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December 11, 2019

NHPUC 11DEC'19 10:33

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429Subject: DW 17-165 – Abenaki: Rosebrook Petition for Change in Rates
Admin & General Salaries charged to Rosebrook in DW 17-165

Dear Ms. Howland:

The purpose of this letter is to explain why the Affiliate Admin and General Salaries cost of \$60,604 reported in the NHPUC Audit Report, pages 2 – 3 of the NHPUC Audit Report issued September 6, 2018 is different than the amount included in the O&M Expense of the Revenue Requirement filed with the Settlement Agreement on November 5, 2018.

EXECUTIVE SUMMARY

The Admin and General Salaries, shown in account 920, allocated from New England Service Company (NESC) to Rosebrook reported in the NHPUC Audit Report, pages 2 – 3, of \$60,604 is the sum of several test year NESC invoices, but does not take into consideration credit reclassifications and adjustments totaling (\$24,916) posted to Admin and General Salaries. The total amount of Admin and General Salaries, account 920, allocated from New England Service Company to Rosebrook included in the Revenue Requirement approved by NHPUC Order #26,205 dated December 27, 2018, is \$35,688. A detailed analysis follows.

AUDIT REPORT PAGES 2 – 3

The Affiliate Agreement section of the NHPUC Audit Report issued September 6, 2018, reports that Affiliate Admin and General Salaries charged to Abenaki for the Test Year totaled \$109,816. Rosebrook's portion of this Affiliate expense was \$60,604. Please see the following excerpt from the Auditor's report pages 2 – 3, with the above reference highlighted.

“Throughout the twelve months ending 9/30/2017, NESC was paid \$401,194, distributed among the three NH Abenaki utilities, balance sheet account totaling \$102,282 and expense accounts \$298,912:

New England Service Company test year postings

<u>Account #</u>	<u>Description</u>	<u>LMC</u>	<u>WR</u>	<u>RBW</u>	<u>Total</u>	<u>RBW as % of Total</u>
1051xxxx	Maps/VFD Pumps/Media	\$ 11,384	\$ 2,617	\$ 365	\$ 14,367	3%
1620xxxx	Prepayments	\$ 2,569	\$ 1,220	\$ 2,633	\$ 6,422	41%
1831xxxx	Due Diligence/Studies	\$ 7,433	\$ -	\$ 22,585	\$ 30,018	75%
18617xxxx	Study/Financing/Rate Case Exp	\$ 957	\$ 10	\$ 3,899	\$ 4,866	80%
231040000	Accounts Payable-NESC	\$(32,389)	\$ -	\$ -	\$(32,389)	0%
3111xxxx	Wells	\$ 3,730	\$ -	\$ 862	\$ 4,592	19%
320161102	Media	\$ -	\$ 631	\$ -	\$ 631	0%
3331xxxx	Services	\$ 2,349	\$ 5,334	\$ 2,540	\$ 10,223	25%
3341x0xxx	Meters	\$ 82	\$ 1,539	\$ 55,685	\$ 57,306	97%
341161203	Transportation	\$ -	\$ -	\$ 2,209	\$ 2,209	100%
343030000	Tools/Shop/Garage	\$ -	\$ -	\$ 107	\$ 107	100%
34717xxxx	Miscellaneous Office	\$ 2,868	\$ 23	\$ 1,038	\$ 3,930	26%
NESC Booked to Balance Sheet		\$ (1,017)	\$ 11,375	\$ 91,923	\$ 102,282	90%

