

Chiggy's Place: A receipt for \$656 was reviewed by Audit. Individual guest checks for meals comprised the total invoice amount.

Grandma's Kitchen: An invoice for \$54.05 was expensed for the breakfast provided to four PSNH employees.

Other

The Ergonomics Group: There was a total of one charge for IT services, in the amount of \$1,510, categorized as "Other" during the March 12th Pre-stage event. **AUDIT ISSUE #9**

Eversource explained the charges as the following and Audit found no exceptions to note:

"Ergonomics Group provides Information Technology support services to the Company. For this event, we had two technicians on call to provide support through the duration of the Weather Event. These technicians provide support if equipment fails (e.g. a broken PC or

printer), equipment is not working properly (e.g. a printer or software needs to be reinstalled/reconfigured), or if additional equipment is needed (e.g. a certain work center may temporarily need additional PCs if their region was hit particularly hard by the Weather Event).”

Procurement Card

The total Procurement Card expenses were for Food and Lodging charges.

Procurement Card Summary of Expenditures by Description		
Food and Lodging	\$	6,655
Contractor		-
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>6,655</u>

Audit selected three invoices to review in detail, totaling \$1,923. Invoices reviewed were for meals provided during the March 12th Pre-stage event, as well as hotel accommodations for the overnight of 3/12/14 to 3/13/14.

Sunapee Lake Lodge: A batch receipt for \$817 was reviewed by Audit. There was no itemization of charges provided. Additionally, the batch receipt was dated 8/8/14, which postdates the March 12th Pre-stage event. **AUDIT ISSUE #4**

Direct Labor (PSNH and other Companies) \$75,527

PSNH	\$	68,154
PSNH Transmission		4,596
NUSCO		2,225
CL&P		<u>553</u>
Storm-related Payroll	\$	<u>75,527</u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a total of six employee pay amounts, covering two of the companies and representing five different job descriptions. Audit received an Excel spreadsheet that broke down the hours and pay by each of the six employees.

Audit questioned why Exempt employees from PSNH were included for hourly pay with the storm costs when their salaries should already be included in the rate base. For a detailed

explanation to this inquiry, refer to Marc Lemenager’s testimony on page ten of the Audit report. Additionally, Eversource made note of the following adjustment:

“In reviewing this question, base labor for NUSCO and PSNH Distribution exempt employees was found to have been inadvertently charged to the pre-staging storms EXPSTGD3 (Dec 20, 2013) and EXPSTGA4 (Mar 12, 2014). The other pre-staging storms did exclude base labor associated with NUSCO and PSNH Distribution exempt employees. For base labor associated with affiliate companies the base labor is appropriately charged to the pre-staging event. For example, PSNH Transmission and PSNH Generation employee costs are charged to the storm when they perform work associated with storms and to Transmission or Generation when they perform Transmission or Generation work, and would be recovered via the PSNH Transmission and PSNH Generation rates: ... EXPSTGA4: \$34,350.37 (PSNH \$32,458.54, NUSCO \$1891.83). As a result, [this amount] should be excluded from the storm reserve recovery as they should have been included in base distribution costs.” **AUDIT ISSUE #8**

Payroll-related Overheads \$3,942

Non-productive time overhead and payroll benefits were calculated based on PSNH Transmission direct labor amount of \$4,596 and the CL&P direct labor amount of \$553.

Non-productive time overhead was calculated by multiplying the direct labor amount of each division by their corresponding 2014 overhead rate.

Individual division payroll benefits were calculated by taking the sum of 1 plus the 2014 overhead rate and multiplying that sum by the direct labor amount for the specific division. The product is then multiplied by the 2014 payroll benefit rate for PSNH Transmission and CL& P (.5025 and .6125 respectively).

The following is derived from the non-productive time overhead and payroll benefits calculations:

PSNH Transmission

Non-Productive Time Overhead (\$4,596* .1654)	\$	760
Payroll Benefits (\$4,596*1.1654* .5025)		<u>2,691</u>
Total PSNH Transmission	\$	<u>3,451</u>

CL&P

Non-Productive Time Overhead (\$553*.1709)	\$	95
Payroll Benefits (\$553*1.1709*.6125)		<u>397</u>

Total CL&P	\$	<u>491</u>
Total Payroll-Related Overheads	\$	<u><u>3,942</u></u>

Vehicles \$11,930

The total vehicle expense for the March 12th pre-stage event was \$11,930. The vehicle charges were identified by company:

PSNH	\$	10,865
PSNH Transmission		262
CL&P		<u>803</u>
	\$	<u><u>11,930</u></u>

Vehicle usage amounts were recorded for each of the following companies: PSNH, PSNH Transmission, and CL&P. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost of the vehicles.

Audit selected all vehicles from the three companies, for a total of twelve vehicles reviewed in detail. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined. No exceptions were noted.

Other Employee-related Expenses \$2,913

The total Employee-related Expenses for the March 12th Pre-stage event were \$2,913.

PSNH	\$	2,078
PSNH Transmission		213
NUSCO		<u>622</u>
Total Other Employee-Related Expenses	\$	<u><u>2,913</u></u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. PSNH's policy does not require an employee submit a receipt if the purchase is under \$25. Audit selected one PSNH item for review, totaling \$1,301, from the meals expense category.

The \$1,301 meals receipt consisted of one hundred thirty-six meal reimbursements, each less than \$25 and with a combined total of \$1,267.65. The remaining \$33.13 was for a dinner meal receipt. No exceptions were noted.

11/26/2014 Storm STRO614J \$30,441,614

On Wednesday, November 26, 2014, heavy snow began to fall in the western and southern portions of New Hampshire. Ultimately leaving 207,359 PSNH customers (41%) without power at peak and causing more than 2,700 “troubles” along PSNH’s New Hampshire electric distribution system, the Thanksgiving weekend storm of 2014 resulted in the fourth largest restoration effort in New Hampshire history. This weather event qualified for the recovery of “major storm” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

As described by PSNH Energy in a press release titled, Thanksgiving Nor’easter, the Company restored power to 80% of effected customers within 48 hours. With the exception of isolated outages, 99% of customers had their power restored within four days of the start of the storm and 24 hours earlier than first estimated.

Audit was provided with Attachment MEL-3A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 18,484,342
Direct Labor (WMECO and other NU Companies)	5,171,564
Payroll Related Overheads and Taxes	1,680,470
Vehicles	465,339
Other Employee Related Expenses	<u>126,824</u>
Total Storm Cost Transferred to Reserve	<u>\$ 26,299,430</u>
Carrying Charge through December 31, 2017	<u>\$ 4,142,184</u>
Actual Storm Reserve Balance December 31, 2017	<u>\$ 30,441,614</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$18,484,342

Documentation from the November 26, 2014 Pre-staging Event, totaling \$18,484,342 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 140 of 3,392 invoices to review.

Summary of Expenditures by Description:

Contractor	\$ 13,236,774
Vegetation	1,766,682
Mutual Aid	2,072,888
Procurement Card	924,840
Environmental	-
Traffic Control / Police Services	109,174
Food and Lodging	318,077
Material	-
Other	<u>55,907</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 18,484,342</u>

Contractor

A total of \$13,236,774 in Contractor amounts was recorded on the storm reserve account. Audit selected 62 of the 208 invoices, totaling \$8,623,980, or 65% of the total contractor expenses, to review in detail. One exception was noted.

Baltimore Gas & Electric: An invoice totaling \$456,958 for line crews and equipment was reviewed by Audit. In the place of Weekly Operations Reports—which detail the dates worked, the employees’ hours recorded, and the site location—spreadsheets listing the activity amount of charges were provided as support to the invoice charge. Eversource explained the following:

“For Labor, BG&E entered their time electronically during this period and timesheets do not exist. The support provided within the Attachment MEL-3 B is what BG&E was able to provide from their system to support the labor charges applied to the storm.”

DD Power: Audit reviewed an invoice totaling \$183,307 for line crews and their equipment, meals, and fuel. The portion of the invoice allocated for meals expenses totaled \$720. No meals receipts or per diem amounts were provided to support this charge. **AUDIT ISSUE #4**

IB Abel: Audit reviewed an invoice totaling \$603,415.42 for line crews, equipment, and supervision from 11/26/14-11/30/14. A note from IB Abel was included in the supporting documentation, stating that the original amount of the invoice is incorrect; the corrected amount of the invoice is \$590,055.42 and this is the amount that was charged to the storm reserve.

Vegetation

\$1,766,682 was charged to the storm reserve for Vegetation services provided during the November 26th Major Storm event. Thirty-one percent of the total vegetation invoices, totaling \$548,084, were reviewed by Audit. All vegetation services were provided by Asplundh, Lewis Tree, Lucas Tree, and Tennett between the dates of 11/26/14 and 12/07/14. Invoices from each vendor were reviewed by Audit and no exceptions were noted.

Asplundh Tree: Audit reviewed thirty-four invoices for Asplundh for vegetation services. Supporting documentation to the invoices included employee timesheets, weekly operations reports, and when necessary, heavy storm work trimming crew locations.

