

STATE OF NEW HAMPSHIRE

Inter-Agency Communication

DATE: August 26, 2021
AT (OFFICE): Department of Energy

FROM: Jay E. Dudley, Utilities Analyst IV, Regulatory Support Division

SUBJECT: DE 19-057 Public Service Company of New Hampshire d/b/a Eversource Energy, Notice of Intent to File Rate Schedules Audit Staff Report: Rate Case Expense Review

TO: Public Utilities Commission
Dianne Martin, Chairwoman

CC: Jared Chicoine, Interim Commissioner, Department of Energy
Tom Frantz, Director, Regulatory Support Division
Richard Chagnon, Regulatory Support Division
David Wiesner, Senior Hearings Examiner
Brian Buckley, Hearings Examiner/Staff Attorney
Karen Moran, Chief Auditor
D. Maurice Kreis, Office of the Consumer Advocate

On March 30, 2021, the Audit Division (Audit) of the Public Utilities Commission¹ (PUC) released its final updated audit report (Report) involving an audit of rate case expenses submitted for recovery in the above-referenced docket by Public Service Company of New Hampshire d/b/a Eversource Energy (PSNH or Company), on January 15, 2021. The Company's filing requested recovery of a total of \$2,186,264 in rate case expenses involving various consultant fees incurred during the course of that proceeding by PSNH, PUC Staff, and the Office of the Consumer Advocate (OCA). Pursuant to the Commission's Order No. 26,433 dated December 15, 2020, approving the settlement agreement, Audit performed a comprehensive review of the rate case expenses. The findings of the audit report are summarized below. PSNH provided Audit with separate responses on March 24, 26, and 29, 2021, and those responses were incorporated in the Report. A copy of the Report is attached to this memo as Attachment A. Department of Energy Staff ("Staff") recommends that the Commission approve the findings contained in the audit report and instruct PSNH to comply with Audit's proposed disallowances.

¹ As of July 1, 2021, the Audit Division became a part of the New Hampshire Department of Energy (Department) Division of Administration.

Summary of Audit Findings

As noted above, Audit conducted a comprehensive review of the rate case expenses requested for recovery by PSNH. The key findings of the Report are listed below. Please see Attachment A for greater detail.

- 1) Rule Compliance: Audit found that the Company complied with the filing requirements of Puc 1905, Procedures for Filing for Recovery of Expenses, but that it was not in compliance with Puc 1906, Expenses Recoverable as Rate Case Expenses, and Puc 1907, Expenses not Recoverable as Rate Case Expenses, for some of the expenses requested.
- 2) Keegan Werlin, LLP (PSNH Outside Counsel), \$695,579: Audit recommends 100% disallowance of this amount per Puc 1907. Puc 1907.1 excludes “expenses for matters handled by service providers that are typically performed by utility management and staff of the utility, based on their experience, expertise, and availability.” Audit found that all of the legal tasks performed by outside counsel for the rate case (e.g. preparing, reviewing, legal filings, editing data responses, updating discovery logs, compiling materials, internal meetings, testimony, hearings, etc.) could have been carried out by the Company’s internal legal staff, and that external counsel devoted some of its time (amounting to \$ 8,527 in billings) to familiarizing itself with New Hampshire rate case procedures and processes. Audit also found that PSNH did not retain outside legal counsel in its last rate case in Docket DE 09-035, and that other utilities such as Liberty Utilities in Docket DE 19-064, Unitil Energy in Docket DE 16-384, and Liberty (Energy North) in Docket DG 17-048 all relied on internal legal resources for those proceedings. See Audit Issue #1.
- 3) Economists Incorporated (PSNH Allocated Cost of Service Consultant), \$278,164: Audit recommends disallowance of \$7,425 from this amount for a revised total of \$270,739. Audit found in its review of the invoices that some of the consultant’s work was related to docket DE 16-576 (Net Metering) in the amount of \$1,425, and that a typographical error resulted in an incorrect charge of \$6,000, resulting in a total of \$7,425. See Audit Issue #1.
- 4) Economists Incorporated (PSNH Marginal Cost Consultant), \$175,494: Audit recommends disallowance of \$9,025 from this amount for a revised total of \$166,469. Audit found through its review of the invoices that some of the consultant’s work was related to docket DE 16-576 (Net Metering) and not the rate case. The invoices associated with the work performed in DE 16-576 totaled \$9,025.² See Audit Issue #1.
- 5) Concentric Energy Advisers (PSNH Cost of Capital/ROE consultant), \$173,672: Audit recommends disallowance of \$38,432 for a revised total of \$135,240. While researching a data request from Audit, the Company discovered an over-

² The “Final Summary” of the Report at 20 adjusts this disallowance to a net amount of \$238 because \$8,787.50 in expense was misclassified by Economists Incorporated and included in the marginal cost study but should have been included in the allocated cost study (i.e. \$9,025 - \$8,787.50 = \$238 rounded). Therefore, the disallowance for the allocated cost study was also adjusted to \$16,213 to account for the misclassification (\$7,425 + 8,787.50 = \$16,213 rounded). Also see pg. 7 of the Report.

- payment to the consultant of \$38,228 related to an over-budget amount of \$73,356. The terms of the consultant's proposal contained a fixed component which led to the detection of the over-payment. PSNH agreed to remove that amount from the rate case expenses. Audit also found a \$204 charge involving Standard & Poors research on the water industry which was unrelated to the rate case resulting in the total disallowance of \$38,432. See Audit Issue #'s 1 and 2.
- 6) Gannett Fleming, Inc. (PSNH Depreciation Study consultant), \$106,577: Audit found the invoices to be an accurate reflection of the charges, therefore no disallowance is recommended.
 - 7) Ranstad Corporate Services (PSNH Temporary Support Services), \$151,198: Audit recommends 100% disallowance of this amount. Upon review of the purchase orders and timesheets provided by the Company, Audit was unable to determine or substantiate what specific tasks or projects the temporary support staff worked on and whether that work was related to the rate case. See Audit Issue #1.
 - 8) AON (PSNH Pension Plan Consultant), \$3,060: Audit found the invoices to be an accurate reflection of the charges, therefore no disallowance is recommended.
 - 9) Spectrum Marketing Companies (PSNH Printing and Direct Mailing provider), \$163,276: Initially, Audit was unable to determine whether the expense was necessary or if the expense related exclusively to PSNH (Spectrum provides services corporate-wide for Eversource). Upon receiving additional information from the Company, Audit concluded that no disallowance was necessary.
 - 10) Blue Ridge Consulting (PUC Staff Cost of Service/Revenue Requirement Consultant), \$88,308: Audit found the timesheets, invoices, and approvals supportive of the charges, therefore no disallowance is recommended.
 - 11) The Brattle Group (PUC Staff Marginal Cost/Rate Design Consultant), \$149,359: Audit found the timesheets, invoices, and approvals supportive of the charges, therefore no disallowance is recommended.
 - 12) Scott Mueller (PUC Staff Outside Legal Counsel), \$138,013: Audit found the need for external legal counsel to be justified given the increased workload posed at that time by the filing of two electric rate cases simultaneously (PSNH and Liberty), coupled with a substantial docket book of complex cases including Grid Mod, Net Metering, and energy efficiency, and the reduction in internal legal staff due to retirements; therefore no disallowance is recommended.
 - 13) J. Randall Woolridge, Ph.D. (PUC Staff Cost of Capital/ROE Consultant), \$40,000: Audit found the invoices and approvals supportive of the charges, therefore no disallowance is recommended.
 - 14) Strategen Consulting (OCA Cost of Service Consultant), \$5,881: Audit found the invoices to be an accurate reflection of the charges, therefore no disallowance is recommended.
 - 15) Optimal Energy/The Wired Group (OCA Metering Consultant), \$17,684: Audit found the invoices to be an accurate reflection of the charges, therefore no disallowance is recommended.
 - 16) Larkin & Associates (OCA Revenue Requirement Consultant), \$0: Audit found that the costs for this consultant were paid out of the OCA Litigation account

instead of the Special Assessment account, therefore there was no request for recovery of these charges.

