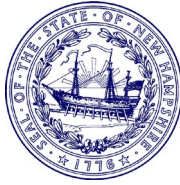


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June 10, 2024

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DE 24-035; Public Service Company of New Hampshire d/b/a Eversource Energy;
Petition for Approval of Change in Regulatory Reconciliation Adjustment; *Department of
Energy Letter in Response to May 31, 2024 Procedural Order*

Dear Chairman Goldner:

On March 1, 2024 Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or “Company”) filed a petition requesting approval of changes to its Regulatory Reconciliation Adjustment Rate (“RRA”) with the modified rates to take effect August 1, 2024. By procedural order dated May 3, 2024, in this matter, the Public Utilities Commission (“PUC” or “Commission”) required the Department of Energy (“Department” or “DOE”) to file a report on the results of its audit of the costs proposed for recovery in this proceeding by June 19, 2024. On May 8, 2024, the Department filed a Request to Amend the Hearing Date and approve a modified procedural schedule agreed to by the parties. The next day, the DOE filed a letter regarding the Audit process as it pertains to this docket. The DOE explained that certain elements of the RRA may be audited in the upcoming Eversource rate case (DE 24-070) or as part of the Company’s last rate case (DE 19-057). The Department has been operating pursuant to the schedule it proposed.¹ On May 17, 2024, the Department issued a set of Data Requests on Eversource, and on May 31, 2024, the Company responded.

On May 31, 2024, the PUC issued a procedural order, which expressed concern that certain elements of the RRA would not be audited until an uncertain date in the future.² The PUC agreed that “an audit of annual assessment and consultant costs and rate case amortization costs is not necessary,” but believed the other elements of the RRA should be audited. Order p. 2. The PUC Order also directed the Department to file the

¹ After the Public Utilities Commission, issued its May 31, 2024 Order, the Department did not conduct the Technical Session agreed to by the parties to be held on June 5, 2024.

² “It is difficult for the Commission to make the determinations required for approval of proposed RRA rates to take effect on August 1 when certain elements of the requested RRA rate will not be audited until sometime in the indeterminate future. Order p. 1-2.

following items by Monday, June 10, 2024: 1) a revised procedural schedule, which includes deadlines for the audit report and DOE recommendation;³ and 2) responses to three questions raised by the PUC as it pertains to the audit process.

The Department generally agrees with the PUC that audits can be important tool in ensuring that a utility's rates are in the public interest. However, the Department's Audit Division does not have the resources to audit underlying costs in every rate-setting docket, and audit assignments are at the direction of the DOE Commissioner. *See* RSA 12-P:8.

The Department's responses to the three questions posed by the PUC are as follows:

1. Explain why RRA rates should be set for storm costs that will be audited and reconciled in the future.

In docket DE 22-010, the docket examining Eversource's 2022 RRA, the Department explained in its audit letter that "the underlying storm costs that are being amortized and reconciled in this docket were reviewed in the ordinary course as Eversource's storm reports were examined." Tab 11 (June 16, 2022). The next year, the Department also explained in the RRA docket DE 23-021 that the "underlying storm costs that are being amortized and reconciled . . . will be reviewed . . . as part of DE 23-051 [Eversource's Petition for Recovery of Storm Expenses]." Tab 12 (May 15, 2023). In the audit letter filed in this docket on May 9, 2024, the DOE explained that the underlying storm costs that are being amortized and reconciled in the proposed RRA will be reviewed in the ordinary course as part of DE 24-041, but may not be completed until October of 2024.

In reviewing the PUC's May 31, 2024, Procedural Order, the DOE regrettably discovered that its statements regarding the auditing of amortized storm costs in this docket and DE 23-021 were incorrect. As provided in the Settlement Agreement, in DE 19-057, the RRA is intended to recover and reconcile the amortization of storm costs up to December 31, 2018, as provided in the temporary and permanent rate settlement, in the amount of \$68.5 million. Bates p. 17, Tab 125 (Oct. 9, 2020). This amount to be reconciled in the RRA is "based on actual costs including any audit adjustments and to reflect the cost of debt over time." Given that these storm costs were accrued up to December 31, 2018, these amounts will not be audited in the Eversource Storm Docket (DE 24-041) as the Company in that docket is seeking to recover costs associated with storms that occurred between August 2022 and September 2023. In reviewing prior storm cost dockets, the Department can confirm that the \$68.5 million was audited as part