Lewis Tree: Audit reviewed eight invoices from Lewis Tree which totaled \$170,767. These invoices included labor, equipment, and vehicles used during the dates of 11/27/14 through 12/1/14.

Lucas Tree: A labor charge for a Foreman, crew and equipment totaled \$7,838.25. The invoice was for work on 11/26/14 through 11/29/14.

Tennett Tree: An invoice in the amount of \$6,439 was reviewed by Audit. Services included heavy storm work trimming within Merrimack County. The invoice included individual labor hours and equipment hours for three days of work.

Mutual Aid

Mutual Aid expenses totaled \$2,072,888 for the November 26th Major Storm. A total of two vendors issued three invoices during the dates of 11/27/14 through 12/3/14. Audit reviewed all three invoices of the mutual aid with one exception to report.

Hydro Quebec: Audit reviewed two invoices totaling \$2,004,561 for linemen and mechanical labor. The Hydro Quebec invoices are reported in Canadian Dollars and converted to US Dollars for the total invoice amount. No exceptions were noted.

Liberty Utilities: Audit reviewed an invoice for \$68,327. This invoice included labor and vehicles. Audit questioned the 103.05 % Burden charge totaling \$35,032.81.

Eversource explained the Burden charge in the following statement: *“This invoice was for work performed for Mutual Aid by Liberty Utilities during the storm event. Liberty Utilities provided the Company with an invoice that includes their storm rates and a premium to cover*

their general and administrative expenses. Under Mutual Aid, the Company is obligated to pay the billing party's invoice if the rates billed appear reasonable, which these rates are consistent with other rates seen by Eversource for Mutual Aid, and the work is associated with the appropriate event, which it was...It is not uncommon for mutual aid invoices associated with storm restoration to include a premium on an employee's base rate to compensate the employee for premium pay associated with overtime and the company providing service for reimbursement of General and Administrative expenses. It appears that this calculation is consistent with this approach." **AUDIT ISSUE #9**

Procurement Card

The total Procurement Card expenses were broken out into three categories: Food and Lodging, Material, and Miscellaneous.

Procurement Card Summary of Expenditures by Description:

Food and Lodging	\$	904,731
Contractor		-
Material		16,358
Miscellaneous		<u>3,751</u>
Total Procurement Cards	\$	<u>924,840</u>

Audit selected seventeen invoices to review in detail, totaling \$234,367. Invoices reviewed were from all three categories that comprise the total Procurement Card expenses for the November 26th Major Storm.

Sam Hospitality Corp: A receipt totaling \$35,326.90 for lodging from the Crowne Plaza Nashua was reviewed by Audit. However, the corresponding total charged to the storm reserve is for \$36,992. No documentation was provided to support the additional \$1,665.10 charge. **AUDIT ISSUE #4**

Sunbelt Rentals: Audit reviewed an invoice for \$7,413.50 for LED message board rentals. The amount charged to the storm reserve was \$7,650. There was no supporting documentation for the additional \$236.50 charged to the storm account. **AUDIT ISSUE #4**

Tuckaway Butchery Boulter: Audit reviewed a batch receipt for \$31,452 but no invoice or itemization of charges was provided. **AUDIT ISSUE #4**

Traffic Control / Police Services

Three invoices, totaling \$40,233 or 37% of the total Traffic Control / Police Services charges, were selected for review by Audit. Services provided included police detail and traffic control. No exceptions were noted.

New England Traffic Control: Audit reviewed an \$18,738.23 invoice for flaggers' labor hours. Included in the calculations of the total for this invoice was \$16,985 of charges related to the November 26th Major Storm. The \$16,985 was the only amount that was charged to the storm reserve.

Food and Lodging

A total of \$318,077 in invoice amounts was recorded to the storm reserve. Audit selected eight of the twenty-one invoices, or 90% of the total Food and Lodging expenses, totaling \$287,104 to review in detail. No exceptions were noted.

Chiggys: Audit reviewed an invoice for \$1,299.05 worth of meals provided to storm duty employees.

Common Man: Audit reviewed a \$6,721.05 invoice for meals provided. Included in the calculations of the total for this invoice was \$6,532 of charges related to the November 26th Major Storm. Therefore, the \$6,532 was the only amount that was charged to the storm reserve.

Courtyard Marriott: An invoice for \$14,784 was reviewed by Audit for lodging and applicable tax charges. The lodging was needed for the storm crews between 11/27/14 – 11/29/14.

Executive Court Banquet Facility: An invoice for \$169,613 was reviewed by Audit for lunch and dinners provided to the storm crew on 11/27/14. Eighty employees received box lunches, twenty employees received dinners to-go, and two-hundred fifty employees were provided a buffet dinner.

Parker's Maple Barn: Catering services totaling \$16,508.32 were charged to the storm reserve as a food and lodging expense. The catering included two buffet breakfasts, each for fifty employees. The catering also included two dinners, each for two-hundred fifty employees. These catered meals were provided on the dates of 11/29/14 – 11/30/14.

Radisson Hotel Nashua: Audit reviewed an invoice for \$48,659.95 in storm crew lodging and applicable tax charges for the dates of 11/27/14 – 11/30/14.

The Stocked Fridge: Catering services totaling \$13,092.66 were charged to the storm reserve as a food and lodging expense. The catering was for the Milford AWC personnel and storm crews during the dates of 11/29/14 – 11/30/14.

Tidewater Catering Group: Catering services totaling \$16,615.42 were charged to the storm reserve as a food and lodging expense. The catering included two buffet breakfasts, each for eighty employees. The catering also included three lunches and three dinners. These catered meals were provided on the dates of 11/27/14 – 11/29/14.

Other

A total of \$55,907 in expenses was charged to the storm reserve for equipment rentals and payroll services. Audit reviewed four invoices totaling \$30,058 or 54% of the storm charges categorized as “other.” No exceptions were noted.

Comensura Inc.: Audit reviewed two invoices totaling \$10,077 for payroll services. Audit questioned whether these payroll services were previously included in the rate base. Eversource explained that these services are for externally contracted labor; therefore, the amounts charged are not already included in the rate base.

Direct Labor (PSNH and other Companies) \$5,171,564

PSNH	\$	2,569,100
PSNH Transmission		227,176
PSNH Generation		80,552
NSTAR		899,190
NSTAR Gas		45,217
Yankee		48,343
NUSCO		580,243
CL&P		1,299,670
Less: Capital Adjustment		<u>(577,927)</u>
Storm-related Payroll	\$	<u>5,171,564</u>

Eversource initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a

total of five job classes, covering three of the companies, and received an Excel spreadsheet that broke down the hours and pay by employee. The hours and amount for the three selections for companies PSNH, PSNH Transmission, and NSTAR matched the initial documentation provided.

Audit then made selections of thirteen specific employees for whom timesheets were provided by Eversource. Two exceptions were noted.

Eight of the PSNH Transmission employees, with a job class title of Representative, Supervisor, Manager, or Engineer, received payments totaling \$9,300 either under the description of “special payments” or without a description and without any hours recorded as having been worked. The Company responded with the following statement:

“Per Eversource’s compensation policy, the Company will award exempt employees that do not get paid overtime with stipend awards at the Company’s discretion. Stipends are determined by Senior Management after the storm based on the extraordinary levels of effort made by exempt employees during the storm. One or more levels of stipends are determined based on the severity and timing of the storm and a review of hours worked by exempt employees. Everyone that qualifies for a stipend level receives the same amount regardless of job description or compensation/salary level. Managers, Supervisors and Professional/Exempt Employees such as Team Leaders and various levels of Analysts qualify to receive stipend awards. Higher management levels such as Directors and Vice Presidents do not qualify to receive stipend awards. The \$9,300 identified for the 9 PSNH Transmission employees requested in the audit data request received such stipends for unpaid overtime hours worked over a holiday.

Furthermore, the Company noted that, *“During the review process an error was found in the calculation of the payment due to the employees that were on mutual aid. The hours sent to payroll to pay the employees for the unpaid overtime was too high for 3 employees. The variance is \$941.96 higher than what should have been charged to the storm.”* **AUDIT ISSUE #4**

Payroll-related Overheads \$1,680,470

Non-productive time overhead and payroll benefits were calculated based on the direct labor amounts for PSNH Transmission, PSNH Generation, Yankee, NSTAR, NSTAR Gas, and CL&P.

Non-productive time overhead was calculated by multiplying the direct labor amount of each division by their corresponding 2014 overhead rate.

Individual division payroll benefits were calculated by taking the sum of 1 plus the 2014 overhead rate and multiplying that sum by the direct labor amount for the specific division. The product is then multiplied by the 2014 payroll benefit rate as it applies to each company.

