

STATE OF NEW HAMPSHIRE

CHAIRMAN  
Martin P. Honigberg

COMMISSIONERS  
Kathryn M. Bailey  
Michael S. Giaimo

EXECUTIVE DIRECTOR  
Debra A. Howland



PUBLIC UTILITIES COMMISSION  
21 S. Fruit St., Suite 10  
Concord, N.H. 03301-2429

TDD Access: Relay NH  
1-800-735-2964

Tel. (603) 271-2431

FAX No. 271-3878

Website:  
www.puc.nh.gov

January 30, 2018

NHPUC 30JAN18PM2:40

Debra Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street  
Concord, NH 03301

Regarding PSNH d/b/a Eversource Energy DE 17-160 Petition for Recovery of Annual Assessment and Consultant Costs

Dear Ms. Howland:

On October 20, 2017 Eversource filed for recovery of certain consultant costs and increases in the annual assessment. On December 19, 2017 the PUC Audit Staff was asked by the Electric Division to conduct an audit of the filed costs. A draft audit report issued to the Company on January 17, 2018. The Company responded timely to the draft on January 24, 2018, and a final report was issued on January 24, 2018 to the Company, Director of the Electric Division, Assistant Director of the Electric Division, the PUC Analyst, the PUC Attorney, and to the Office of the Consumer Advocate.

The Company proposed:

	Total	Component Average Rate Impact
Assessment	\$ 911,624	0.012
Consultant	<u>\$ 430,569</u>	<u>0.005</u>
Total CJG-1	\$1,342,193	0.017 based on forecasted MWh 7,847,816 1/2018 – 12/2018

The audit determined that \$200,904 of the consultant costs had been expensed in the financial year ending December 31, 2016. The inclusion of those expensed items within the total proposed deferral is in violation of the FERC Uniform System of Accounts.

The Audit resulted in:

	Total	Component Average Rate Impact
Assessment	\$ 911,624	0.01162
Consultant	<u>\$ 229,665</u>	<u>0.00293</u>
	\$1,141,289	0.01455 based on forecasted MWh 7,847,816 January 2018 – December 2018

In summary, Staff recommends that the rate approved by Order 26,091, 0.017 per kilowatt-hour should be adjusted with the reduction of allowed expenses, as well as a reduction of the over-collection based on the 0.017 which was billed to customers beginning January 1, 2018. The exclusion of the \$200,904 should be specifically identified within the Order as not recoverable. Updated tariff pages should be submitted.

The audit report is attached.

Sincerely,



Suzanne G. Amidon  
Staff Counsel

Attachment  
Service List (electronically)

**Audit Report Attachment**

**STATE OF NEW HAMPSHIRE**  
**Inter-Department Communication**

**DATE:** January 24, 2018  
**AT (OFFICE):** NHPUC

**FROM:** Karen Moran, Chief Auditor

**SUBJECT:** Public Service Company of New Hampshire (PSNH) d/b/a Eversource Energy  
Docket DE 17-160 Petition for Recovery of Annual Assessment and Consultant Costs

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

**Introduction**

On December 19, 2017, the PUC Audit Staff was asked to review the identified assessment charges and consultant expenses related to dockets DE 15-296, Grid Modernization and DE 16-576, Net Metering, as filed in docket DE 17-160 on October 20, 2017.

**Summary of Request**

The Company has proposed deferring and amortizing, through 2018, the net impact of the significant increase in the PUC assessment, as well as recovering the consulting costs associated with the two dockets noted above. Specifically:

Assessment	\$ 911,624
Consultant	<u>\$ 430,569</u>
Total CJG-1	\$1,342,193

Audit recommends the following adjustment, described in detail in the pages which follow:

Assessment	\$ 911,624
Consultant	<u>\$ 229,665</u>
Adjusted	\$1,141,289

**Assessment Detail**

The fiscal year assessment totals reflected on the filing Bates page 000013, Attachment CJG-1, page 2 of 5 accurately reflect the assessments according to the assessment booklets located at PUC.NH.GOV. Each assessment reflects the combined electric assessment and imputed energy suppliers' revenue (IESR) assessment:

	<u>Electric</u>	<u>IESR</u>	<u>Total</u>	<u>change year to year</u>
FY 2015	\$2,993,034	\$1,165,751	\$4,158,785	not applicable
FY 2016	\$3,066,826	\$1,044,179	\$4,111,005	\$ (47,780)
FY 2017	\$3,136,691	\$1,107,750	\$4,244,441	\$133,436
<b>FY 2018</b>	<b>\$3,661,132</b>	<b>\$1,371,401</b>	<b>\$5,032,533</b>	<b>\$788 092</b>

The reported under recovery of the authorized assessments (per Order 25,473) was included on Attachment CJG-1, page 2 of 5, \$911,624.