Rate Case Expense/Disallowance Tabulation

Consultant	Requested Expense	Audit Recommendation	Disallowance
Keegan Werlin, LLP	\$695,579	\$0	(\$695,579)
Economists, Inc. (Marginal Cost)	\$175,494	\$166,469	(\$9,025)
Economists, Inc. (Cost of Service)	\$278,164	\$270,739	(\$7,425)
Concentric	\$173,672	\$135,240	(\$38,432)
Gannett Fleming	\$106,577	\$106,577	(\$0)
Randstad Corporate Services	\$151,198	\$0	(\$151,198)
AON	\$3,060	\$3,060	(\$0)
Spectrum Marketing	\$163,276	\$163,276	(\$0)
Blue Ridge Consulting	\$88,308	\$88,308	(\$0)
J. Randall Woolridge	\$40,000	\$40,000	(\$0)
The Brattle Group	\$149,359	\$149,359	(\$0)
Scott J. Mueller	\$138,013	\$138,013	(\$0)
Strategen	\$5,881	\$5,881	(\$0)
Optimal Energy	\$17,684	\$17,684	(\$0)
Larkin & Associates	\$0	\$0	(\$0)
Total	\$2,186,264	\$1,284,606	(\$901,659)

Department of Energy Staff's Recommendation

Staff has reviewed the final audit report provided by the Audit Division involving PSNH's request for recovery of rate case expenses. It is Staff's opinion that the audit is complete and accurate and that the disallowance recommendations contained therein are well supported and justified. Staff also reviewed the Company's responses, but when weighed against the observations contained in Audit's review, Staff did not find the responses persuasive. Therefore, Staff recommends that the Commission adopt the findings contained in the Report and approve the recommended disallowances totaling \$901,659, requiring PSNH to reduce the total amount of recoverable rate case expenses from \$2,186,264 to \$1,284,606.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 30, 2021
AT (OFFICE): NHPUC

FROM: PUC Audit Staff

SUBJECT: Public Service Company of New Hampshire d/b/a Eversource
DE 19-057 Rate Case Expense Review
Updated FINAL Audit Report

TO: Tom Frantz, Director, Electric Division
Rich Chagnon, Assistant Director, Electric Division

Background

Eversource filed for an increase in base rates, which was docketed as DE 19-057. A stipulated settlement agreement was approved by Commission Order 26,433 on 12/15/2020. The Company filed its rate case expenses on 1/15/2021, in compliance with Puc 1905.02.

The Company provided a summary of the \$2,186,264 rate case expenses, identified as actuals as of January 15, 2021:

Company Incurred:

Keegan Werlin, LLP	\$ 695,579	competitive bid
Economists Incorporated	\$ 175,494	competitive bid
Economists Incorporated	\$ 278,164	competitive bid
Concentric Energy Advisors, Inc.	\$ 173,672	competitive bid
Gannet Fleming, Inc.	\$ 106,577	competitive bid
Randstad	\$ 151,198	existing contract
Aon	\$ 3,060	existing contract
Spectrum Marketing Companies, Inc.	\$ 163,276	existing contract
Total Company Incurred	\$1,747,020	

PUC Staff Consulting Costs

Blue Ridge Consulting	\$ 88,308
J. Randall Woolridge, Ph.D.	\$ 40,000
The Brattle Group	\$ 149,359
Scott J. Mueller	\$ 138,013

OCA Consulting Costs

Strategen	\$ 5,881
Optimal Energy/The Wired Group	\$ 17,684
Larkin & Associates	\$ "unknown"
Grand Total Rate Case Expenses	\$2,186,264

The OCA Larkin & Associates “unknown” costs were contemplated to be paid from the OCA Litigation account (at the State accounting level), rather than from the Special Assessment account used by the PUC Business Office for other consultant costs. As a result, there will be no request for recovery of the costs associated with Larkin & Associates. The filing, accurately, did not include any reference to it other than the “unknown” indication on the filing summary.

Audit discussed the accounting treatment of the Larkin & Associates costs with both the PUC Business Office and the Office of the Consumer Advocate. The PUC Business Office provided a copy of the proposal sent to Governor and Council for the March 13, 2019 meeting that requested authorization to enter into a contract for the professional services of Larkin & Associates in the upcoming Eversource rate case, and any other rate case that time and budget would allow. The document specifically requested that the funds be allocated to the Consumer Advocate budget line 010-081-28160000-~~233~~-500769 Litigation for FY 2019 \$30,000 and FY 2020 \$38,000. Because of the use of account 233, the consulting costs were paid out of the OCA Litigation budget line directly to Larkin with no contemplation that the utility would be billed to reimburse the OCA budget line. The Business Office, as well as the OCA, also provided a spreadsheet showing the drawdown, with \$67,592.50 spent as of 11/23/2020 for services through 8/30/2020. Again, these costs will not be requested for recovery from Eversource, as a rate case expense.

Competitive Bids

Audit requested and was provided with a confidential listing of the scoring results of the competitive bids for the external legal, marginal and allocated cost of service studies, cost of capital, and depreciation.

Regarding the responses for legal, the RFP was sent to four firms, of which three responded. Of five scoring categories, the winner bidder Keegan Werlin, scored highest on four of the five.

Regarding the marginal and allocated cost of service studies, the RFP was sent to five firms. Each responded. Of the five distinct scoring categories (not those included in the RFP for legal services), the Economists scored highest in four of five categories. Their overall weighted average was not the highest, but they were chosen over the firm with the highest score based on the criterion in which they did score highest.

Regarding the cost of capital bid, the request was sent to five firms, three of which responded. There were six criteria on which each response was scored. In two categories, Concentric scored highest, in one category it was equal with one other responding firm, in one category, a different firm was highest, and in two categories, it tied with all three responses. The weighted score for Concentric was calculated higher than the other firms.

Regarding the depreciation study, the scoring criteria included six distinct categories. The RFP was sent to three firms, two of which responded to the RFP. One category identified the other bidder with a higher score, one category indicated the same score, and the remaining categories all reflected Gannett Fleming with the higher score and overall higher weighted average.