Audit initially inquired about the calculations used to determine the November 26th storm event’s payroll related overheads. The Company indicated:

“Journalized labor should have included overheads but when the journal was done, the preparer of the journal inadvertently excluded the proper intercompany source so the loaders were calculated at PSNH’s or NUSCO’s rates and the loaders were subsequently excluded from the transfer to the MSCR consistent with past practice of not seeking recovery of PSNH or NUSCO overheads. The end result is that the overheads related to NSTAR Electric, NSTAR Gas, and CL&P for which recovery is sought is understated by roughly \$200K.”

Audit further inquired about where Eversource is seeking the recovery of the \$200K of understated overheads, as declared in their previous response. Eversource stated the following:

“Recovery of the \$200K of overheads was not transferred to the storm cost reserve account for recovery. The cost remained in the 593140 account. As the storm costs are prudently incurred, they are charged to the 593140 account and then deferred to the 186430 account. Since these costs were calculated and categorized as PSNH D and NUSCO loaders, the dollars were excluded from the transfer to the MSCR consistent with past practice of not seeking recovery of PSNH D or NUSCO overheads.”

Audit agrees with Eversource’s decision not to move the \$200K but questioned the inclusion of January direct labor amounts in the December total direct labor amount for the 11/26/14 major storm. Eversource stated the following:

“There were corrections to correctly assign hours to the work order and those charges will fall into the month the corrections are made.”

The following is derived from the non-productive time overhead and payroll benefits calculations:

PSNH Transmission		
Non-Productive Time Overhead	\$	32,350
Payroll Benefits		<u>109,903</u>
Total PSNH Transmission	\$	<u>142,253</u>
PSNH Generation		

Non-Productive Time Overhead (\$80,552* .2050)	\$	16,511
Payroll Benefits (\$80,552*1.2050* .4439)		<u>43,080</u>
Total PSNH Transmission	\$	<u>59,591</u>
Yankee		
Non-Productive Time Overhead (\$48,343* .1917)	\$	<u>9,266</u>
Payroll Benefits (\$48,343* 1.1917* .5102)	\$	<u>29,379</u>
Total Yankee	\$	<u>38,644</u>
NSTAR		
Non-Productive Time Overhead	\$	<u>119,898</u>
Payroll Benefits	\$	<u>240,263</u>
Total NSTAR	\$	<u>360,161</u>
NSTAR Gas		
Non-Productive Time Overhead	\$	<u>5,210</u>
Payroll Benefits	\$	<u>13,435</u>
Total NSTAR Gas	\$	<u>18,645</u>
CL&P		
Non-Productive Time Overhead (\$1,271,795*.2187)	\$	<u>278,349</u>
Payroll Benefits (\$1,271,795*1.2187* .5047)	\$	<u>782,827</u>
Total CL&P	\$	<u>1,061,176</u>
Total Payroll-Related Overheads	\$	<u>1,680,470</u>

Vehicles \$465,339

The total vehicle expense for the November 26th Major Storm was \$465,339. The vehicle charges were broken down by entity, less a capital adjustment:

PSNH	\$	350,459
PSNH Transmission		10,049
PSNH Generation		730
NSTAR		-
NSTAR Gas		-
Yankee		2,840
NUSCO		2,929
CL&P		150,942
Less: Capital Adjustment		<u>(52,610)</u>
	\$	<u>465,339</u>

Vehicle usage amounts were recorded for each of the following companies: PSNH, PSNH Transmission, PSNH Generation, CL&P, Yankee, and NUSCO. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost of the vehicles.

Audit selected each type of vehicle from four of the six companies, for a total of fifteen vehicles reviewed in detail. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined. No exceptions were noted.

Other Employee-related Expenses \$126,824

The total Employee-related Expenses for the November 26th Major Storm were \$126,824.

PSNH	\$	36,483
CL&P		29,227
PSNH Generation		2,923
PSNH Transmission		8,830
Yankee		600
NSTAR		13,524
NUSCO		<u>35,238</u>

Total Other Employee-Related Expenses \$ 126,824

PSNH provided a spreadsheet with line items showing the amount of employee-related expenses by expense description which was sorted by company. PSNH’s policy does not require an employee to submit a receipt if the purchase is under \$25.

Audit selected miscellaneous and meals line items from three of the companies, for a total of \$45,357 or 36% of other employee expenses to review in detail. Audit did not review items under \$25.

Audit selected PSNH meals charges that amounted to \$28,218 to review. Receipts were provided as supporting documentation and no exceptions were noted.

Audit selected miscellaneous line items from PSNH, CL&P, and NUSCO for review totaling \$17,139. Receipts were provided for these charges as supporting documentation and no exceptions were noted.

Material \$370,891

Eversource provided a listing of all materials used by the company. Audit selected ten different material types for 412 individual items that were issued. Eversource then provided a more detailed spreadsheet showing the dates the item transaction was recorded. From the detailed listing, Audit selected seventeen specific line items to review.

Audit noticed that materials totaling \$54 in wire, ties, copper, soft drawn, 6 WEG, 25 LB/spool were recorded and/or removed from inventory in 2016 but included in the November 26, 2014 storm charge. **AUDIT ISSUE #5**

Audit received a listing of the area work centers (AWC) that requested the items listed and no exceptions were noted.

12/09/2014 Pre-staging Event EXPSTGD4 \$638,482

The weather forecast for December 9th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation that is greater than 8 inches and ice accumulation that is greater than 3/8 of an inch, in the North Country and Lakes Region parts of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-4A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 502,051
Direct Labor (WMECO and other NU Companies)	\$ 40,353
Payroll Related Overheads and Taxes	\$ 1,921
Vehicles	\$ 6,761
Other Employee Related Expenses	<u>\$ 1,922</u>
Total Storm Cost Transferred to Reserve	\$ 553,009
Carrying Charge through December 31, 2017	<u>\$ 85,473</u>
Actual Storm Reserve Balance December 31, 2017	<u><u>\$ 638,482</u></u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$502,051

A total of \$502,051 in expenses from 141 vendors, contractors, and mutual aid invoices, plus procurement card expenses resulted from the December 9th Pre-stage event.

Summary of Expenditures by Description:

Contractor	\$	443,896
Vegetation		47,408
Mutual Aid		-
Procurement Card		9,332
Environmental		-
Traffic Control / Police Services		685
Food and Lodging		731
Material		-
Other		-
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	\$	<u>502,051</u>

Audit selected forty-two, or 53% of the total contractor and vendor expenses to review.

Contractor

A total of \$443,896 in Contractor amounts was recorded on the storm reserve account. Audit selected 13 of the 17 invoices, totaling \$401,469.12 or 90% of total contractor expenses, to review in detail. One exception was noted.

Evans Line Construction: Two invoices, totaling \$9,885, were reviewed by Audit. Services rendered were for line crews, equipment, and vehicles between the dates of 12/9/14 – 12/10/14.

Grattan Line Construction: Audit reviewed an invoice totaling \$52,785.59 for restoration services provided on 12/9/14 – 12/10/14. Services included crews and equipment, fuel, and meals charges.

Haugland Energy Group: Audit reviewed an invoice for \$52,306.41 for storm restoration crew and equipment. There was \$8,579.70 in charges not related to the December 9th pre-stage event. This amount was removed from the invoice, resulting in a charge of \$43,727 to the storm reserve.

IC Reed & Sons: An invoice totaling \$3,125.50 for equipment rental was reviewed by Audit. Of this total, \$622 was charged to the storm reserve, as this amount was for 12/9/14 rental charges related to the pre-stage event.

JCR Construction Company: Three invoices, totaling \$18,565, were reviewed by Audit for work performed on 12/9/14. Line crews, equipment, and vehicles were charged for their services during this pre-stage event.

McDonough Electric: Audit reviewed two invoices for crews, equipment, vehicles, and fuel. The invoices totaled \$130,946 and were for restoration services provided on 12/9/14 – 12/10/14.

State Electric Corp: Audit reviewed two invoices, totaling \$94,506, for storm restoration services involving labor and equipment on 12/9/14.

Twenty First Century Communications: Audit reviewed an invoice for \$42,489.10 for out-dial usage. Eversource explained that outdial usage is a charge for customer communication made to alert a customer of a grid concern, such as an impending weather event or a reported power outage. The \$1,022.10 variance between the actual invoice and the \$41,467 amount charged to the storm reserve represents the difference between the total invoice to Eversource and the allocation attributable to PSNH. **AUDIT ISSUE #9**

Audit questioned the use of a communication expense as part of the storm restoration costs. Eversource explained the charge to the storm cost reserve in the following statement:

“The ‘Outdial Usage’ is a charge for customer communication made to alert a customer of a grid concern. Examples of reasons for communication could be an impending weather event, notification of a planned power outage, notification of a reported power outage in the area, estimated time until power is restored, etc. For Outdial Usage, Twenty First Century charges a fee for each communication effort made.”

The Company further explained that, *“The charges associated with Twenty First Century that were incurred during the weather event are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH’s base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, Twenty First Century’s services are not only convenient and helpful for customers, they’re expected.”*

Utility Service & Assistance: Audit reviewed an invoice for crews, equipment, and vehicles. The invoice totaled \$8,965.53 for restoration services performed on 12/9/14.