The support provided to Audit regarding the year-end adjusting journal entry indicated that the Energy Service portion of the approved assessment, \$10,000 was expensed monthly at \$833 to account 928000-6F, and the Distribution portion of the authorized assessment, \$4,148,785 was expensed monthly at \$345,732 to account 928000-06. The proposed adjustment to the monthly expense was noted to be related only to Distribution portion of the assessment. The calculation provided demonstrated that for each quarterly assessment, in FY 18, the distribution portion was divided by three to arrive at a monthly expense figure. Audit reviewed the calculation for the period July 2017 through December 2017 and agrees with the math for the under-collection of \$239,089, then the follow-through reported under-collection of \$911,624 through June 2018.

**Details of the Accounting Treatment of the Proposed Deferral and Amortization**

Audit verified that the Company expensed the consultant costs and assessment costs to account 928000 during 2016 and 2017. The reclassification entry was requested by Audit and a copy of the unposted entry was provided by the Company for posting on January 2, 2018 as part of the year-end close:

06.11100.182NHA	\$669,658	
06.11100.928000		\$239,089
06.11100.928000		\$430,569

The bold numbers reflect the FERC account to which the entry was to be booked. Per FERC, account 182.3 represents Other Regulatory Assets. Account 928 is the Regulatory Commission Expenses account.

The 2016 consulting expenses cannot be included within the deferral, as they were included in the 2016 income statement and the books have been closed for a year. As a result, \$200,904 of consulting costs must be excluded from the \$430,569. Refer to the Consultant sections below. **Audit Issue #1**

Audit requested clarification of the account to which the amortization would be booked, and was told 928000, Regulatory Commission Expense. The expensing of the deferral does comply with FERC for the write-down of amounts in account 182.

**Consultant Detail - \$430,569 less \$200,904 = \$229,665**

The Consultant list, included within the filing on Bates page 000014, Attachment CJG-1 page 3 of 5 reflected costs associated with Raab Associates, Synapse Energy Economics, DayMark Energy Advisors, and Strategen Consulting.

**Relating to docket IR 15-296, Investigation into Grid Modernization:**

Raab Associates was hired to support the NHPUC Electric division, and Synapse Energy Economics was hired to support the Office of the Consumer Advocate.

100% of the noted Raab Associates expenses were verified to the PUC Business Office master invoices, without exception. The master invoices reflect the total amount invoiced from the consultant, and identifies the allocation among the electric utilities. Specifically:

Eversource	\$ 86,564
Unitil	\$ 13,260
Liberty	<u>\$ 10,176</u>
Total invoiced	\$110,000

Total contract \$110,000, thus zero remains after Business Office invoice 5/2017.

Eversource expensed the full \$86,564 to account 928000 in 2016 and 2017 as the PUC invoiced the utilities. \$62,498 of the Raab total was booked in 2016, thus cannot be recovered through a reclassification entry for year-end 2017. **Audit Issue #1**

100% of the noted Synapse Energy Economics expenses were verified to the PUC Business Office master invoices, without exception. The master invoices reflect the total amount invoiced from the consultant, and identifies the allocation among the electric utilities. Specifically:

Eversource	\$ 52,976
Unitil	\$ 8,115
Liberty	<u>\$ 6,227</u>
Total invoiced	\$ 67,319

Total contract \$67,750, thus \$431 remains after Business Office invoice 5/2017.

Eversource expensed the full \$52,976 to account 928000 in 2016 and 2017 as the PUC invoiced the utilities. \$36,751 of the Synapse total was booked in 2016, thus cannot be recovered through a reclassification entry for year-end 2017. **Audit Issue #1**

**Relating to docket DE16-576, Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer-Generators**

DayMark Energy Advisors was hired to support the Sustainable Energy division and Strategen Consulting, LLC was hired as an engineering consultant to support the OCA in the Net Metering docket.

100% of the noted DayMark Energy Advisors expenses were verified to the PUC Business Office master invoices, without exception. The master invoices reflect the total amount invoiced from the consultant, and identifies the allocation among the electric utilities.

Specifically:

Eversource	\$216,755
Unitil	\$ 33,203
Liberty	<u>\$ 25,480</u>
Total invoiced	\$275,438

Total contract \$277,000, thus \$1,562 remains after Business Office invoice 6/2017.