The filing included:

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|--|-----------------------------------|
| 1. Summary | Bates page 000013 |
| 2. Listing by Vendor and Date of Costs incurred | Bates 000014 – 000016 |
| 3. Eversource Procurement Policy | Bates 000017 – 000019 |
| 4. Eversource Procurement Manual | Bates 000020 – 000031 |
| 5. Eversource Policy and Procedure Memorandum | Bates 000032 |
| 6. Eversource Statement of Procurement Objectives, Policies and Procedures | Bates 000033-000041 |
| 7. Principles and Standards of Ethical Supply Management | Bates 000042 |
| 8. Eversource Supplier Code of Business Conduct | Bates 000043 – 000049 |
| 9. RFP for Outside Counsel | Bates 000050 – 000161 |
| 10. (Economists)PSNH Allocated Cost of Service Study and Rate Design Support | Bates 000162 -000164 |
| 11. (Economists)Purchase Order Details (for Marginal Cost of Service) | Bates 000165 - 000172 |
| 12. (Economists)Purchase Order Details (for Allocated Cost of Service) | Bates 000173 - 000179 plus \$120k |
| 13. Concentric Energy Advisors, Inc. Purchase Order Details | Bates 000180 – 000222 |
| 14. (Concentric) Eversource Energy General Terms and Conditions Consulting Services | Bates 000223-000250 |
| 15. (Gannett Fleming Valuation and Rate Consultants, LLC) Depreciation Consultant Purchase Order Details | Bates 000251-000253 |
| 16. (Gannett) Eversource Energy General Terms and Conditions General Services | Bates 000254 -000284 |
| 17. Randstad purchase order details | Bates 000285-000351 |
| 18. AON Consulting, Inc. | Bates 000352-000358 |
| 19. Hewitt Associates (combined firm with AON in 2010) | Bates 000359-000386 |
| 20. Spectrum Marketing Companies, Inc. | Bates 000387-000388 |
| 21. Keegan Werlin invoices were noted from | Bates 000389-000542 |
| 22. Economists Incorporated-Cost of Service Study invoices | Bates 000543-000589 |
| 23. Economists Incorporated-Allocated Cost of Service Study | Bates 000590-000633 |
| 24. Concentric Energy Advisors invoices | Bates 000634-000691 |
| 25. Gannett Fleming Valuation and Rate Consultants, LLC invoices | Bates 000692- 000749 |
| 26. Randstad invoices | Bates 000750-000753 |
| 27. AON invoices | Bates 000754-000755 |
| 28. Spectrum invoices | Bates 000756 |
| 29. Blue Ridge Consulting invoices | Bates 000757-000855 |
| 30. The Brattle Group invoices | Bates 000856-000930 |
| 31. Scott Mueller invoices | Bates 000931-000981 |
| 32. Strategen Consulting invoices | Bates 000981-000985 |
| 33. Optimal Energy invoices | Bates 000986-001030 |
| 34. J. Randall Woolridge, Ph.D. invoice | Bates 001031-001039 |

Compliance with Puc 1900 Rules

Audit reviewed the frequency of rate case expense filings for compliance with Puc 1905, Procedures for Filing for Recovery of Expenses; Puc 1906, Expenses Recoverable as Rate Case Expenses; and Puc 1907, Expenses not Recoverable as Rate Case Expenses.

Puc 1905.01 requires filing of actual and projected rate case expenses with the rate case then every 90 days thereafter, the name of the service provider, the procurement process, amounts, a listing of all services to be rendered on behalf of the utility by any vendor, and the total estimated cost of each service. Eversource filed:

Docket book tab #17 on 05/28/2019 within the initial filing on Bates SFR-004028 through SFR-004031

Docket book tab #47 as of 07/31/2019, although detailed report shows as of 7/31/2018

Docket book tab #61 as of 10/31/2019

Docket book tab #80 as of 01/30/2020

Docket book tab #96 as of 04/30/2020

Docket book tab #115 as of 07/31/2020

Docket book tab #136 as of 10/31/2020

Docket book tab #148 as of 01/15/2021, Final actual expenses

Based on the submissions, Eversource complied with the filing requirements in Puc 1905.01.

The documentation of expenses, outlined in Puc 1905.03, requires evidence of all rate case expenses and any related allocations including:

- (a) All invoices paid or to be paid
- (b) Name of each vendor
- (c) The amount of the expense to be included as part of rate case expenses
- (d) A description and date of the charge or service rendered
- (e) A statement that the expense is consistent with the utility's written procurement policy
- (f) The utility's procurement policy in place at the time the expenses were incurred
- (g) The contract entered into that generated the expense
- (h) A statement of whether the contract was obtained after negotiations or competitive bid

The filing of the reported rate case expenses addressed each requirement of Puc 1905.03.

Documentation Review-identified by number outlined on page 3 of this report

21. Keegan Werlin The details about the request for proposal, and Keegan Werlin's response, included in the filing on Bates pages 000050 through 000161 were reviewed. Eversource indicated that the firm was chosen based on scoring. Of the four firms to which the RFP was sent, one did not respond. The remaining three firms were "scored" based on the ranking within five categories. The firm with the highest weighted score was selected. While Keegan Werlin scored highest in each category, it scored lowest regarding "commercial terms and lack of potential conflicts". The double digit discount off the standard billing rates was selected by Eversource as the manner of charging time.

The reported cost total \$695,579 external legal counsel was verified to invoices over several years. Because the firm is based in Boston, Audit noted consistent reference to the DPU (Department of Public Utilities, the acronym used in Massachusetts). Aside from the specific instances of recommended disallowances below, Audit recommends 100% disallowance for the external legal counsel. All of the time spent preparing, reviewing, editing data request responses and updating logs, daily phone calls with what was called the “core” rate case team, discussions among counsel and Eversource employees regarding testimony, technical sessions, hearings, preparing and filing documents for submission to the NH PUC, should have been accomplished by the legal staff of the Company. Audit requested the number of staff attorneys at Eversource (corporate) and PSNH specifically, and was told:

“Eversource Energy has approximately 35 in-house attorneys currently providing legal services to each of the nine operating companies in Connecticut, Massachusetts and New Hampshire, as well as the Eversource parent, service company, transmission business, and various unregulated subsidiaries. The in-house attorneys cover areas such as: corporate governance, litigation and dispute resolution, bankruptcy, labor and employment, state and federal regulatory, environmental, and real estate matters. The in-house attorneys are employed by Eversource Energy Service Company and provide services across the enterprise, including to PSNH. At present, there are 3 attorneys based in New Hampshire who work primarily on matters for PSNH and Aquarion Water Company of New Hampshire. Two of these attorneys are fully engaged in regulatory proceedings before the Commission, although at times they also cover non-PUC related work including, but not limited to, contract work, purchasing, legislative affairs, energy efficiency, customer service, customer complaints, renewable issues, administrative appeals, and other general legal advice. The third attorney is engaged primarily on New Hampshire real estate matters. By comparison, during PSNH’s last rate case in 2009, PSNH had a total of 6 New Hampshire based attorneys, including 2 regulatory attorneys. The legal department’s goal is to do as much legal work as possible using in-house resources, but all practice areas within the Eversource legal department rely on outside resources when there is a particular rise in workload or there is a particular expertise required. As a result of all the aforementioned factors, the Company retained the law firm of Keegan Werlin to assist PSNH with its most recent rate case. This was a function of both the substantial work required to provide legal support for the rate case as well as Keegan Werlin’s extensive rate case expertise.”

For comparison, Audit verified that the prior PSNH rate case docketed as 09-035 did not reflect the use of external legal counsel: Liberty Utilities DE 19-064 rate case expenses did not include any external legal fees; the DG 17-048 Liberty (EnergyNorth) rate case expenses did not include any external legal fees; and the Unitil Energy DE 16-384 rate case expenses also did not include any external legal fees. **Audit Issue #1**

Specifics of the external legal invoices are summarized by year:

2018- 10 invoices summing to \$59,234.50 of which \$8,527 should be excluded due to the extraneous costs of the legal firm to become familiar with NH rate case procedures, other NH rate proceedings, creation of databases of rate cases, inclusion of merger related costs, photocopying, etc., despite represented “familiarity with electric distribution, NHPUC and Eversource.” The total \$59,234.50 should be excluded from the rate case recovery due to Puc 1907.01(a).

2019- 12 invoices sum to \$451,749.43. Specific charges related to the NH PUC Audit must be excluded, administrative types of charges for updating discovery logs, compiling

materials, completing matrix information, photocopies, etc., should also be specifically excluded. The total of these types of charges is \$79,321.93. The total \$451,749.43 for 2019 should be excluded per Puc 1907.01 (a) and Puc 1901.01(c).