Vegetation

A total of \$47,408 was charged to the storm reserve for Vegetation services provided during the December 9th Pre-stage event. Thirty-eight percent of the total vegetation invoices, totaling \$24,747, were reviewed by Audit. All vegetation services were provided by Asplundh and Lucas Tree, between 12/9/14 and 12/10/14. No exceptions were noted.

Traffic Control / Police Services

A total of one Traffic Control / Police Services invoice was charged to the storm reserve for the December 9th Pre-stage event. Audit reviewed the one invoice, totaling \$832.50, for police detail in Conway, NH. Of the total amount recorded on the invoice, \$147.50 in charges did not pertain to the December 9th Pre-stage. Therefore, the total amount charged to the storm reserve was \$685.

Food and Lodging

A total of \$731 in invoice amounts was recorded to the storm reserve. Audit reviewed all three, or 100%, of total Food and Lodging expenses. No exceptions were noted.

Procurement Card

The following total Procurement Card expenses were for Food and Lodging and materials charges:

Procurement Card Summary of Expenditures by Description	
Food and Lodging	\$ 9,199
Contractor	-
Material	133
Miscellaneous	-
Total Procurement Cards	<u>\$ 9,332</u>

Audit selected twelve invoices to review in detail, totaling \$3,970. Invoices reviewed were for meals provided during the March 12th Pre-stage event, as well as hotel accommodations for the overnight of 3/12/14 to 3/13/14. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$40,353

PSNH	\$	34,134
PSNH Transmission		2,980
NUSCO		3,239
CL&P		-
Storm-related Payroll	\$	<u>40,353</u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a total of eight job descriptions, covering all three of the companies reporting direct labor. An Excel spreadsheet was received that listed the individual hours and pay by employee. One exception was noted.

Audit questioned an exempt NUSCO employee was included for hourly pay, with a total of \$428 (recorded as \$427.87 on the corresponding timesheet provided by Eversource), in the pre-staging amounts charged to the storm reserve. Five of those hours were listed under the time code description of “unpaid hours beyond schedule.” Eversource explained that, “...*this cost is related to a NUSCO Transmission exempt employee [and] is considered incremental and therefore should be included in the cost recovery.*”

Payroll-related Overheads \$1,921

Non-productive time overhead and payroll benefits were calculated based on PSNH Transmission direct labor amount of \$2,980 and the PSNH direct labor amount of \$34,134.

Non-productive time overhead was calculated by multiplying the direct labor amount of each division by their corresponding 2014 overhead rate.

Individual division payroll benefits were calculated by taking the sum of 1 plus the 2014 overhead rate and multiplying that sum by the direct labor amount for the specific division. The product is then multiplied by the 2014 payroll benefit rate.

The following is derived from the non-productive time overhead and payroll benefits:
PSNH Transmission

Non-Productive Time Overhead (\$2,980* 13.90%)	\$	414
Payroll Benefits (\$2,980*1.1390* 44.39%)		<u>1,507</u>
Total PSNH Transmission	\$	<u>1,921</u>
Total Payroll-Related Overheads	\$	<u>1,921</u>

Vehicles \$11,930

The total vehicle expense for the December 9th Pre-stage event was \$6,761. The vehicle charges were identified by company:

PSNH	\$	6,678
PSNH Transmission		<u>83</u>
	\$	<u>6,761</u>

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost of the vehicles.

Audit selected all vehicles from both companies, for a total of six vehicles reviewed in detail. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined. No exceptions were noted.

Other Employee-related Expenses \$1,922

The total Employee-related Expenses for the December 9th Pre-stage event were \$1,922.

PSNH	\$	1,585
PSNH Transmission		297
NUSCO		<u>40</u>
Total Other Employee-Related Expenses	\$	<u>1,922</u>

Eversource provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Eversource’s policy does not require an employee submit a receipt if the purchase is under \$25. Audit selected one PSNH item for review, totaling \$1,409, from the meals expense category.

The \$1,409 meals charge consisted of forty-four meal reimbursements. Receipts were provided for selected reimbursements over \$25 and Audit noted no exceptions.

Audit inquired about a possible typographical error on the Other Employee-related Expenses spreadsheet, provided by Eversource for the December 9th Pre-stage event, where it lists the “Pre-staging Event 11/25/14” in the column for the Funding Project Description.

Eversource verified that this is in fact an error and stated that they will amend the description on the project in their system.

01/04/2015 Pre-staging Event EXPSTGA5 \$50,610

The weather forecast for January 4th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by ice accumulation that is greater than 3/8 of an inch, in the North Country and Lakes Region parts of the state. Additionally, the North Country was also forecasted to receive greater than 8 inches of snow. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-5A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 3,583
Direct Labor (WMECO and other NU Companies)	\$ 35,698
Payroll Related Overheads and Taxes	\$ -
Vehicles	\$ 3,767
Other Employee Related Expenses	\$ <u>861</u>
Total Storm Cost Transferred to Reserve	\$ <u>43,908</u>
Carrying Charge through December 31, 2017	\$ <u>6,701</u>
Actual Storm Reserve Balance December 31, 2017	\$ <u><u>50,610</u></u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$3,583

A total of \$3,583 in vendor and procurement charge expenses resulted from the January 4th Pre-stage event.

Summary of Expenditures by Description:

Contractor	\$ -
Vegetation	-
Mutual Aid	-
Procurement Card	3,440
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	142
Material	-
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	\$ <u><u>3,583</u></u>

Audit selected two, or 31% of the total contractors/vendors, mutual aid, and procurement card expenses to review.

Food and Lodging

A charge of \$142 was recorded to the storm reserve. Audit reviewed the invoice for this amount and no exceptions were noted.

Procurement Card

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

Food and Lodging	\$	3,440
Contractor		-
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>3,440</u>

Cork N Keg: Audit selected one invoice to review in detail, totaling \$981. A batch receipt, referencing an invoice with a date of 1/27/15, was provided.

Direct Labor (PSNH and other Companies) \$35,698

PSNH	\$	31,862
PSNH Transmission		-
NUSCO		3,835
CL&P		-
Storm-related Payroll	\$	<u>35,698</u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. The total hours and pay from the provided spreadsheet matched the initial direct labor document that was submitted. Audit then selected nine different job descriptions to review in detail.

Of the nine job selections, Audit requested the timesheets and/or Weekly Operations Reports, detailing the work performed of eleven employees from both companies. No exceptions were noted.

Vehicles \$3,767

The total vehicle expense for the January 4th Pre-stage event was \$3,767. The vehicle charges were for PSNH.

PSNH	\$ 3,767
Total Vehicles	\$ 3,767

Vehicle usage amounts were recorded for PSNH. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost of the vehicles.

Audit selected all vehicles, for a total of four, to be reviewed in detail. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined. No exceptions were noted.

Audit inquired about the “shared lease” vehicle type, accounting for \$64.06 of the total Vehicles charge to the storm reserve. Eversource explained the calculation of the shared lease in the following statement:

“A shared lease pertains to a vehicle that is leased by the Company for use in daily operations, and the vehicle lease is also shared by the employee. By sharing the lease payment with the employee, it allows the employee to use this vehicle for his/her personal use and saves the Company money. Employees pay a mileage fee, inclusive of the cost of fuel and maintenance for personal miles they drive. The employee also shares the fixed costs associated with the vehicle, which includes the lease payment and insurance. During working hours, the shared lease vehicle hours are charged to the job the employee is working on and the applicable shared lease vehicle rates are applied to those hours and job.”

Other Employee-related Expenses \$861

The total Employee-related Expenses for the January 4th Pre-stage event were \$861.

PSNH	\$ 827
PSNH Transmission	-
NUSCO	34
Total Other Employee-Related Expenses	\$ 861

Eversource provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Eversource’s policy does not require an employee submit a receipt if the purchase is under \$25. Audit selected three PSNH items for review, totaling \$788, from the meals, mileage, and transportation expense categories. Per Diem amounts of \$10 per employee, accounted for \$150 of the meals expense. The remaining \$275.57 in meals charges included corresponding receipts that matched the charges.

Audit then reviewed \$183.70 in mileage charges. Eversource verified that they use the IRS approved mileage rate and multiply it by the number of miles traveled to determine the reimbursement amount. The IRS rate for 2015 was \$0.575/mile. No exceptions were noted.

01/26/2015 Pre-staging Event EXPSTGB5 \$1,145,027

The weather forecast for January 26th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation that is greater than 12 inches, in the North Country, Lakes Region, Central South, Seacoast South, and Western parts of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-6A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 867,021
Direct Labor (WMECO and other NU Companies)	100,851
Payroll Related Overheads and Taxes	464
Vehicles	18,030
Other Employee Related Expenses	<u>7,049</u>
Total Storm Cost Transferred to Reserve	\$ 993,415
Carrying Charge through December 31, 2017	<u>\$ 151,611</u>
Actual Storm Reserve Balance December 31, 2017	<u><u>\$1,145,027</u></u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$867,021

A total of 143 contractor and vendor invoices, plus the procurement card expenses, resulted in a total of \$867,021 in charges from the January 26th Pre-stage event.