Eversource expensed the full \$216,755 to account 928000 in 2016 and 2017 as the PUC invoiced the utilities. \$61,106 of the DayMark total was booked in 2016, thus cannot be recovered through a reclassification entry for year-end 2017. **Audit Issue #1**

100% of the noted Strategen Consulting expenses were verified to the PUC Business Office master invoices, without exception. The master invoices reflect the total amount invoiced from the consultant, and identifies the allocation among the electric utilities. Specifically:

Eversource	\$ 74,274
Unitil	\$ 11,377
Liberty	<u>\$ 8,731</u>
Total invoiced	\$ 94,382

Total contract \$187,900, thus \$93,518 remains after Business Office invoice 8/2017.

Eversource expensed the full \$74,274 to account 928000 in 2016 and 2017 as the PUC invoiced the utilities. \$40,549 of the Strategen total was booked in 2016, thus cannot be recovered through a reclassification entry for year-end 2017. **Audit Issue #1**

**Audit Issue #1**  
**Adjustment to be Made to Consultant Cost Total**

**Background**

The Company petitioned the Commission for recovery of \$430,569 consultant costs associated with the Grid Modernization and Net Metering dockets, and \$911,624 of calculated under recovery of the PUC assessment for the state fiscal year 2018.

**Issue**

The Company expensed, rather than deferred, all costs relating to the consultants, which were booked in 2016 and 2017.

The Company included \$200,904 of 2016 expenses within the year-end 2017 deferral reclassification, thus overstating the deferral.

**Recommendation**

The Company must adjust the amount of the deferred consultant cost down from \$430,569 to \$229,755, adjust the rate being assessed to customers, and return the amount over-collected since the start of the year.

The Company must comply with FERC regarding the amount allowed to be posted to account 182: *“The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts...”* (emphasis added)

**Company Comment**

The costs incurred by the Company in 2016 and 2017 were for consultants hired by the OCA and NHPUC Staff to review and assist in the Grid Mod and Net Metering dockets. These types of consultant costs are specifically identified as recoverable costs under New Hampshire law. Due to the timing of some of these non-routine costs being charged to the Company in late 2016 and the uncertainty of recovery, the costs were deferred once we received certainty of recovery. Recovery was not certain until the Company received approval for recovery of the cost in Order No. 26,091 in Docket No. DE 17-160.

The closing of a calendar year does not preclude recovery of a prudently incurred cost in rates. The 2017 entry was not a reclassification entry. The entry was to record a regulatory asset that was expected to be recovered in rates. Going forward, all OCA and NHPUC Staff consultant cost incurred by the Company will be deferred as they are incurred for future recovery.

**Audit Comment**

Audit appreciates that the Company will defer such costs in the future. The disallowance of the \$200,904 is restated.

For ease of reference, I have included below references from the FERC Uniform System of Accounts and related RSA sections which authorize recovery of consultant costs from utilities. FERC specifies that only costs in the current (accounting) period can be included in 182.3. The RSA references allow the commission to charge the utilities for consultant costs, but do specify the accounting treatment of those costs. Statute 374.8 dictates the use of the Uniform System of Accounts, and Puc 307.04 specifies FERC as the system to use.

**FERC 182.3 Other regulatory asset**

- A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from ratemaking actions of regulatory agencies.
- B. The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services. When specification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, account 407.4 regulatory credits, shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of account 407.4 shall be charged to account 407.3, regulatory debits, concurrent with the recovery in rates.
- C. If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 426.5, Other Deductions, or Account 435, Extraordinary Deductions, in the year of the disallowance.
- D. The records supporting the entries to this account shall be kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

**NH Revised Statutes Annotated**

**365:37 Expense of Investigations.** – I. Whenever any investigation shall be necessary to enable the commission to pass upon any petition for authority to issue stocks, bonds, notes, or other evidence of indebtedness, for authority to operate as a public utility or to expand operations as a public utility, to make extensions into new territory, to discontinue service, to condemn property for flowage rights and dam construction, or for authority to sell, consolidate, merge, transfer, or lease the plant, works, or system of any public utility, or any part of the same, or for any other matter which requires the commission's approval, the petitioner shall pay to the commission the expense involved in the investigation of the matters covered by said petition, including the amounts expended for experts, accountants, or other assistants. Such expense shall not include any part of the salaries or expenses of the commissioners or of employees of the commission or, unless the proceeding is being conducted pursuant to RSA 38, the fees of experts testifying as to values in condemnation proceedings.

II. Whenever the commission institutes a proceeding, or when more than one utility subject to the jurisdiction of the commission shall be involved in a proceeding in which the commission requires the assistance of experts, accountants or other assistants, regardless of whether they petitioned the commission in the first instance, the commission may assess the costs of experts, accountants or other assistants hired by the commission against the utilities and any other parties to the proceeding. The commission shall not, however, assess any such costs against the office of the consumer advocate or against any voluntary corporation, not-for-profit organization, or any municipality unless the municipality is involved in a proceeding before the commission pursuant to RSA 38. In the case of a utility, the assessment of those costs shall be based on the annual revenues of the participating utilities in the same manner as issued in assessing the annual operating expenses of the commission, or as appropriate and equitable on a case by case basis. In the case of a party who is not a utility, the assessment of those costs shall be as appropriate and equitable on a case by case basis. Such expenses shall not include any part of the salaries or expenses of the commissioners or of employees of the commission or, unless the proceeding is being conducted pursuant to RSA 38, the fees of experts testifying as to values in condemnation proceedings.