2020- 11 invoices sum to \$184,595.04. While many of the invoices reflect routine rate case related work, Audit noted many instances for which time was charged for the NH PUC Audit report, copying, overnight mailing, discussions related to capital project variances and issues of meter retirements, etc. The total of these types of charges, which cannot be recovered through rate case expenses was noted to be \$18,007.04. The total \$184,595.04 for 2020 should be excluded per Puc 1907.01 (a) and Puc 1901.01(c).

Puc 1907.01(a) excludes “expenses for matters handled by service providers that are typically performed by utility management and staff of the utility, based on their experience, expertise, and availability”.

Puc 1907.01(c) specifically excludes recovery of any “expenses related to commission audit inquiries”.

Within the response to the RFP was reference to a monthly tracker of costs, actual vs. budget, as well as by attorney. Audit requested the tracker, which was provided.

22. Economists Incorporated-Marginal Cost of Service Study \$175,494 was verified to the physical pdf copies of the detailed listing of invoices on Bates page 000014. Of the invoices reviewed, Audit originally recommended reducing the total by unsupported travel advances and expenses, as well as by costs incurred for docket DE 16-576, Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer Generators (all electric utilities participate in this docket). However, in response to the draft Audit report, specific travel vouchers were provided to support the following two expense figures:

Travel/Miscellaneous expenses invoice #25818	\$ 1,109.46	Bates 572-573
Travel/Miscellaneous expenses invoice #26117	\$ 2,437.01	Bates 575-576

Hours billed for time relating to the DE 16-576 docket, however, should be excluded. Specifically:

Relating to DE 16-576 invoice #24578	8 hours	\$ 3,800.00	Bates 562-563
Relating to DE 16-576 invoice #24746	11 hours	<u>\$ 5,225.00</u>	Bates 564-565
Recommended Exclusion		\$ 9,025.00	

Audit noted the total of \$9,025.00 to exclude, which would result in an adjusted balance of \$166,469. **Audit Issue #1**

Eleven of the thirteen invoices reviewed included past due figures. While none of the invoices included any sort of interest or penalty for late payment, Audit requested clarification of why the payments were not made. The Company indicated: *“The Company processed and reviewed invoices in a timely manner. When the delivery of invoices by the vendor to the company were delayed, a balance forward was carried in subsequent months. Mismatches on invoices between purchase order and work performed identified during review required*

revisions which resulted in carried balances until resolved.” Based on the Company response, it appears that the consultant consistently invoiced Eversource erroneously, from July 2018 through October 2020.

The filing reflects the RFP and response from Economists on Bates pages 000165 through 000172. The purchase order on Bates page 000166 indicates a “not to exceed” figure of \$175,000. Bates page 000169 reflects an updated purchase order #10985117 which replaced the original #10279646 \$175,000. The updated purchase order, dated 1/29/2020 increased the total contract to \$250,000.

Eversource provided the RFP to five firms. Two did not respond, and three sent bids. Audit reviewed the “scoring” of the three. The winning bid ranked second in overall scoring. Eversource did not provide more detail regarding why the highest scored bidder was not selected. The same documentation supporting the MCOS was used for the ACOS discussed below.

Within the filing, on Bates page 000614 are 18.5 hours relating to work on the MCOS Study, totaling \$8,787.50. This figure is noted within the Allocated Cost of Service study total, rather than this Marginal Cost of Service study. The overall cost is not impacted by this misclassification.

23. Economists Incorporated Allocated Cost of Service Study \$278,164 was verified to the pdf copies of the detailed listing of invoices on Bates page 000014. Audit noted time spent on the Marginal cost of service, which should have been included in item 22 above, but because the expense relates to the DE 19-057 rate case, is allowed. As above, an unsupported travel expense figure of \$1,117.60, was subsequently supported with travel vouchers provided in response to the draft Audit report. Time relating to DE 16-576 \$1,425.00, and a typographical error of \$6,000, result in total disallowed expenses of \$7,425.00 which brings the ACOS figure to \$270,739.

Audit Issue #1

As noted in the description for the review of the Economists’ MCOSS invoices, there were thirteen invoices that sum to the reported total of \$278,164. Eleven of the thirteen reflected past due figures.

The filing Bates pages 000173 through 000179 document the Economists Inc. Allocated Cost of Service response to the RFP. Page 000173 shows a purchase order 10672156, with a requested delivery date of 8/27/2018 and date of issue 9/11/2019 in the amount of \$186,000 for the NH Allocated Distribution “Sot” of Service Study. An updated purchase order, #10947368 on Bates 000177 reflects a requested delivery date of 7/31/2019 for issue date 9/11/2019 in the amount of \$120,000 for Allocated Cost of Service and R&D. Based on the total reported, it appears that the \$120,000 was added to the initial \$186,000 purchase order, although that was not stated explicitly.

24. Concentric Energy Advisors \$173,672, noted on Bates pages 000014 – 000015, purchase order on Bates 000180 in the amount of \$250,000, and invoices on Bates 000634 - 000691 were reviewed. Audit also reviewed the purchase order issued 6/12/2019 for delivery date 1/28/2019 in the amount of \$250,000 on Bates page 000180. The dates differ from the response to a proposal from Concentric dated 11/15/2017 found on Bates pages 000183 – 000222. Within that proposal, the Company provided an estimate to conduct a return on equity and cost of capital

study for Yankee Gas Services Company and Public Service of New Hampshire. The Yankee estimate was \$110,184 and PSNH \$100,316.

Eversource informed NH PUC Audit that the \$73,356 over-budget resulted from the differences between budget and actual for “variable tasks”. While researching the response to the question by NH PUC Audit, however, Eversource identified a fixed component of the proposal over which the actual amount was paid, and indicated it would reduce the requested Rate Case Expense related to Concentric by \$38,228. **Audit Issue #1 and Audit Issue #2**

Audit requested and was provided with all invoices for Yankee Gas, to ensure that there was no cross-subsidization or payment between Yankee and PSNH. There was none detected.

Audit requested clarification regarding invoice #0011868 dated 2/4/2019 \$4,511.75 included on the Concentric billing for March 2019 as a past due amount, but there was no invoice included as support, and the amount was not included in filing total. Eversource indicated that the *“invoice in question was canceled by Eversource in August 2019 and that amount was not paid by Eversource. The outstanding invoice was removed as an outstanding invoice as shown on the January 2020 invoice (Bates page 000680), but for reasons not known to the Company, the \$4,811.75 was not removed from the Billings to Date total on Concentric's invoices.”*

Each Concentric invoice reflected Engagement number 03487.00, PSNH RoE. Over the course of the engagement, hours incurred by the four individuals included in the RFP response were noted, along with hours for nine other individuals. Not all were noted on each invoice, but Audit requested clarification of the use of personnel not identified in the RFP. Eversource indicated that *“[t]he duration of the PSNH rate case extended out much longer than a normal rate case schedule. Concentric managed resources accordingly and deployed highly qualified staff on tasks related to this case over that duration to meet the needs of the project efficiently and to also manage obligations to other project commitments over that time. Further, some of the individuals on the invoices are managing the update of Concentric's models that are relied on for the practice as a whole. This time is charged out to clients on an as used basis. The allocation of this cost across projects, when the project requires the data, allows Concentric to provide the most cost efficient delivery of model results to all clients. Each individual who was staffed on this assignment has worked in Concentric's ROE practice and has significant knowledge of the subject matter. Therefore, no additional costs were incurred to “ramp up” as individuals provided their expertise on this assignment.”* Audit is unclear regarding the reference to the time taken regarding the instant rate case. Statute 378:6 requires completion of a rate case within 12 months. The Governor’s Emergency Orders and Executive Orders, included by reference within the statute, authorized the extension of rate proceedings for 18 months, due to the COVID-19 pandemic. The Company’s statement of *“[t]he duration of the PSNH rate case extended out much longer than a normal rate case schedule* does not reference the pandemic.