Summary of Expenditures by Description:

Contractor	\$ 644,802
Vegetation	181, 692

Mutual Aid	-
Procurement Card	35,388
Environmental	-
Traffic Control / Police Services	1,277
Food and Lodging	3,122
Material	-
Other	<u>740</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 867,021</u>

Audit selected twenty-five, or 64% of the total contractor and vendor expenses to review.

Contractor

A total of \$644,802 in Contractor expenses was recorded on the storm reserve account. Audit selected eight of the nineteen invoices, totaling \$526,330, to review in detail. Of the invoices reviewed were equipment rentals, line crews, police detail, and other services.

Haugland Energy: An invoice for \$85,798.18 was reviewed by Audit. The invoice was reduced by \$1,008.18, charging \$84,790 to the storm reserve. Meals receipts, totaling \$332.64 of the \$980.66 portion of the invoice that was allocated for Hotel, Fuel, and Miscellaneous, were not provided. **AUDIT ISSUE #4**

Twenty First Century Communications: Audit reviewed an invoice for communications services, totaling \$46,389. Audit questioned the use of a communication expense as part of the storm restoration costs. Eversource explained the charge to the storm cost reserve in the following statement:

“The charges associated with Twenty First Century that were incurred during the weather event are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH’s base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, Twenty First Century’s services are not only convenient and helpful for customers, they’re expected.” **AUDIT ISSUE #9**

Eversource also stated that, *“An adjustment was done to remove the CT system generated sales tax from the storm deferral but \$3,145.47 was removed from the storm deferral instead of \$2,957.66 that was charged to the pre-staging work order (EXPSTGB5) causing the storm cost [of \$46,389] to be understated by \$187.81.”* Supporting documentation for this adjustment was

not provided; thus, the Company did not account for the understated amount in their storm cost recovery request.

Vegetation

\$181,692 was charged to the storm reserve for Vegetation services provided during the January 26th pre-stage event. All vegetation services were provided by Asplundh Tree Experts and Lewis Tree Service between 1/26/15 and 1/27/15. Thirty-seven invoices from both companies, totaling \$55,615, were reviewed by Audit. No exceptions were noted.

Procurement Card

The total Procurement Card expenses were broken into two categories: Food and Lodging and Miscellaneous.

Procurement Card Summary of Expenditures by Description	
Food and Lodging	\$ 33,464
Miscellaneous	<u>1,924</u>
Total Procurement Cards	<u>\$ 35,388</u>

The Procurement Card amounts expensed to the storm reserve totaled \$35,388. Audit requested the supporting documentation and/or receipts for seventeen invoices, totaling \$17,861, or 50% of the total Procurement Card charges. Supporting documentation was provided and no exceptions were noted.

Traffic Control / Police Services

Two invoices totaling \$1,277 were charged to the storm reserve under the category of Traffic Control / Police Services. Audit selected and reviewed both of these invoices. Services provided included police detail and traffic control. No exceptions were noted.

Food and Lodging

A total of \$3,122 in invoice amounts was recorded to the storm reserve. Audit selected four of the six invoices, or 82% of total Food and Lodging expenses, to review in detail. No exceptions were noted.

Other

One invoice totaling \$740 was categorized as “Other” expenses. Audit reviewed this invoice for tool rentals used at the Manchester Airport. No exception was noted.

Direct Labor (PSNH and other Companies) \$100,851

PSNH	\$	99,286
PSNH Transmission		539
NUSCO		800
PSNH Generation		<u>227</u>
Storm-related Payroll	\$	<u><u>100,851</u></u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a total of eleven job descriptions, covering all four of the companies, and received an Excel spreadsheet that broke down the hours and pay by employee.

Audit then requested the time sheets and/or Weekly Operations Report for eighteen employee selections that were taken from the Excel spreadsheets provided from companies PSNH, PSNH Transmission, NUSCO, and PSNH Generation. Time sheets were then requested and provided for all of the employee selections made by Audit. No exceptions were noted.

Payroll-related Overheads and Taxes \$464

Non-productive time overhead and payroll benefits were calculated based on PSNH Transmission and PSNH Generation direct labor.

Non-productive time overhead was calculated by multiplying the direct labor amount of each division by their corresponding 2015 overhead rate.

Individual division payroll benefits were calculated by taking the sum of 1 plus the 2015 overhead rate and multiplying that sum by the direct labor amount for the specific division. The product is then multiplied by the 2015 payroll benefit rate of for PSNH Transmission and PSNH Generation, both at 38.76%.

The following is derived from the non-productive time overhead and payroll benefits calculations:

PSNH Transmission	
Non-Productive Time Overhead (\$539* 15.76%)	\$ 85
Payroll Benefits (\$539*1.1576* 38.76%)	<u>242</u>
Total PSNH Transmission	<u>\$ 327</u>
PSNH Generation	
Non-Productive Time Overhead (\$227* 15.76%)	\$ 36
Payroll Benefits (\$227*1.1576* 38.76%)	<u>102</u>
Total PSNH Generation	<u>\$ 137</u>
Total Payroll-Related Overheads	<u>\$ 464</u>

Vehicles \$18,030

The total vehicle expense for the January 26th pre-stage event was \$18,030. The vehicle charges were identified by company.

PSNH	\$ 17,933
PSNH Transmission	-
NUSCO	97
PSMH Generation	<u>-</u>
	<u>\$ 18,030</u>

Vehicle usage amounts were recorded for both PSNH and NUSCO. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost.

Audit selected all of the vehicles from both companies, for a total of seven vehicles reviewed. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined in detail. No exceptions were noted.

Eversource noted two line items that were reversed on the original schedule (MEL-6A) that was provided to Audit. The reversed items were amounts for NUSCO's Pickup/Van and Shared Lease. The reversal did not amount to a discrepancy in the fling, as the total amount of vehicle usage by NUSCO remained the same.

Eversource also explained that PSNH’s Box / Dump Truck amount of \$288.11 was inadvertently included with the \$10,517.76 recorded for PSNH’s Heavy Duty Bucket / Squirt. The sum of these two amounts was recorded on schedule MEL-6A for the Heavy Duty Bucket / Squirt vehicle amount, totaling \$10,806.

Other Employee-related Expenses \$7,049

The total Employee-related Expenses for the January 26th Pre-stage event were \$7,049.

PSNH	\$	4,881
PSNH Transmission		19
NUSCO		<u>2,149</u>
	\$	<u>7,049</u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description and sorted by company. Audit selected six items for review from the PSNH meals expense category, which had a purchase price over \$25. PSNH’s policy does not require an employee submit a receipt if the purchase is under \$25.

Concerning these six items selected by Audit, Eversource provided receipts to support the meals amounts charged per employee, for a total of \$1,481 or 91% of all meals expenses. No exceptions were noted.

All of the miscellaneous charges were reviewed by Audit, totaling \$3,211. Audit requested the supporting documentation to verify this amount and receipts were submitted for accompanying charges without any exceptions.

Audit reviewed all of the transportation expenses for both PSNH and NUSCO, totaling \$1,920. An itemized spreadsheet of charges per employee and their accompanying receipt were provided. No exceptions noted.

02/15/2015 Pre-staging Event EXPSTGC5 \$253,920

The weather forecast for February 15th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3 for wind in the Seacoast South region of the state. EEI Level 3 winds are defined as having a speed greater than or equal to 50mph. Additionally, a high probability of snow accumulation reaching EEI Level 3 in the Central South and Lakes Region portions of the state, and reaching EEI Level 4 for snow accumulation in the Seacoast South was predicted. EEI Level 3 and 4 snow accumulations are defined as being greater than 8 inches and

greater than 12 inches respectively. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-7A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	96,686
Direct Labor (WMECO and other NU Companies)	\$	106,314
Payroll Related Overheads and Taxes	\$	-
Vehicles	\$	17,489
Other Employee Related Expenses	\$	<u>874</u>
Total Storm Cost Transferred to Reserve	\$	221,362
Carrying Charge through December 31, 2017	\$	<u>32,557</u>
Actual Storm Reserve Balance December 31, 2017	\$	<u><u>253,920</u></u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$96,686

A total of eight contractor and vendor invoices, plus the procurement card expenses, resulted in a total of \$96,686 in charges from the February 15th pre-stage event.

Summary of Expenditures by Description:

Contractor	\$	91,555
Vegetation		-
Mutual Aid		-
Procurement Card		4,860
Environmental		-
Traffic Control / Police Services		-
Food and Lodging		272
Material		-
Other		<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	\$	<u><u>96,696</u></u>

Audit selected all eight of the total contractor and vendor expenses to review.

Contractor

A total of \$91,555 in Contractor expenses was recorded on the storm reserve account. Audit selected all five of the Contractor invoices to review in detail. Of the invoices reviewed, services provided were for equipment rentals and line crews. One exception was noted.