New England Service Company test year postings

<u>Account #</u>	<u>Description</u>	<u>LMC</u>	<u>WR</u>	<u>RBW</u>	<u>Total</u>	<u>RBW as % of Total</u>
6240x0000	Pumping Labor and Expense	\$ 18,446	\$ 15,910	\$ 14,130	\$ 48,486	29%
6310x0000	Maintenance of Structures	\$ 2,325	\$ 19	\$ 1,386	\$ 3,729	37%
6330x0000	Maintenance Pumping Equip.	\$ 1,800	\$ 521	\$ 17,004	\$ 19,326	88%
6410x0x00	Chemicals	\$ 150	\$ 105	\$ 356	\$ 611	58%
6420x0000	Treatment Labor and Expense	\$ 2,534	\$ 5,705	\$ 20,712	\$ 28,951	72%
652030000	Maintenance of Trtmt Equip.	\$ -	\$ -	\$ 7,189	\$ 7,189	100%
6630x0000	Meter Expenses	\$ 75	\$ 375	\$ 941	\$ 1,391	68%
664010x00	Emergency Calls	\$ 1,824	\$ -	\$ 300	\$ 2,124	14%
6730x0000	Maintenance of Trans/Dist Mains	\$ 914	\$ 635	\$ 113	\$ 1,661	7%
6750x0000	Maintenance of Services	\$ 1,189	\$ 151	\$ 4,249	\$ 5,589	76%
676030000	Maintenance of Meters	\$ -	\$ -	\$ 1,837	\$ 1,837	100%
677030000	Maintenance of Hydrants	\$ -	\$ -	\$ 5,009	\$ 5,009	100%
775030000	Pumping Maintenance Expense	\$ 9,764	\$ -	\$ -	\$ 9,764	0%
9020x0000	Meter Reading	\$ 1,719	\$ 1,950	\$ 6,087	\$ 9,757	62%
9030x0000	Customer Records	\$ 2,456	\$ 1,957	\$ 3,196	\$ 7,610	42%
9200x0x00	Admin and General Salaries	\$ 27,749	\$ 21,462	\$ 60,604	\$ 109,816	55%
9210xxxx	Office Supplies and Expenses	\$ 4,978	\$ 3,549	\$ 12,057	\$ 20,583	59%
9230xxxx	Professional Services	\$ 474	\$ 185	\$ 655	\$ 1,313	50%
9240x0000	Property Insurance	\$ 190	\$ 63	\$ -	\$ 253	0%
926050x00	On Call Pay	\$ 1,527	\$ 782	\$ 2,838	\$ 5,147	55%
9300xxxx	Liability/D&O Insurance/Cloud fee	\$ 382	\$ 192	\$ 1,656	\$ 2,230	74%
934030000	Vehicle Maintenance	\$ -	\$ -	\$ 5,822	\$ 5,822	100%
9500x0000	Maintenance of Plant	\$ 77	\$ -	\$ 639	\$ 716	89%
NESC Expensed		\$ 78,571	\$ 53,560	\$ 166,780	\$ 298,912	56%

Audit requested the monthly NESC invoices for services rendered to AWC-Rosebrook for the months of October, 2016, April and September 2017. Refer to the testing within the Plant in Service and Operations and Maintenance portions of this report.”

The NHPUC Annual Report is reported on an annual basis. The Test Year for Rosebrook’s Request for Change in Rates, was October 1, 2016 through September 30, 2017. The analysis below compares “All Division” Affiliate costs for 2016, 2017, the Test Year and 2018. “Rosebrook Only” Affiliate Test Year costs show that Rosebrook receives only a portion of Affiliate costs and those costs agree with those reported in the Auditor’s report pages 2 – 3:

Account	2016	2017	All Divisions Test Year 10/16 - 9/17	Rosebrook Test Year 10/16 - 9/17	2018
Pumping Labor & Expense	33,789	55,867	48,486	14,130	45,424
Maintenance of Structures	3,102	3,404	3,729	1,386	2,672
Maintenance of Pumping Equip	4,876	17,150	19,326	17,004	2,627
Chemicals	-	1,081	611	356	-
Treatment Labor & Expense	13,947	28,448	28,951	20,712	11,621
Maintenance of Treatment Equip	3,332	3,267	7,189	7,189	2,676
Meter Expenses	1,857	881	1,391	941	581
Emergency Calls	-	2,460	2,124	300	220
Maintenance of T&D Mains	6,164	1,469	1,661	113	9,842
Maintenance of Services	4,806	6,087	5,589	4,249	4,820
Maintenance of Meters	476	1,423	1,837	1,837	1,799
Maintenance of Hydrants	3,083	6,091	5,009	5,009	4,567
Pumping Maintenance Expense	8,164	9,758	9,764	-	5,777
Meter Reading	4,143	12,812	9,757	6,087	6,173
Customer Records	337	13,614	7,610	3,196	25,654
Admin & General Salaries	36,649	169,274	109,816	60,604	75,312
Office Supplies & Expenses	8,217	24,243	20,583	12,057	20,847
Professional Services	721	1,116	1,313	655	854
Property Insurance	1,747	-	253	-	(92)
On Call Pay	-	-	5,147	2,838	-
Liability/D&O Insurance/Misc Gen Exp	2,071	3,473	2,230	1,656	1,578
Vehicle Maintenance	2,616	4,175	5,822	5,822	1,954
Maintenance of Plant	279	490	716	639	2,083
	\$ 140,376	\$ 366,583	\$ 298,914	\$ 166,780	\$ 226,989
Test Year Proof:					
1/4 of 2016 and 3/4 of 2017	\$ 35,094	\$ 274,937	\$ 310,031	(reasonable)	
* 2016/2017/2018 data found within Annual NHPUC Reports; page 8.					
Test Year data found within NHPUC Staff Audit Report dated September 6, 2018; page 3.					