The December 2017 invoice should be reduced by \$204 for time spent conducting S&P research on the water industry. Of the 24 invoices reviewed, 23 reflected past due amounts. Only one invoice indicated that the account with Concentric was current.

As noted on each Economists invoice, of the twenty four Concentric invoices, three reflected only current charges, while the other twenty one had past due amounts.

25. Gannett Fleming, Inc. \$106,577 total per Bates page 000015 was verified to pdf copies of invoices on Bates pages 000692 through 000749. Support for each invoice with employee expenses was provided, such as airfare receipts, hotel receipts, and food receipts. Each Gannett invoice reflected their purchase order number 10214405-Depreciation Study for Public Service

of New Hampshire, hours worked by position, and the hourly rates for each employee. All invoices reflected only current charges.

26. Randstad Corporate Services, as discussed in the Corporate Services Agreement, provides temporary employees to clients (Bates 000291) The \$151,198 was the sum of weekly allocated dollars per a “Randstad Invoice and Timesheet detail” for four employees. It is unclear if the weekly detail (see Bates pages 000750 – 000753 are the attachments to an invoice that was not provided, or if the detail is a product of Eversource. The purchase order relating to Randstad began on Bates page 000285, with “nontax ST (straight time) hours \$8,250,000”; “nontax OT hours (overtime) \$325,000; and “nontax expenses \$60,000” for a total PO cost of \$8,635,000. The PO 02286986-00007 identified as “revision 2” reflected “required dates” for each expense type 4/14/2017 with a date of issue 6/19/2017. Revision 5 on Bates 000268 for PO 02286986-00011 is identified as “revision 5” with identical descriptions and dates, but sums to \$63,950,000. The weekly timesheets reflect hours for the weeks ending 1/6/2018 through 3/31/2019, although there is no indication on the sheets for what project the employees had been temporarily hired. The contract details from Bates pages 000285-000351 (from 2016) do not provide evidence of the activities needed to support a rate case. **Audit Issue #1**

27. AON \$3,060 was verified to a portion of one invoice for services rendered during August 2019. The overall invoice total was \$13,018.22 of which \$3,060 was identified as “PSNH Rate Case Support”. The purchase order 10150584, with requested delivery date 10/23/2017 and date of issue 4/30/2018 was for consulting services for the investment management pension plan, for an overall expense total of \$1,000,000. Additional pages demonstrate an ongoing relationship with Hewitt Associates (from 2004). AON purchased Hewitt in 2010.

28. Spectrum \$163,276 was verified to one invoice dated 5/28/2019. The information on the invoice reflected 302,363 rate notification letters at \$0.54 per unit. Audit cannot conclude that the incurred (external marketing) expense was necessary based on the information provided, or if the expense related to the NH portion of Eversource. On Bates page 000387 is a Purchase Order related to Spectrum Marketing Companies, Inc. in the amount of \$500,000, of which \$10,000 was drawn down. The PO was issued 12/12/2013, reflecting the seventh revision to the original PO date of 9/2009.

Audit requested clarification of specifically what Spectrum Marketing was hired to do, why the printing was outsourced, what the notification letter was, whether the cost was for a direct mailing or printed to be included as a bill stuffer. The Company responded that “*Spectrum is Eversource’s preferred printing supplier and was engaged to print (double-sided, in color), fold and insert into envelopes that were printed for Eversource, and mailed first class to customers. The letters were mailed first class to ensure that the letters would reach all NH customers by the end of May in order to fulfill the requirement that customers were notified of the rate change 30 days prior to the change taking place on July 1, 2019.*” The notices were direct mailed from Spectrum on May 22, 2019. Audit requested a copy of the notice, which was provided.

29. Blue Ridge Consulting invoices Bates \$88,308 as documented on Bates pages 000757-000855, represents external consultant used by the NH PUC Staff for Revenue Requirement expertise. Each invoice was supported with timesheets, and expense documentation, along with

the identification of DE 19-057. The invoices were received into the NH PUC Business Office, forwarded for approval to the Electric division of the NHPUC. Approval was noted, and the invoices were sent to Eversource for payment to the NHPUC.

30. The Brattle Group invoices Bates \$149,359, documented on Bates pages 000856-000930 represents the external consultant hired by the NH PUC for expertise in the Marginal Cost of Service studies and Rate Design. As above, invoices from the Brattle Group were received into the PUC Business Office, forwarded for approval to the Electric division, then sent to Eversource.

31. Scott Mueller, External Legal Counsel hired by the PUC to assist the seven PUC attorneys, one of whom was retiring. Audit requested clarification (from the NH PUC Legal division and the NH PUC Electric division) of the need to hire external counsel, and was informed that at the time of the contemplated Eversource rate case, there were two electric rate cases in progress, the triennial energy efficiency docket, Net Metering, among many other dockets as follows:

2017 there were 200 dockets
2018 there were 195 dockets
2019 there were 202 dockets
2020 there were 211 dockets

While PUC Staff attorneys may not work on every docket, the workload, with the understanding that one of the seven attorneys was retiring in 2019, along with the fact that the PUC does not decide when utilities file petitions for changes in rates, the Legal and Electric divisions understood that the workload would require external assistance.

32. Strategen Consulting invoices documented on Bates 000981 – 000985 represent the consultant hired by the Office of the Consumer Advocate for expertise in cost of service studies. The \$5,880.75 was verified to one invoice dated 9/30/2019. As with the NH PUC invoices, the Strategen invoice was sent to Eversource from the NH PUC Business Office.

33. Optimal Energy invoices Bates 000986- 001030 that sum to \$17,684 represent the total consulting expenses for services provided to the NH OCA related to specific technical/engineering support. Invoices to Eversource from the PUC Business Office support the total.

34. J. Randall Woolridge, Ph.D. invoice Bates 001031 – 001039 was hired as an external consultant for his expertise in Cost of Capital. The total \$40,000 was noted on one invoice with dates, hours worked, description of the work completed from June 2019 through July 2020. As with the NH PUC and OCA consultants, the invoice submitted to Eversource was from the NH PUC Business Office.