Haugland: Audit reviewed two invoices for the storm restoration effort in Milford, NH. The services billed were on 2/15/15 and for the mobilization and stand-by of crews and equipment.

Three Phase Line Construction: Two invoices for stand-by crews and equipment, totaling \$25,438.50, were reviewed by Audit. One of the two invoices was for \$19,333.26. Of that total, \$8,649 was charged to the storm reserve, as that was the portion of expenses that were related to the February 15th pre-stage event.

Twenty First Century: Audit reviewed one invoice for storm related Outdial usage and SMS update and emergency notifications to customers. The invoice total was for \$146,978; of that amount, \$40,944 was allocated to the storm work. Audit questioned the use of a communication expense as part of the storm restoration costs. The Company responded by stating that, *“The charges associated with Twenty First Century that were incurred during the weather event are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH’s base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, Twenty First Century’s services are not only convenient and helpful for customers, they’re expected.”* **AUDIT ISSUE #9**

Procurement Card

The total Procurement Card expenses were broken for Food and Lodging charges.

Procurement Card Summary of Expenditures by Description

Food and Lodging	\$ 4,860
Total Procurement Cards	<u>\$ 4,860</u>

The Procurement Card amounts expensed to the storm reserve totaled \$4,860. Audit selected five invoices to review, totaling \$1,439, or 30% of the total Procurement Card charges. Supporting documentation for these invoices was provided and Audit found no exceptions to note.

Food and Lodging

Two invoices totaling \$272 in charges were recorded to the storm reserve. Audit selected both invoices for review with no exceptions noted.

Direct Labor (PSNH and other Companies) \$100,851

PSNH	\$	99,286
PSNH Transmission		539
NUSCO		800
PSNH Generation		<u>227</u>
Storm-related Payroll	\$	<u>100,851</u>

PSNH initially provided an itemization of direct labor that listed each job class for PSNH, along with the total hours worked and corresponding pay amount. Audit selected a total of eight job descriptions from PSNH and received an Excel spreadsheet that broke down the hours and pay by employee.

Audit then requested the individual timesheets and/or other payroll supporting detail to review the employee hours and amounts for thirteen PSNH selections, totaling \$10,541. Eversource provided the accompanying employee timesheets and payroll analysis spreadsheet. Additionally, Eversource explained the following finding:

“In reviewing the journal that was done for the customer group to reclassify labor that was charged during the pre-stage event, it was found that charges for an exempt employee’s overtime were charged to the pre-staging event EXPSTGC5 in error. The \$67.50 should be removed from our recovery request.” **AUDIT ISSUE #5**

Vehicles \$17,489

The total vehicle expense for the February 15, 2015 pre-stage event was \$17,489. The PSNH vehicle charges were identified as follows:

PSNH	\$	<u>17,489</u>
	\$	<u>17,489</u>

Vehicle usage amounts were recorded for PSNH. All of the vehicles were charged based on a fixed rate and a variable rate. The fixed rate factors in the cost of depreciation, taxes, registration, insurance and other such items. The variable rates cover the maintenance and fuel cost.

Audit selected all of the vehicles from PSNH, for a total of four vehicles reviewed. The vehicle rates, as well as the corresponding vehicle types, hours used, and amount charged to the storm reserve, were examined in detail. No exceptions were noted.

Eversource also explained that PSNH’s Box / Dump Truck / Walk-in Van amount of \$245.20 was inadvertently included with the \$16,014.24 amount recorded for PSNH’s Heavy Duty Bucket / Squirt. The sum of these two amounts was recorded on schedule MEL-6A for the Heavy Duty Bucket / Squirt vehicle amount, totaling \$16,259.

Other Employee-related Expenses \$874

The total Employee-related Expenses for the February 15th pre-stage event were \$874.

PSNH	\$ 874
Total Other Employee Expenses	<u>\$ 874</u>

Eversource provided a spreadsheet showing the amount of employee-related expenses by expense description, which was sorted by company. Audit selected the meals charge of \$748 to review in detail and requested corresponding receipts to support the charge. No exceptions were noted.

04/03/2016 Pre-staging Event EXPSTGA6 \$153,135

The weather forecast for April 3rd described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by wind speed that is greater than 45 mph, in the Central, Eastern, Northern, Southern, and Western parts of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-8A which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 25,883
Direct Labor (WMECO and other NU Companies)	102,735
Payroll Related Overheads and Taxes	85
Vehicles	10,987
Other Employee Related Expenses	<u>1,516</u>
Total Storm Cost Transferred to Reserve	<u>\$ 141,205</u>
Carrying Charge through December 31, 2017	<u>\$ 11,930</u>
Actual Storm Reserve Balance December 31, 2017	<u>\$ 153,135</u>

There were a total of fourteen contractor and vendor invoices, plus the procurement card expenses totaling, all totaling \$25,883.

Summary of Expenditures by Description:

Contractor	\$	-
Vegetation		21,973
Mutual Aid		-
Procurement Card		3,404
Environmental		-
Traffic Control / Police Services		-
Food and Lodging		506
Material		-
Other		-
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	\$	<u>25,883</u>

Vegetation

A total of \$21,973 was charged to the storm fund for Vegetation maintenance during the storm. There were a total of twelve invoices from vendors Asplundh Tree Expert and Lewis Tree. Audit selected and reviewed ten invoices totaling, \$19,106 for tree removal from April 3rd through on April 5th. No exceptions were noted.

Procurement Card

The Procurement Card expenditures for the April 3rd pre-stage event were for thirty Food and Lodging receipts totaling \$3,404. Audit selected four charges, totaling \$929 or 27% of the Procurement Card expenses, to review in detail. No exceptions were noted.

Direct Labor \$102,735

PSNH and PSNH Transmission were the companies providing direct labor during the April 3rd pre-staging event. The direct labor totaled \$102,735.

Audit selected eight job descriptions from the itemization of direct labor spreadsheet provided by Eversource. Eversource then provided detailed hours and pay broken down to the employee level. The detailed employee breakdown matched the itemization spreadsheet initially provided. Audit then selected fourteen specific employees' timesheets to review, totaling \$12,005. No exceptions were noted.

Payroll-related Overheads and Taxes \$85

Non-productive time overhead and payroll benefits were calculated based on PSNH Transmission direct labor.

Non-productive time overhead was calculated by multiplying the direct labor amount by its corresponding 2016 overhead rate.

Individual division payroll benefits were calculated by taking the sum of 1 plus the 2016 overhead rate and multiplying that sum by the direct labor amount for the specific division. The product is then multiplied by the 2016 payroll benefit rate of for PSNH Transmission.

The following is derived from the non-productive time overhead and payroll benefits calculations:

PSNH Transmission

Non-Productive Time Overhead (\$156* 17.21%)	\$	27
Payroll Benefits (\$156*1.1721* 31.46%)		<u>58</u>
Total PSNH Transmission	\$	<u>85</u>
Total Payroll-Related Overheads	\$	<u><u>85</u></u>

Vehicles \$10,987

The vehicle expense for the April 3rd pre-staging event totaled \$10,987. PSNH was the only company to provide vehicles throughout this event. A total of four vehicle types were used and Audit selected all to review the hours and rates.

All vehicles are charged based on a fixed rate and a variable rate. Audit reviewed the rates for each of the vehicles used and noted that the rates were consistent with the rate schedule provided by Eversource. No exceptions were noted.

Other Employee-related Expenses \$1,516

Employee related expenses totaled \$1,516 for the April 3rd pre-stage event.

PSNH	\$	1,492
PSNH Transmission		14
NUSCO		<u>10</u>
	\$	<u><u>1,516</u></u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Audit selected two items from PSNH that

had a purchase price over \$25. PSNH's policy does not require an employee submit a receipt if the purchase is under \$25.

The PSNH meals reimbursements totaled \$619. Two of the charges, totaling \$31 each, had a total of less than \$25. No receipts were provided, as stated in the PSNH policy that does not require receipts for items less than \$25. There were three reimbursements, totaling \$241, which were all over \$25. Audit reviewed the charges and no exceptions were noted.

The total miscellaneous reimbursement for PSNH was \$636. Seven of these reimbursements, all under \$25, totaled \$108. In accordance with PSNH policy, receipts for charges under \$25 are not required; thus, no receipts were provided for these amounts. However, four of the reimbursements, each over \$25, totaled \$173. Documentation was requested for these charges and reviewed by Audit with no exceptions noted.

AUDIT SUMMARY

For the period of December 1, 2013 through December 31, 2017, \$38,408,608 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430.

As of December 31, 2017, the Storm Funding Deferral account #228430 had a balance of \$79,641,902. The funding, which is posted to account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account.