AUDIT REPORT PAGE 45

In the Auditor's report Operation and Maintenance (O&M) Expense section, page 45, the line items detail Rosebrook's O&M expenses totaling \$212,874. These amounts equal those reported by Rosebrook in its original Request for Change in Rates filing, \$212,874. Abenaki submitted a Revised Filing on April 23, 2018 revising the Test Year total to \$218,376, the difference of \$5,502 was audited by NHPUC Staff Analysts. The total O & M Expense IS and SHOULD BE equal to or higher than the total Affiliate Costs of \$166,780 reported by Audit on pages 2 – 3. Costs in addition to Affiliate Costs, such as Subcontractors, are included in total O&M Expenses.

Through an analysis of the O&M expenses reported on NHPUC Report page 45, it can be seen that the figures reported on the Auditor's Report pages 2 – 3 do not equal those reported as expenses. The following chart compares pages 2 – 3 to page 45:

Account	Rosebrook Test Year 10/16 - 9/17 per PUC Audit Report pgs 2-3	O & M Expenses per PUC Audit Report pg 45	Variance
Pumping Labor & Expense	14,130	47,507	33,377
Maintenance of Structures	1,386	1,748	362
Maintenance of Pumping Equip	17,004	19,030	2,026
Chemicals	356	7,296	6,940
Treatment Labor & Expense	20,712	21,903	1,191
Maintenance of Treatment Equip	7,189	5,325	(1,864)
Meter Expenses	941	1,550	609
Emergency Calls	300	300	-
Maintenance of T&D Mains	113	488	375
Maintenance of Services	4,249	4,330	81
Maintenance of Meters	1,837	1,603	(234)
Maintenance of Hydrants	5,009	10,066	5,057
Pumping Maintenance Expense	-	-	-
Meter Reading	6,087	5,961	(126)
Customer Records	3,196	3,526	330
Admin & General Salaries	60,604	35,688	(24,916)
Office Supplies & Expenses	12,057	14,204	2,147
Professional Services	655	11,355	10,700
Property Insurance	-	893	893
On Call Pay	2,838	8,401	5,563
Liability/D&O Insurance/Misc Gen Exp	1,656	6,858	5,202
Vehicle Maintenance	5,822	4,241	(1,581)
Maintenance of Plant	639	601	(38)
	\$ 166,780	\$ 212,874	\$ 46,094

Revised Test Year filed 4/23/18 (Included in Revenue Requirement)	\$	218,376	
Variance amount audited by Staff Analyst vs Staff Auditor	\$	5,502	
Total expenses included in Revenue Requirement IN ADDITION TO those reported on Audit Report pgs 2 - 3: (\$218,376 - 166,780)			\$ 51,596

The Affiliate Cost total reported as \$166,780 on Audit Report pages 2 – 3 does not equal that included in the Abenaki’s Revised Filing of \$218,376. The amounts reported in the Auditor’s report pages 2 – 3 do not take into consideration credit reclassifications and adjustments or non-affiliate expenses posted to Admin and General Salaries.

REVENUE REQUIREMENT CONCLUSION

Abenaki submitted O&M expenses of \$212,874 in its original Request for Change in Rates filing. A Revised Filing was submitted on April 23, 2018 revising O&M Expenses for the Test Year to \$218,376. Staff made two *pro-forma* adjustments to O&M Expenses; one adjusting Audit Expenses and one adjusting Lease costs. Total *pro-forma* adjustments added to O&M Expenses were \$2,903. Total O&M Expenses recommended by Staff were \$221,279 (\$218,376 + 2,903).

NHPUC Order #26,205 dated December 27, 2018, approved a Revenue Requirement that included total O&M Expenses of \$221,279.

The Affiliate Admin & General Salaries reported as \$60,604 are not included in Revenue Requirement. The total amount of Admin & General Salaries included in Revenue Requirement is \$35,688. As such, Staff renews its August 15, 2019, recommendation to authorize Abenaki to recover the \$26,369 in rate case expenses related to New England Service Company as those expenses are not included in the Abenaki’s approved revenue requirement, as evidenced above.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Robyn J. Descoteau
 Utility Analyst, Gas & Water Division

Docket #: 17-165

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