General Ledger Review

Audit requested the original journal entries for all costs included within the request for rate case expense recovery, including any reclassifications, the account to which the reclassification was posted, and the reason for any such reclassification. The Company provided the details of the postings to the Distribution segment 06, FERC account 186RCO, Rate Case

Expense-Deferred. Specific entries debiting and crediting the 186RCO were noted. Audit requested an explanation of the entries and was informed the general ledger source fields indicate the type of entry:

- SCL represents a liability related to the invoice as a payable
- SCR represents a reversal of the invoice if it is deemed to be incorrect
- SCV represents the source field for the actual final invoice applied to the work order

The total of \$2,186,264 was noted within spreadsheet detail provided to Audit as response to Audit-001, Rate Case Expense through Jan 2021. There were five tabs noted in the spreadsheet, with the following totals:

Final	\$2,186,264.00
Summary by Vendor	\$2,217,578.80
PPData DRCE0006	\$2,242,550.33
PPData reformatted	\$2,313,233.15

The Summary by Vendor tab reflected each specific invoice. The Economist section for the Marginal Cost of Service is \$24,245 higher than the Final tab, because the Summary by Vendor includes the total of invoices with past due balances, rather than the current portion for the invoices in question. The total for Randstad is also higher in the Summary by Vendor tab due to inclusion of \$7,069 for work done by two employees not related to the rate case. **Audit Issue #3**

Audit was also provided with the following information: *“Please refer to the following attachments containing detailed entries from the cost repository to support the rate case expense amounts filed.*

- *Attachment Audit Request 1 Rate Case Expense through Jan 2021.xlsx contains the detailed data from the PowerPlan general ledger to support the rate case expenses filed.*
- *Attachment Audit Request 1 Randstad PPData Journal Entry Support.xlsx provides the detail behind the Randstad contractor charges and support for two journal entries that moved costs to and from the PSNH rate case work order as described in the bullets below.*
- *Attachment Audit Request JE 301228 Randstad.pdf contains the journal entry for \$76,758.18 that transferred Randstad charges for contractor employees Robert Martin, Pauline Patten, Denise Shea and Leslie Weil from the initially charged work orders to the PSNH rate case work order. Upon further review of the support for the journal, it was identified that the journal amount was overstated by \$7,069.83 and was adjusted before the final rate case expenses were filed. The detail supporting the journal entry is provided in Attachment Audit Request 1 Randstad PPData Journal Entry Support.xlsx (JE 301228 Correct Jan18-Apr18 and PPData Not DRCE0006 tabs).*
- *Attachment Audit Request 1 JE 337776 Randstad.pdf contains the journal entry for \$70,682.82 that transferred Randstad contractor charges for employees Robert Martin, Leslie Wei and Denise Shea to the NSTAR Gas rate case from the PSNH rate case work order based on an allocation. The detail behind the allocation is provided in Attachment Audit Request 1 Randstad PPData Journal Entry Support.xlsx (DRCE0006 Apr18-Dec19 JE 337776 and PPData DRCE0006 tabs).”*

Audit Issue #1
Recommended Exclusion from the Proposed Rate Case Expense Total

Background

Eversource provided the PUC with its request for recovery of rate case expenses, within 30 days of the final order, as required by the Puc 1900 rules.

Issue

Audit recommends exclusion of certain expenses, for reasons outlined in the text of this report.

<u>As Proposed by Eversource</u>	<u>Recommended by PUC Audit</u>
Keegan Werlin, LLP legal services \$ 695,579	\$ -0-
Economists, Inc. marginal cost study \$ 175,494	\$166,469
Economists, Inc. allocated cost study \$ 278,164	\$269,621
Concentric, cost of capital study \$ 173,672	\$135,240
Gannett Fleming, depreciation study \$ 106,577	\$106,577
Randstad Plant Additions contractor \$ 151,198	\$ -0-
AON Actuarial contractor \$ 3,060	\$ 3,060
Spectrum Marketing postage etc. \$ 163,276	\$163,276
Blue Ridge Consulting-PUC \$ 88,308	\$ 88,308
J. Randall Woolridge Ph.D.-PUC \$ 40,000	\$ 40,000
The Brattle Group-PUC \$ 149,359	\$149,359
Scott J. Mueller-PUC \$ 138,013	\$138,013
Strategen-OCA \$ 5,881	\$ 5,881
Optimal Energy-OCA \$ 17,684	\$ 17,684
Larkin & Associates-OCA <u>\$ unknown</u>	<u>\$zero will be billed</u>
TOTAL	\$2,186,264
	\$1,284,606

Recommendation

Audit recommends that the total Rate Case Expense figure to contemplate for recovery should be \$1,284,606.

For ease of review, NH PUC Audit underlined agreement or disagreement with the recommended disallowances in the Company Comment section below.

Company Comment

The Company is addressing Audit's recommendations for disallowance of costs separately for each vendor below.

Keegan Werlin (\$695,579)

The Company disagrees with the \$695,579 disallowance proposed for Keegan Werlin's legal services. According to Audit, the reason for recommending a total disallowance is that "All of the time spent preparing, reviewing, editing data request responses and updating logs, daily phone calls with what was called the 'core' rate case team, discussions among counsel and Eversource employees regarding testimony, technical sessions, hearings, preparing and filing documents for submission to the NH PUC, should have been accomplished by the legal staff of the Company." This reasoning ignores the substantial incremental work and activity associated with the rate case, appears to presume that any lawyer employed by Eversource Energy may be brought in to support a rate case filing, and appears to presume that repurposing other Eversource Energy attorneys would occur at no incremental cost to PSNH, which is not the case.

As noted in PSNH's response to Audit and as included in the draft report, Eversource Energy employs a number of attorneys, however, only two attorneys handle New Hampshire state regulatory matters. Other attorneys cover numerous practice areas such corporate governance, bankruptcy, labor and employment, and other matters not directly related to regulatory matters, and they do so for other regulated and unregulated companies in other states. Simply redirecting other attorneys from other states and other practice areas is not an available option because it risks having those attorneys acting outside their areas of competence. Further, such a requirement would put the Company at a disadvantage by requiring the use of attorneys who are not familiar with PSNH's regulated business or ratemaking requirements, public utility law, and regulatory process for ratemaking proceedings (such as cross-examination of witnesses on technical or ratemaking matters. Furthermore, redirecting those attorneys potentially places personal risk on them because practicing outside their areas of competence may place them in violation of the rules of professional conduct. In short, the fact that Eversource Energy employs attorneys, does not mean that PSNH has a readily available pool of attorneys to handle state regulatory matters.

At the time of the Company's last rate case there were six attorneys based in New Hampshire and while two focused on state regulatory matters for PSNH, other attorneys handled portions of select state regulatory filings. Presently, however, all normal state regulatory work is handled by just the two state regulatory attorneys and those attorneys are now responsible for matters pertaining to PSNH as well as Aquarion Water Company. Customers are receiving the benefit of a reduced cost of service due to the fact that rates are supporting a fewer number of legal practitioners. Given that, it was necessary for PSNH to contract for additional legal assistance to address the significant incremental work that comes with a rate case as contemplated by Puc 1906.01(b)(3) (as did other parties in this docket). This is particularly the case for PSNH – as the state's largest utility, and as a company that had not had a rate case in a significant time, the amount of work to prepare the case and guide it to completion was substantial and beyond what could reasonably be accommodated by the existing legal staff.

Additionally, the Audit recommendation for a total disallowance ignores that the Company would have incurred incremental cost that would be properly charged to the rate case even with the support of internal resources. Presuming, for purposes of this response, that no outside legal services were retained, there was still more work associated with the rate case than could be accomplished by the state regulatory attorneys in New Hampshire and additional legal support was needed. In that case, attorneys that are responsible for performing legal work on other matters unrelated to regulatory would have had to be redirected from elsewhere in Eversource Energy, and those attorneys would have charged their time and expenses to PSNH,

rather than some other part of Eversource Energy. This charging of time to PSNH would have created an incremental cost to PSNH, even without retaining outside legal assistance. Using the average fully loaded rate of an Eversource Energy attorney which is approximately \$217 per hour which reflects base salary, 401(k), health care, dental, eyecare and all other employee benefits, and applying that to the hours necessary for this case there would have been an incremental cost of at least \$552,634 in legal expenses related to attorneys alone. Not only would this cost be incurred, but the work that those attorney would have been doing for Eversource Energy would still have to be addressed by some other incremental resource for the pendency of the rate case (which was on an extended schedule that added 6 months more that normally included in a rate case filing).