Audit recommends removing the following costs from the storm reserve:

Audit Issue #1	\$	-
Audit Issue #2		-
Audit Issue #3		-
Audit Issue #4		38,641
Audit Issue #5		122
Audit Issue #6		6,262
Audit Issue #7		393
Audit Issue #8		90,885
Audit Issue #9		<u>192,848</u>
Total Costs Recommended for Removal	\$	<u>329,152</u>

	Reported Balance 12/31/17	Less: Audit Adjustments	Adjusted Storm Balance
12/20/13 Pre-Staging Costs	\$ 5,441,858	\$ (93,171)	\$ 5,348,687
3/12/14 Pre-Staging Costs	283,963	(36,677)	247,286
Thanksgiving Storm (11/26/14)	30,441,614	(70,103)	30,371,511
12/9/14 Pre-Staging Costs	638,482	(41,467)	597,015
1/4/15 Pre-Staging Costs	50,610	-	50,610
1/26/15 Pre-Staging Costs	1,145,027	(46,722)	1,098,305
2/15/15 Pre-Staging Costs	253,920	(41,012)	212,908
4/3/16 Pre-Staging Costs	153,135	-	153,135
Total Deferred MSCR Costs	<u>\$ 38,408,608</u>	<u>\$ (329,152)</u>	<u>\$ 38,079,457</u>

Audit notes that the actual balances as of 12/31/2017 include carrying charges. Once Audit's suggested adjustments are made, carrying charges will need to be recalculated.

Audit Issue #1

Costs Were Already Approved for Cost Recovery

Background

Docket No. DE 12-320, dated February 26, 2013, ordered that, “[The] recovery of pre-staging costs through its Major Storm Cost Reserve...is approved.” However, outlined in the petition, from Docket DE 18-058 and dated April 13, 2018, Eversource is seeking approval to recover the costs of the previously audited seven weather events, occurring between August 2011 and March 2013.

Issue

The above stated weather events have already been audited by the Commission’s Audit Staff and approved for cost recovery, as of February 26, 2013. The Company did not recover the 2011 – 2013 storm costs, as authorized.

Recommendation

Audit recommends that Eversource transfer the storm reserve funding account to the storm expense account, in order to offset the amounts. The adjusting entry of \$49,021,172, as approved by Secretarial Letter dated September 17, 2018 in the current docket, should be documented as completed September 30, 2018.

Company Response

The Company has made the transfer as instructed in the Secretarial Letter dated September 17, 2018. The entry was made for \$49,021,172.10 in September 2018 with an effective date of 09/30/18. The Company has also attached the journal entry illustrating this transfer with these comments (See Appendix A).

Audit Conclusion

Audit concurs with the response by Eversource.

Audit Issue #2

Cost Schedules Not Finalized for Pre-Staging Events Post April 2016

Background

Testimony of Marc Lemenager indicates that there have been storms and pre-staging events, occurring after the filed April 2016 storms. Eversource is seeking the audit of these storms and to have the Commission approve the audited costs for recovery from the MSCR.

Issue

As of the date of the filing (4/13/2018), the weather event cost schedules have not been finalized and copies of invoices have not been compiled for Audit to review.

Recommendation

Audit recommends that Eversource provide the weather event cost schedules and copies of invoices, in order for the Commission's audit of these events.

Company Response

There have been multiple major recoverable storms and prestaging events that have occurred since April 2016, but these weather events are not part of this filing nor is the Company seeking for these costs to be audited at this time. The Company is in the process of finalizing documentation and schedules for the major recoverable storms and prestaging events that occurred between April 2016 and December 2017 so that Commission Audit Staff can review the costs.

Audit Conclusion

Audit concurs with the response by Eversource and recommends annually filing the storm costs each April for the prior calendar year.

Audit Issue #3

Carrying Charges Requested for Recovery

Background

Audit reviewed the rolling reconciliation of the General Ledger Account #186430 provided by Eversource to ensure that the costs incurred were offset by the revenue collected through the funding account #228430.

Issue

The Company did not offset the approved storm costs incurred to the MSCR revenue.

Recommendation

Audit recommends that, going forward, Eversource annually offset the storm cost account #186430 directly to the funding account #228430.

Company Response

The Company currently maintains a storm cost reserve account (#186430) and a storm cost funding account (#228430). Once storm costs are audited and a secretarial letter is issued that allows funding to be applied to the storms, the storm costs are offset by any funding available in the #228430 account. However, the Company would not be opposed to annually offsetting the storm cost account #186430 by the funds in the #228430 funding account.

Audit Conclusion

Audit is aware of the two general ledger accounts and reminds the Company that it was authorized to offset storm costs with the storm funding via Commission Order 23,443 in DE99-099, pages 282-283. Thus, an audit and secretarial letter should not be considered the authorization needed to manage the storm revenues and costs.

Audit concurs with the response by Eversource to annually offset the storm costs from account #186430 by the funds in the #228430 funding account. Audit further recommends that an ongoing, annual reporting of the reconciliation of the over/under balance be provided to the Commission not later than April 1 of each year. The reconciliation should include a beginning balance of both balance sheet accounts, expense activity during the previous year, the revenue collected during the previous year, and interest booked. The ending balance will be the roll-forward over or under collection of revenue vs. expenses. All portions of the annual reconciliation are subject to audit once the reconciliation is filed.

Audit Issue #4

No Supporting Detail

Background

Audit reviewed spreadsheets provided by Eversource detailing the expenditures for the storms. Audit then selected specific items and requested their supporting documentation.

Issue

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

Recommendation

Audit recommends removing the following charges from the storm reserve:

Eastern Inn	\$	1,231	12/20/13 Pre-Stage
Mr. Pizza Fysh		995	12/20/13 Pre-Stage
NSTAR Direct Labor Hours		250	12/20/13 Pre-Stage
Sunapee Lake Lodge		817	03/12/14 Pre-Stage
DD Power		720	11/26/14 Storm
Sam Hospitality Corp		1,665	11/26/14 Storm
Sunbelt Rentals		236	11/26/14 Storm
Tuckaway Butchery Boulter		31,452	11/26/14 Storm
PSNH Direct Labor		942	11/26/14 Storm
Haugland Energy		333	01/26/15 Pre-Stage
Total for Audit Issue #4	\$	<u>38,641</u>	

Company Response

Eastern Inn – The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

Mr. Pizza Fysh - The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

NSTAR Direct Labor Hours –All of the calculations were provided in the supplemental 7 response. The response also notes that the \$250 for a separate employee (McCombe) should not have been billed to the storm, and the Company concurs that this \$250 should be removed.

Sunapee Lake Lodge - The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

DD Power - The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

Sam Hospitality Corp - The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

Sunbelt Rentals - The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

Tuckaway Butchery Boulter – The Company has provided the receipt and believes this is a valid charge, however line item detail was not able to be provided. The Company agrees to make the recommended adjustment.

The Company agrees to remove the \$941.46 for the overpayment of the three NSTAR employees identified as being overpaid.

Haugland Energy – The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

Audit Conclusion

Audit concurs with Eversource on all responses. Supporting journal entries which remove the items from the Storm Reserve fund are requested as soon as they are booked.

Audit Issue #5

Charges Not Related to the Storm Event

Background

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

Issue

During Audit’s review of the supporting documentation, it was determined that specific charges should not be included in the storm fund. These expenditures were for items that were dated outside of the pre-staging and/or storm event.

Recommendation

Audit recommends removing the following charges from the storm reserve.

Materials	54	11/26/14 Storm
PSNH Direct Labor	<u>68</u>	02/15/15 Pre-Stage
Total for Audit Issue #5	\$ <u><u>122</u></u>	

Company Response

Materials – The Company has reviewed the charges identified for this Audit Issue and agrees to make the recommended adjustment.

PSNH Direct Labor - The Company has reviewed the charge identified for this Audit Issue and agrees to make the recommended adjustment.

Audit Conclusion

Audit concurs with Eversource on their response, and requests a copy of the journal entry which removed the \$122 from the Storm Reserve fund.

Audit Issue #6
Rate Inaccuracy

Background

Audit reviewed the invoices from vendors detailing the rate used to pay employees for their storm related work, as well as the vehicle rates.

Issue

The rates charged on the Tree Tech invoice, along with a separate vehicle rate, are different from the rates provided from the Company.

Recommendation

Audit recommends removing the following charges from the storm reserve.

Tree Tech	\$ 6,137	12/20/13 Pre-Stage
CL&P Vehicles	<u>125</u>	12/20/13 Pre-Stage
Total for Audit Issue #6	<u>\$ 6,262</u>	

Company Response

Tree Tech - The Company has reviewed the charges identified for this Audit Issue and agrees to make the recommended adjustments.

CL&P Vehicles - As noted in Eversource's response, the charge for the CL&P vehicle is a system calculated rate, therefore the amount charged to the storm is correct. The supporting documentation is manual spreadsheets that were maintained to keep track of rate changes. Rates could change monthly. Eversource could not locate the spreadsheet that matched the rate used for that vehicle class. While Eversource disagrees with Audit's finding that the charge is invalid, the Company will agree to remove the charge as we cannot locate the support documentation.