³ The PUC wrote in its Order: "The parties shall file a revised procedural schedule, which includes deadlines for the audit report and the DOE's position statement, by June 10, 2024." The DOE has interpreted this sentence to mean that the revised procedural schedule should include deadlines for the audit report and DOE position statement and is due June 10, 2024.

of dockets DE 18-058,⁴ DE 19-050 (See Tab 8, Attachment RTC-1 (Sept. 8, 2020), and DE 19-105 (See Tab 6, Attachment 1 (Jan. 21, 2021)). With regards to the amortization of the storm costs in this docket (as distinguished from the underlying storm costs themselves), the Department is reviewing Attachment YC/SRA-6, Bates p. 65-69 and will present any concerns regarding this Schedule in its Technical Statement. The Audit Division has not audited the amortization of storm costs since the approval of the settlement agreement in December of 2020.

- 2. Would “audit sampling,” in which a representative sample of data is used to ensure that the data used to calculate these four rate elements is accurate, by the DOE Audit Division of relevant RRA rate elements be sufficient instead of a full audit? How much time would be required for the Audit Division to complete such an audit? (PUC citation omitted).**

Every audit is done through sampling, due to the number of accounts and entries involved. For context, Eversource (for calendar year 2023) has 904 individual general ledger accounts that reflect 2,887,051 journal entry lines.

- 3. If the DOE Audit Division is unable to perform the required audit or audit sampling in a particular docket, should independent third-party auditors under the direction of the Company be retained to do this audit?**

No. The Department is generally opposed to utilities directing outside firms to audit regulatory items and recommends against utilities incurring the additional expense of third-party audits for regulatory dockets. Eversource is audited annually by their external accounting firm, in accordance with Securities and Exchange Commission requirements. These external audits help to ensure a utility’s compliance with Generally Accepted Accounting Principals (GAAP), but generally do not include a review of specialized accounting and related regulatory requirements specifically associated with public utility and rate-making. More specialized regulatory audits would involve additional costs which would largely overlap with the review performed by the Department’s Audit and Regulatory Staff and which would be borne by Eversource’s ratepayers.

Revised Procedural Schedule

Data Requests on Utility Filing Round 1	May 17, 2024
Responses to Data Requests Round 1	May 31, 2024
Technical Session	June 14, 2024 (in the morning)

⁴ The DOE is not providing this audit at this time because it was conducted several years ago, and Regulatory Staff at that time chose not to file it with the PUC. Docket DE 18-058 has been closed.

Technical Session Data Requests	June 14 2024 (if needed)
Response for Technical Session Data Requests	June 20, 2024
DOE Position Statement due	June 21, 2024
Hearing Date Alternatives	July 11 or 12, 2024
Order to Be Issued by	July 19, 2024

Eversource and the Office of the Consumer Advocate (“OCA”) have indicated their agreement with this proposed schedule.

The DOE’s proposed schedule does not include specific audit deadlines concerning the 2023 vegetation management costs, the 2023 lost base distribution revenues, and the 2023 property tax. As indicated in the Department’s letter of May 9, 2024, these items will not be audited by the Department’s Audit Division in this docket, but may be reviewed in the upcoming Eversource rate case, because these costs fall in the test year of that case. In this docket, the Department’s Regulatory Support Division will review these items and provide any recommendations in the Department’s position statement.

One DOE witness, Mr. Jay Dudley, will be unavailable to testify in person between June 26, 2024 and July 17, 2024. However, he will be able to testify remotely on July 11 and 12, 2024 as proposed above from out of state in Woodlands, Texas. In reviewing this filing, the Department is using consultants who also plan to testify remotely to conserve costs and save state resources. The DOE’s consultants Mr. Ronald D. Willoughby will be able to testify remotely from Apex, NC; and Mr. Joseph J. DeVirgilio Jr. will be able testify remotely from Venice, FL. If the PUC approves this schedule, the Department respectfully requests that it allow the DOE witnesses to testify remotely. Eversource and the OCA have no objection to this request to allow the DOE witnesses to testify remotely.⁵

Consistent with the Commission’s current practice this letter is being filed only in electronic form.

Sincerely,

/s/ Molly M. Lynch

Molly M. Lynch
Staff Attorney/Hearings Examiner

cc: Service List

⁵ The DOE asked the OCA for its position on this request, but did not receive a response.

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