As an additional issue, in the draft report Audit also notes that in other rate case proceedings certain utilities did not seek to recover the costs of outside legal fees. While that may have been true in those cases, it does not support the conclusion that outside legal fees should be disallowed in this case. First, to the extent Audit is contending that not seeking expenses previously means that expenses cannot be recovered in the future, that reasoning is not found in the Commission's rules. Also, such logic does not appear to be based on any analysis of the complexity of a given case, the need for incremental assistance, or the fact that keeping incremental legal resources available on a full-time basis for "surge" items such as rate cases would be inefficient and wasteful.

PSNH also points out that the Commission Staff also retained outside legal counsel for this case – the first time that PSNH is aware of the Commission Staff having ever hired outside counsel for any rate case – and that there is no proposal to disallow the \$138,013 of outside legal expenses incurred by the Commission Staff. The Commission Staff had multiple internal attorneys on this case, and rather than redirect other staff attorneys to aid them, the Commission contracted for additional outside legal assistance. Thus, the Commission itself appears to have acknowledged that this was a complex case requiring significant legal support which could not be managed with internal resources. Given that, it is unclear why PSNH would have been expected to act differently.

Furthermore, PSNH also points out that, as noted in the draft audit report, while Liberty Utilities did not seek recovery of outside legal expenses in the rate case for EnergyNorth in 2017, in the case EnergyNorth filed in 2020 (less than 3 years later), it is projecting rate case legal fees of \$360,000 from the same firm retained by PSNH. Moreover, water companies, including larger companies such as Pennichuck (DW 19-084) routinely use outside legal counsel to support their rate cases. Accordingly, pointing out that outside legal expenses were not recovered in other cases does not, in PSNH's view, provide any support for rejecting the legitimate, prudent, and reasonable legal expenses incurred in this case.

Rate cases are low frequency, high impact events that require the assistance of outside vendors. In this case, given the size and complexity of the case, it was necessary for PSNH to retain outside legal assistance, just as it was necessary for the Commission Staff to retain such assistance. The expenses incurred for legal assistance were just and reasonable and in the public interest and should not be disallowed.

The Company will agree to remove \$8,554.00 of expenses relates to work on audit responses.

Economists, Inc. marginal cost study (\$12,569)

Eversource reached out to Audit to identify the specific charges that make up the \$9,025.00 recommended for removal. Audit responded that charges identified as relating to Docket No. DE 16-576 Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer Generators was related to charges identified on two invoices on Bates pages 562-563 (\$3,800.00) and Bates pages 564-566 (\$5,225.00).

Eversource disagrees with Audit's recommendation that the costs identified as relating to Docket No. DE 16-576 should be excluded from the rate case expense request. Bates pages 562-563 identifies 3 charges on 2/27/19 and 2/28/19 totaling 8 hours related to responses to OCA DRs for a total of \$3,800.00 and Bates pages 564-566 identifies 11 hours of charges related to preparation of data responses under the NEM docket for a total of \$5,225.00. These data requests were to answer responses regarding the marginal cost study prepared and being updated for the rate case at that time for more current data. The reference to the study was to "NEM" is to the model used for the marginal cost study developed for the rate case but submitted with data then-available and as ordered by the NH PUC in DE 16-576 (which the consultant referenced as "NEM" in its invoice).

Eversource disagrees that expenses identified by Audit as relating to NEM totaling \$9,025.00 should be removed from overall rate case expense as the work performed was in support of the marginal cost model prepared for the rate case.

Economists, Inc. allocated cost study (\$21,980)

Audit recommends reducing the Economists, Inc. amount by \$1,425.00 due to costs identified as relating to Docket No. DE 16-576 Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer Generators, and \$6,000 due to a typographical error.

Eversource disagrees with Audit's recommendation that the costs identified as relating to Docket No. DE 16-576 should be excluded from the rate case expense request. Bates page 614 identifies a charge for \$1,425.00 for work on 3/21/19 to prepare data responses for OCA under the NEM Docket 16-576. While data responses were submitted in response to questions under Docket No. DE 16-576, this study and the information provided was being developed as a NH PUC requirement in the rate case, and the expense of \$1,425.00 should not be removed.

Eversource agrees to remove the \$6,000 due to a typographical error.

Eversource agrees to remove \$6,000 from the overall rate case expense request for costs associated with Economists, Inc ACOS.

Concentric (\$38,432)

While researching the response to the question by NHPUC Audit, Eversource identified a fixed component of the proposal over which the actual amount was paid and agreed to reduce the requested Rate Case Expense related to Concentric by \$38,228.

In addition, Eversource will agree to reduce the requested Rate Case Expense related to Concentric by \$204.

Eversource will agree to reduce the requested Rate Case Expense related to Concentric by a total of \$38,432 as identified by NHPUC Audit.

Randstad (\$151,198)

Rate cases are low frequency, high impact events that require the assistance of outside vendors. In this case, given the size and complexity of the case, it was necessary for PSNH to retain outside support services to pull together 10 years of capital project documentation to support the plant in service since the last rate case. As noted in the response to OCA 7-039 as part of the permanent rate case, Randstad is the company that provides staffing service to Eversource. Randstad provided four analysts, led by an Eversource retiree, as additional resources to the Company's internal personnel in preparing information and exhibits in support of the capital plant additions portion of this rate case. Specifically, the Randstad analysts were necessary to assist in compiling project documentation and supporting information for the Company's initial filing and for responses to data requests pertaining to capital planning and capital additions. This work was supported primarily by the Company's Investment Planning staff, but required supplemental resources due to the large number of capital projects over the six-year time span since the Company's last step increase. Eversource's existing Investment Planning staff do not have the bandwidth to support normal daily operations as well as rate case work and therefore it was necessary, and more cost effective, to bring in temporary assistance for purposes of the rate case. The Randstad contractors have a unique set of skills as retirees of Eversource and have familiarity with Eversource's capital project documentation and processes as these contractors have performed this work for other rate cases when needed. Using contractors is a more cost-effective approach to handle the additional workload of a rate case than to hire full-time employees. The Randstad contractors were critical to enable PSNH to prepare and file information on its plant additions and capital programs that is comprehensive, responsive and well-documented.

Eversource disagrees with Audit's recommendation to remove \$151,198 related to temporary employees used for the capital project documentation support.

Eversource will agree to remove \$52,986.00 in total from the requested rate case expense.

Audit Comment

As addressed by the Company, Audit will discuss the Company comments by vendor:

Keegan-Wehlin Audit appreciates the detailed explanations regarding the use of external legal counsel. While NH PUC Audit agrees that there was substantial work required by employees and consultants of Eversource, the Company determines the frequency of rate cases, therefore the significant amount of time since the previous rate case is the result of decisions made by the Company. The selection of 2018 as a test year, with the sale of the Generation side of the business also complicated what could have been a more streamlined rate proceeding, had that year not been chosen.

The reference of internal fully loaded attorney costs of (approximately) \$217 per hour is appreciated, and useful in the review of the external firm's discounted rates of between \$110 (administrative) and \$350 (attorneys).

Audit referenced previous PSNH rate proceedings and the lack of the use of external legal counsel, for informational purposes only, and was not intended to presume use of any external firm should be excluded based on historical cases. Rather, the text of the report indicates why the external legal costs should be borne by shareholders.

Audit appreciates the Company restating what was included in the text, that the PUC Electric staff also hired external counsel. As detailed in the text, the PUC does not determine when rate cases are filed.

References to use of internal legal counsel in the Liberty and Unitil rate cases within the text was also included for informational purposes only. For information only, the reference to DW 19-084, Pennichuck Water Works is not relevant, as Audit confirmed that none of the Pennichuck companies, including Pennichuck Corporation, employs any in-house attorneys.