Audit Conclusion

Audit concurs with Eversource on their response, requests copies of the journal entry which removes the \$6,262 from the Storm Reserve fund, and encourages the Company to maintain the documentation required to support all charges.

Audit Issue #7

Incorrect Amount Charged to Storm Reserve

Background

Audit reviewed invoices and spreadsheets provided by Eversource detailing the expenditures for the pre-stage and storm events.

Issue

The amounts listed as due for payment on the invoices did not match the amount charged to the storm reserve.

Recommendation

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

McPhee Electric	\$ 280	12/20/13 Pre-Stage
WMECO Payroll	<u>113</u>	12/20/13 Pre-Stage
Total for Audit Issue #7	<u>\$ 393</u>	

Company Response

The Company has reviewed the charges identified for this Audit Issue and agrees to make the recommended adjustments.

Audit Conclusion

Audit concurs with Eversource on their response and requests copies of the journal entries which move the \$393 out of the Storm Reserve fund.

Audit Issue #8

Pay for Exempt Employees

Background

Audit reviewed the Direct Labor amounts provided by Eversource, as well as the corresponding spreadsheets that listed the hours, pay amounts, and job description by company.

Issue

Payments made to exempt employees were included in the amount charged to the storm reserve.

Recommendation

Audit recommends removing the following total charge from the storm reserve.

PSNH Direct Labor	\$ 46,607	12/20/13 Pre-Stage
NUSCO Direct Labor	<u>9,928</u>	12/20/13 Pre-Stage
Total PSNH and WMECO Direct Labor	<u>\$ 56,535</u>	
PSNH Direct Labor	32,459	03/12/14 Pre-Stage
NUSCO Direct Labor	<u>1,892</u>	03/12/14 Pre-Stage
Total PSNH and NUSCO Direct Labor	<u>\$ 34,350</u>	
Total for Audit Issue #8	<u>\$ 90,885</u>	

Company Response

PSNH Distribution and NUSCO exempt labor rightfully should be excluded from recovery of pre-staging event costs, as these expenses are not considered incremental costs and presumably are recovered through PSNH Distribution's base rates. The Company quantified those amounts in the response. These employees provide labor for PSNH Distribution's normal day-to-day operations and thus do not have billable hours to storm and prestaging workorders.

The Company agrees to remove the \$56,535.00 for EXPSTGD3 and \$34,350.37 for EXPSTGA4.

Audit Conclusion

Audit concurs with Eversource on their response, and requests copies of the journal entries which move the expenses out of the Storm Reserve fund.

Audit Issue #9

Charges Not Applicable for Storm-Related Recovery

Background

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

Issue

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

Recommendation

Audit recommends removing the following charges from the storm reserve.

The Ergonomics Group	\$	4,999	12/20/13 Pre-Stage
Twenty First Century Communications		22,506	12/20/13 Pre-Stage
The Ergonomics Group		1,510	03/12/14 Pre-Stage
Liberty Utilities		35,033	11/26/14 Storm
Twenty First Century Communications		41,467	12/09/14 Pre-Stage
Twenty First Century Communications		46,389	01/26/15 Pre-Stage
Twenty First Century Communications		<u>40,944</u>	02/15/15 Pre-Stage
Total for Audit Issue #9	\$	<u>192,848</u>	

Company Response

The Ergonomics Group – The charges associated with The Ergonomics Group that were incurred during the weather event are incremental and would not otherwise be incurred by the Company had there not been a weather event. These are costs that are not otherwise recovered via PSNH's base rates. The Ergonomics Group helps ensure that the operations and logistics personnel are able to direct and provide essential support to the field personnel restoring power during events. This helps ensure that power is able to be restored in a safe, reliable, and efficient manner.

Twenty First Century Communications – The charges associated with Twenty First Century that were incurred during the weather event are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH's base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, Twenty First Century's services are not only convenient and helpful for customers, they're expected.

Liberty Utilities – This invoice was for work performed for Mutual Aid by Liberty Utilities during the storm event. Liberty Utilities provided the Company with an invoice that includes their storm rates and a premium to cover their general and administrative expenses. Under Mutual Aid, the Company is obligated to pay the billing party’s invoice if the rates billed appear reasonable, which these rates are consistent with other rates seen by Eversource for Mutual Aid, and the work is associated with the appropriate event, which it was.

1. The Liberty invoice is recommended to be disallowed but there is no basis for it. Besides the payment being for a NH utility, it is no different than any other mutual aid payment to a crew that worked during storm restoration.
2. Ergonomics charges are being recommended for disallowance. Cost recovery associated with Ergonomics services was reviewed in the prior major storm and pre-staging review for the 2011 to 2013 storms and the recovery of the cost was allowed.
3. 21st Century charges are being recommended for disallowance. Cost recovery associated with 21st Century services was reviewed in the prior major storm and pre-staging review for the 2011 to 2013 storms and the recovery of the cost was allowed.

Below is where the cost associated with support from 21st Century and Ergonomics show up in the prior audited and allowed storm recovery:

August 2011 Storm Irene:

Ergonomics – \$ 4,603.50
21st Century - \$20,940.59 (selected for audit)

October 2011 Storm Snowtober

Ergonomics – \$10,989.00 (selected for audit)
21st Century - \$25,029.67 (selected for audit) Specifically mentioned in final audit report under “other” charges with no issue raised

2012 Storm Sandy

Ergonomics – \$ 3,564.00
21st Century - \$14,153.88

Dec 27 2012 prestage –

Ergonomics – \$ 891.00

Feb 8 2013 (Nemo) prestage –

Ergonomics – \$ 1,559.25

Feb 27 2013 prestage – no Ergonomics or 21st Century support charges

Mar 19 2013 prestage – no Ergonomics or 21st Century support charges

Audit Conclusion

Audit acknowledges the Company's response for the Ergonomics Group and the Twenty First Century expenditures. While the costs appear to be reasonably incurred, the expenses should be booked to Media Communications, or a similar expense account, as they are not directly related to the literal restoration of power.

Audit also appreciates the Company's recognition of the \$81,729.89 in prior allowed costs incurred from audited storms dated between 2011-2013. However, the total amount of storm costs incurred for prior audited storms has been approved for recovery in a Secretarial Letter, dated September 17, 2018. Therefore, any oversight in the allowance of recovery of storm costs during the prior audit cannot retrospectively be disallowed. Audit reiterates its objective to only allow for the recovery of costs directly related to the literal restoration of power and continues in its effort to recognize such charges during audit reviews.

Charge Repository Journal Report (with Detail)

Employee Date/ Time

Creator: MCCARMP 09/24/2018 15:51:55

Approver: PARSOPJ

Trans Date: 25-SEP-2018

ID: 314344

Posted/UnPosted: Posted

Month: 201809

Approval Status: Posted

Description: RRA062300-STORM COST APPROVAL

Long Description: TO BOOK THE STORM COSTS AND ASSOCIATED RETURN APPROVED BY NHPUC SECRETARIAL LETTER IN
DOCKET NO. DE 18-053 DATED 09/17/2018.

Notes:

Reversing Journal: No

Reversing Lag: 0 Month(s)

COA Detail: Entity/LoB/FERC Account/CE/CCC/SCC/AWO/FWO/Intercompany/Transaction Type

Line	COA String	Debits	Credits	Quantity	Add. Details
1	06.11100.228430.A20.310.000.NFMAWO06.NFMFWO06.00.00 Line Item: STORM COSTS/RETURN APPROVED IN NHPUC DN DE 18-058	49,021,172.10		0.00	FP:NT006
2	06.11100.186430.A20.310.000.NFMAWO06.NFMFWO06.00.00 Line Item: STORM COSTS APPROVED IN NHPUC DOCKET NO DE 18-058		35,697,320.25	0.00	FP:NT006
3	06.11100.186430.A20.310.000.NFMAWO06.NFMFWO06.00.00 Line Item: RETURN APPROVED IN NHPUC DOCKET NO DE 18-058		13,323,851.85	0.00	FP:NT006
Total:		49,021,172.10	49,021,172.10	0.00	

ClerksOffice@puc.nh.gov
adam.mierzwa@eversource.com
amanda.o.noonan@energy.nh.gov
david.wiesner@eversource.com
donald.m.kreis@oca.nh.gov
elizabeth.r.nixon@energy.nh.gov
elli.ntakou@eversource.com
Energy-Litigation@energy.nh.gov
ian.farley@eversource.com
jacqueline.m.trottier@energy.nh.gov
jay.e.dudley@energy.nh.gov
jjdevirgilio@gmail.com
mark.p.toscanao@energy.nh.gov
Molly.M.Lynch@energy.nh.gov
nhregulatory@eversource.com
ocalitigation@oca.nh.gov
paul.b.dexter@energy.nh.gov
robert.allen@eversource.com
sandra.gagnon@eversource.com
scott.anderson@eversource.com
Stephen.R.Eckberg@energy.nh.gov
willoughbyconsulting@gmail.com
yi-an.chen@eversource.com