III. For investigations or proceedings involving the acquisition, merger, transfer, sale, or lease of the works or system of a public utility, the commission shall not enter into a contract with experts, accountants, or other assistants in an amount greater than \$250,000, including any contract extension, without the approval of the governor and council. For all other investigations or proceedings, the commission shall not enter into a contract with experts, accountants, or other assistants in an amount greater than \$100,000, including any contract extension, without the approval of governor and council.

**365:38 Rate Proceeding.** – Whenever any investigation shall be necessary to enable the commission to pass upon the reasonableness of the rates or charges by a public utility, the utility, upon order of the commission, shall pay to the commission its expenses involved in the investigation, including the amounts expended by it for attorneys, experts, accountants, or other assistants, but not including any part of the salaries or expenses of the commissioners or of employees of the commission; provided, that the amount charged to the utility by the commission in any such case shall not exceed  $\frac{3}{4}$  of one percent of the existing valuation of the utility investigated, such expenses with 6 percent interest to be charged by the utility to operating expenses and amortized over such period as the commission shall deem proper and allowed for in the rates to be charged by the utility.

**374:5-a Power to Hire Consultants Firm.** – The commission may utilize and employ a consultant firm to provide it with technical assistance in evaluating cost factors relating to the effective use of substantial investments of utilities regulated by the commission.

**374:8 Accounting Systems.** – I. The commission may, whenever it deems it advisable, establish a system of accounts and records to be used by public utilities for their business within this state, may classify them and prescribe a system of accounts for each class, and may prescribe the manner in which said accounts shall be kept.

II. The uniform system of accounts for regulated utilities established under the provisions of this section shall be exempt from the requirements of RSA 541-A, the administrative procedure act.

The commission shall file, however, in the office of legislative services a copy of all rules adopted, amended or repealed under this section by the commission.

**374:14 False Entries, Etc.** – No person shall willfully make any false entry in the accounts or records of any public utility, or willfully destroy, mutilate or by any other means falsify such accounts or records, or willfully neglect or fail to make full, true or correct entries of all facts and transactions appertaining to the business of any public utility, which it is his duty to make; provided, that the commission may at its discretion issue orders specifying operating, accounting or financial accounts, records, memoranda, books or papers of public utilities which may, after a reasonable time, be destroyed, and may prescribe the length of time the same shall be preserved.

**Puc 307.04 Uniform System of Accounts**

Pursuant to RSA 374:8, each utility shall maintain and preserve its accounts and records in conformity with the "Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to Provisions of the Federal Power Act" issued by the United States Federal Energy Regulatory Commission, Department of Energy.

REVISION NOTE: Pursuant to RSA 374:8, II and RSA 541-A:21, I(q), as amended effective 7-23-94 by 1994, 193:3 and 193:4, the uniform system of accounts (USOA) for regulated utilities as referenced in Puc 307.04 is exempt from the rulemaking requirements of RSA 541-A. The text of the USOA is not included in Puc 307.04 above because the publication requirement for rules in RSA 541-A:15, I does not apply. By Order No. 21,310 dated August 8, 1994, the New Hampshire Public Utilities Commission (Commission) ordered, because of 1994, 193, that the USOAs, including the USOA for electric utilities, "shall remain in effect until such time as the Commission shall prescribe, amend, rescind or otherwise affect the USOAs currently prescribed for regulated utilities". The Commission must still file in the Office of Legislative Services a copy of all USOA rules adopted, amended or repealed under RSA 374:8. The text of the USOA for electric utilities subject to Order No. 21,310 was last filed in Document #6621. A copy of the USOA as referenced in Puc 307.04 may be obtained at the:

New Hampshire Public Utilities Commission  
21 South Fruit Street  
Concord, New Hampshire 03301

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

Executive.Director@puc.nh.gov  
amanda.noonan@puc.nh.gov  
christopher.goulding@eversource.com  
donald.kreis@oca.nh.gov  
leszek.stachow@puc.nh.gov  
matthew.fossum@eversource.com  
ocalitigation@oca.nh.gov  
richard.chagnon@puc.nh.gov  
suzanne.amidon@puc.nh.gov  
tom.frantz@puc.nh.gov

Docket #: 17-160-1      Printed: January 30, 2018

**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.