While PUC Audit appreciates that the Company will comply with Puc 1907.01(c) and exclude \$8,554 of expenses relating the work on the PUC Audit responses, Audit reiterates that the overall \$695,579 should not be collected from ratepayers.

The Economists, Inc.-Marginal Cost of Service Study Audit appreciates the explanation, but reminds the reader that the NEM expenses were incurred on 2/27/2019 and 2/28/2019, totaling \$3,800 and 3/1, 3/4, 3/5 and 3/8/2019 totaling \$5,225 (with specific reference to the NEM docket DE 16-576). Eversource filed its Notice of Intent to file for a rate case 3/22/2019. Recovery of expenses associated with docket DE 16-576 should be reviewed and considered in the context of that docket, rather than this DE 19-057 docket.

The Economists, Inc.-Allocated Cost of Service Study Identification of the specific costs of \$1,425 associated with docket DE 16-576 continue to be recommended for disallowance regarding the DE 19-057 rate case. This does not imply that deferred costs relating to DE 16-576 could not be requested for recovery through that docket, nor does this reference specifically imply acceptance or denial of the \$1,425. The typographical error of \$6,000 with which the Company agrees should be excluded. Therefore, Audit again recommends an exclusion of \$7,425.

Concentric-Cost of Capital Study Audit agrees with the Company's acceptance of NH PUC Audit's recommended reduction of \$38,432.

Randstad Audit was unable to determine, through review of the documentation provided, on what the Randstad temporary employees worked. Also, the proposal to remove \$52,986 from the rate case expense requested total was not substantiated in any way. Audit restates the recommended removal of \$151,198.

After issuance of the Final Audit report on 3/29/2021, Eversource communicated 3/30/2021 the following: *"I think there is a misunderstanding in our response. The \$52,986 was the total of all amounts Eversource agreed to remove and is comprised of: \$8,554 for KW, \$38,432 for Concentric, and \$6,000 for Economists Inc."*

Refer to the **Final Summary** at the end of this Audit report.

Audit Issue #2

Total Costs vs. Purchase Orders

Background

The filing included purchase order details for certain consulting services.

Issue

Within the detail of the Concentric invoices, the Company noted, in response to an Audit question, that the fixed price component of the contract had been exceeded by \$38,228.

Recommendation

Notwithstanding the recommended disallowances identified in Audit Issue #1, the Company must ensure that payments made to any vendor do not exceed the authorized cap noted in purchase orders and contracts. Refer to the overall recommended recovery figure identified in Audit Issue #1.

Company Comment

The Concentric purchase order was established for \$250,000 under purchase order 10783305. The contract had a combination of fixed price and variable price components based on task. The Company agreed to pay Concentric for the additional work for the fixed components due to the delay in the timeline and additional work requested of Concentric and the Company has agreed not to request that additional expense as part of this rate case expense request.

Audit Comment

Audit agrees with the Company that the \$38,228 should be excluded from the overall request for recovery of rate case expenses.

Audit Issue #3 Adjustments to Account 186RCO

Background

The total of \$2,186,264 was noted within spreadsheet detail of account 186RCO provided to Audit as response to Audit-001, Rate Case Expense through Jan 2021. There were five tabs noted in the spreadsheet, with the following totals:

Final	\$2,186,264.00
Summary by Vendor	\$2,217,578.80
PPData DRCE0006	\$2,242,550.33
PPData reformatted	\$2,313,233.15

Issue

The Summary by Vendor tab reflected each specific invoice. The Economist section for the Marginal Cost of Service is \$24,245 higher than the Final tab, because the Summary by Vendor includes the total of invoices with past due balances, rather than the current portion for the invoices in question. The total for Randstad is also higher in the Summary by Vendor tab due to inclusion of \$7,069 for work done by two employees not related to the rate case.

Recommendation

Audit understands that the Company is not requesting collection of the dollars noted in the Issue. However, because of the manner in which the detailed general ledger was presented, it appears that the actual general ledger balance is overstated. In conjunction with Audit Issues #1 and #2, any overstatement of the 186RCO or adjustment resulting from this Audit report, must be written off.

Company Comment

The Company will make a final adjustment to account 186RCO for any amounts determined to be excluded from the rate case expense request. In addition, the Company will make adjustments to any amounts that were incorrectly charged to 186RCO related to incorrectly charged Randstad employees and will update 186RCO to reflect adjustments to finance charges not paid to Economists Inc.

Audit Comment

All adjusting entries shall be provided to NH PUC Audit within 30 days of this final Audit report, to demonstrate the specifics of the entries for compliance with this report.

Final Summary

<u>Originally Proposed by Eversource</u>	<u>Audit Disallowance</u>	<u>Audit Adjusted Total</u>	<u>Eversource Adjustment</u>	<u>Eversource Suggested Revision to Request</u>
Keegan Werlin, LLP legal services \$ 695,579	\$ (695,579)	\$ -	\$ (8,554)	\$ 687,025 partially agrees with Audit
Economists, Inc. Marginal Cost \$ 175,494	\$ (238)	\$ 175,257	\$ 8,788	\$ 184,282 agrees \$8,787.50 in ACOS, s/b MCOS, disagrees \$(9,025)
Economists, Inc. Allocated Cost \$ 278,164	\$ (16,213)	\$ 261,952	\$ (14,788)	\$ 263,377 agrees \$(8,787.50) in ACOS, s/b MCOS, agrees \$(6,000), disagrees \$(1,425)
Concentric, Cost of Capital Study \$ 173,672	\$ (38,432)	\$ 135,240	\$ (38,432)	\$ 135,240 agrees with Audit
Gannett Fleming, Depreciation Study \$ 106,577	\$ -	\$ 106,577		\$ 106,577 agrees with no suggested change
Randstad, Plant Additions Contractor \$ 151,198	\$ (151,198)	\$ -	\$ -	\$ 151,198 <i>disagrees with Audit</i>
AON Actuarial Contractor \$ 3,060	\$ -	\$ 3,060	\$ -	\$ 3,060 agrees with no suggested change
Spectrum Marketing, Postage, Mailing \$ 163,276	\$ -	\$ 163,276	\$ -	\$ 163,276 agrees with no suggested change
Blue Ridge Consulting-PUC \$ 88,308	\$ -	\$ 88,308	\$ -	\$ 88,308 agrees with no suggested change
J. Randall Woolridge, Ph D.-PUC \$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000 agrees with no suggested change
The Brattle Group-PUC \$ 149,359	\$ -	\$ 149,359	\$ -	\$ 149,359 agrees with no suggested change
Scott J. Mueller-PUC \$ 138,013	\$ -	\$ 138,013	\$ -	\$ 138,013 agrees with no suggested change
Strategen-OCA \$ 5,881	\$ -	\$ 5,881	\$ -	\$ 5,881 agrees with no suggested change
Optimal Energy-OCA \$ 17,684	\$ -	\$ 17,684	\$ -	\$ 17,684 agrees with no suggested change
Larkin & Associates-OCA unknown	\$ -	\$ -	\$ -	\$ - agrees with no suggested change
Total (rounded) \$2,186,265	\$ (901,659)	\$ 1,284,606	\$ (52,986)	\$ 2,133,279

Based on the Original filing proposed by Eversource, \$2,186,265, PUC Audit recommends a reduction of \$(901,659) for an overall rate case recovery expense of \$1,284,606.

Eversource disagreed with Audit's recommendations and proposed an adjusted disallowance of \$(52,986) for a revised overall proposed rate case expense total of \$2,133,279.

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