

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: April 20, 2021

AT (OFFICE): NHPUC

FROM: Rich Chagnon
Assistant Director, Electric Division

RC

SUBJECT: DE 20-062
Public Service Company of New Hampshire d/b/a Eversource Energy
Petition for Recovery of Storm Expenses

Commission Staff Review of Storm Costs
for the period of October 1, 2018 through August 31, 2019

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Amanda Noonan, Director, Consumer Services and External Affairs
Lynn Fabrizio, Staff Attorney
Karen Moran, Chief Auditor
Krista Leigh, Examiner

Summary

On May 1, 2020, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource, or the Company) filed for recovery of certain storm expenses through the Company's Major Storm Cost Reserve (MSCR). Eversource requested to have nine storm and pre-staging events that occurred between October 15, 2018 and August 21, 2019 audited so that the audited costs may be offset against the MSCR.

Commission Staff (Staff) has completed its review of Eversource's storm costs submission and the recommendations made by Commission Audit Staff (Audit) in the Final Report. (See Attachment 1.)

Staff recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$14,579,159, effective April 30, 2020, from the MSCR fund after certain adjustments are completed, as recommended in the Final Report and agreed to by the Company. Staff understands that the recovery amount may be adjusted based on actual carrying charges stemming from the recommended adjustments, in addition to any corresponding adjusted amount of appropriate carrying charges since April 30, 2020.

Eversource should notify Staff when those adjustments are completed, and confirm the final adjusted amount of recovery and the resulting balance of the MSCR fund.

Background

As part of the settlement regarding restructuring in Docket DE 99-099, Eversource established the MSCR for the purpose of recovering incremental costs associated with severe weather events. Under the MSCR, Eversource recovers from customers through its distribution rates a specified annual amount to be used in the event a Major Storm occurs. Eversource simultaneously records a liability into its MSCR equal to the amount that it recovers from customers so that the recovery does not result in earnings accruing to Eversource. Costs incurred by Eversource for restoration of service during a weather event qualifying as a Major Storm are charged to the MSCR. The level of funding for the MSCR in base rates has varied over time, but has remained at a level of 12 million annually since 2013. Following Order No. 25,465 (February 26, 2013) in Docket DE 12-320, if certain defined criteria are met, Eversource may also charge specified pre-staging costs to the MSCR for events that do not ultimately rise to the level of a Major Storm.

On August 11, 2020, Audit filed its Final Report of storm costs from the following events: (1) October 15, 2018 Major Storm; (2) November 2, 2018 Major Storm; (3) November 26, 2018 Major Storm; (4) January 20, 2019 Pre-Staging event; (5) January 30, 2019 Pre-Staging event; (6) February 13, 2019 Pre-Staging event; (7) February 24 2019 Major Storm; (8) April 3, 2019 Major Storm; and (9) August 21, 2019 Pre-Staging event.

Audit noted in the Final Report¹ that for the period of October 1, 2018 through August 31, 2019, a total of \$14,735,771 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430. As of April 30, 2020, the Storm Funding Deferral account had a balance of \$4,033,160. The funding, which is posted to account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. In December 2019, the Company applied the year-end funding account #228430 (MSCR) balance of \$13,109,464 to offset the storm cost account #186430.

Staff Analysis

The audit summary begins on Page 49 of the Final Report.

Audit Issue #1 – Audit noted that the original supporting documentation provided in Exhibits 1, 4, and 5 did not tie to the filing for the following storms and pre-staging events: 10/15/18 storm, 11/02/18 storm, 11/26/18 storm, 1/20/19 pre-staging, 02/24/19 storm, and 04/03/19 storm. The Company subsequently submitted corrected documents to Audit, which resulted in an adjusted total of storm-related costs for which the

¹ Page 49 of the Final Report (Attachment 1).

Company requested recovery. Audit reviewed the Company's corrected filing and agreed with the adjusted amount.

Audit recommended that the Company formally submit the adjustments to the carrying charges, payroll costs, and materials charges, and file corresponding revised Bates pages within the docket. On July 28, 2020, Eversource filed updates to Bates pages 8, 16, and 19 of the testimony of Erica Menard to account for the changes identified in the Final Audit, as recommended. (See Attachment 2.)

Audit also recommended adding \$144,098 to the total carrying charges applied to the storm cost reserve amount as of April 30, 2020. Eversource agreed with this adjustment.² This audit issue has been resolved.

Audit Issue #2 – This issue has been resolved with the removal of \$843 by the Company, as identified and recommended by Audit.

Audit Issue #3 – This issue has been resolved with the removal of \$647 by the Company, as identified and recommended by Audit.

Audit Issue #4 - This issue has been resolved with the addition of \$5,554 by the Company, as identified and recommended by Audit.

² Pages 52 and 53 of the Final Report (Attachment 1).

Staff's Summary of Adjustments in the Final Report				
Line				
1	Original Total Incremental Cost 4/30/20	\$ 13,919,216	Per Final Report Page 3	
2	Carrying Costs 4/30/20 (as filed)	\$ 816,580	Per Final Report Page 3	
3	Audit Issue #1 Adjusted Carrying Cost 4/30/20	\$ (160,701)	Per Final Report Page 52	Note: Only direct costs were included in Final Report at the time. The Company will need to revise this number to reflect any impact of actual adjustment which includes overheads through 4/30/2020.
4	Revised Carrying Costs 4/30/20	\$ 655,879	Line 2 plus line 3	
5	Total Cost 4/30/20	\$ 14,575,095	Line 1 plus line 4	
6	Agreed to Adjustments Audit #2	\$ (843)	Per Final Report Page 54	
7	Agreed to Adjustments Audit #3	\$ (647)	Per Final Report Page 55	
8	Agreed to Adjustments Audit #4	\$ 5,554	Per Final Report Pages 56 & 57	Note: Only direct costs were included in the Final Report report at the time. The Company will need to revise this number to reflect any impact of actual adjustment which includes overheads through 4/30/2020.
9	Total Recovery Recommended by Staff	\$ 14,579,159	Sum of lines 5 through 8	Note: The Company will need to revise this number to reflect any impact of actual adjustment which includes overheads through 4/30/2021, or when approved by the Commission.

Staff Recommendation

The Company has agreed to remove a total of \$162,191 from recoverable storm costs, and add \$5,554 to recoverable storm costs, as recommended by Audit. With those adjustments, all audit issues will be resolved.

Staff recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$14,579,159, effective April 30, 2020, from the MSCR fund after the agreed to accounting adjustments are completed. Staff understands that the approved recovery amount may be further adjusted based on actual carrying charges that result from the accounting adjustments, in addition to any adjusted amount of appropriate carrying charges since April 30, 2020. Eversource should notify Staff when this is completed, and confirm the amount of recovery and the balance of the MSCR fund.