

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.

STATE OF NEW HAMPSHIRE
Inter-Department Communication

DATE: August 11, 2020
AT (OFFICE): NHPUC

FROM: Krista Leigh, Examiner

SUBJECT: Public Service of New Hampshire (PSNH) d/b/a Eversource Energy
DE 20-062 Major Storms 2018 – 2019
FINAL REPORT

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

INTRODUCTION

On May 1, 2020 Eversource (PSNH, the Company) filed a petition to recover costs of nine storm and pre-staging events that occurred between October 2018 and August 2019. The filing was docketed as DE 20-062 and is consistent with the request in the February 2, 2019 recommendation of the Commission Staff in Docket No. DE 18-058, as well as the March 26, 2019 secretarial letter which stated that the Commission, “*agreed to Eversource's request for a May 1 deadline for filing its future annual reports of the storm costs incurred for the prior year, which would be subject to audit by Audit Staff.*” The Company is not seeking a rate adjustment of any kind, rather requests Commission approval to recover the costs from the Major Storm Cost Reserve (MSCR), which was specifically designed for that purpose.

Commission Order 25,465, issued on 2/26/2013 in docket DE 12-320, states that, “*The MSCR is an accounting mechanism that has previously been approved by the Commission and provides for the recovery from customers of a specified annual amount in distribution rates that is used to offset costs incurred in the event that a qualifying Major Storm occurs. Simultaneously, PSNH records a liability equal to the amount it recovers from customers so that the recovery does not result in earnings accruing to PSNH.*” The current filing includes costs incurred, but not offset through the MSCR, for storms and pre-staging events between October 15, 2018 and August 21, 2019.

Audit understands that carrying costs continue to accrue after the May 1, 2020 filing in the current docket. Audit also understands that the Company will book journal entries, at year-end 2020, to the balance sheet asset and liability accounts, to account for the storms in compliance with Order 25,465.

Definition of a Major Storm and Authorized Pre-Staging Event

Order 25,465 issued on 2/26/2013 in docket DE 12-320, defines a major storm and pre-staging event as the following: *“Under the MSCR, a qualifying major storm is defined as a storm that results in either (1) 10% or more of PSNH’s retail customers being without power in conjunction with more than 200 reported troubles, or (2) more than 300 reported troubles during the event... For weather events having a “high” probability, that is, greater than 60% of reaching [Energy Event Index] EEI Level 3, pre-staging costs would be charged to the MCSR.”* Using the EEI from the Data Transmission Network (DTN), the Company reviews the forecasted data which ranks the potential strength of a storm from 1 to 5, with 5 being the most severe.

For the purpose of verifying whether or not the major storms audited had at least 10% or more of retail customers, Audit reviewed the monthly IR 90-218 and IR 90-219 reports, filed by the Company, depicting the monthly customer count, as well as the twelve-month average customer count for both 2018 and 2019. Bates page 19, of both the IR 90-218 report for the December 2018 customer totals and the IR 90-219 report for the December 2019 customer totals, reported a customer count of 517,361 and 520,884 respectively.

General Ledger

On April 30, 2020, the storm fund reserve account reported a general ledger (GL) balance of \$4,033,160. The funding, which is posted to GL account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. Audit reviewed Commission Order 25,465, issued on 2/26/2013 in docket DE 12-320, which states, *“The MSCR is an accounting mechanism that has previously been approved by the Commission and provides for the recovery from customers of a specified annual amount in distribution rates that is used to offset costs incurred in the event that a qualifying Major Storm occurs. Simultaneously, PSNH records a liability equal to the amount it recovers from customers so that the recovery does not result in earnings accruing to PSNH.”* Audit reviewed the December 2019 journal entries, verifying that the Company offset the year end funding account #228430 (MCSR) balance of \$13,109,464 by the storm cost account #186430.

The storm cost reserve is GL Account #186430. Audit reviewed the Company provided GL as well as an Excel spreadsheet detailing the monthly activity within the account. Audit noted that the April 30, 2020 GL balance for account #186430 was \$10,888,412, compared to the \$10,858,703 total in deferred MCSR storm costs reported, which includes the 2016 – 2017 storm

events subject to Docket No. DE 19-050, as well as the January 2018 – September 2018 storm costs requested for recovery and filed in Docket No. DE 19-105. Audit inquired about the \$29,710 variance between the GL balance for the storm fund deferral account and the deferred storm costs reported. The Company replied with the following statement:

“The variance is due to a variance in accumulated deferred return between the deferred return amounts booked to the GL account 186430 on a monthly basis and the deferred return calculated for cost recovery purposes. When the final storm costs are approved, an adjustment is made to align the GL with the amount approved. Until that time, there may be small variances in the return calculations.”

The DE 20-062 Summary of Requested Storm and Pre-Staging Cost Recovery

The following costs are subject to this audit and summarized in Docket No. DE 20-062:

Event	Costs	Carry Costs 4/30/20	Total Cost 4/30/20
10/15/18 Storm	\$ 706,066	\$ 44,340	\$ 750,406
11/02/18 Storm	951,495	56,592	1,008,088
11/26/18 Storm	7,354,307	417,183	7,771,490
01/20/19 Pre-Staging	978,860	62,614	1,041,474
01/30/19 Pre-Staging	60,378	4,661	65,039
02/13/19 Pre-Staging	67,824	4,221	72,045
02/24/19 Storm	2,350,439	145,267	2,495,706
04/03/19 Storm	1,352,269	78,350	1,430,619
08/21/19 Pre-Staging	97,577	3,327	100,904
Total	<u>\$ 13,919,216</u>	<u>\$ 816,555</u>	<u>\$ 14,735,771</u>

The Company provided Audit with Excel spreadsheets, summarizing each major storm or pre-stage event, as supporting documentation for the storm costs filed and listed on Bates page 000008 of the testimony of Erica L. Menard, Manager of New Hampshire Revenue Requirements. The provided spreadsheets were summarized by work order and expense type, while itemizations were for contractor and procurement card charges. The payroll cost summary and detailed charges for overheads, vehicles, materials, and employee expenses, were also included. The following, categorized by major storm or pre-stage event, was compiled by Audit to depict the summary of storm costs provided by the Company as support for the DE 20-062 filing:

Event Date	10/15/18	11/02/18	11/26/18	01/20/19	01/30/19	02/13/19	02/24/19	04/03/19	08/21/19	Totals
Event Type	Storm	Storm	Storm	Pre-Stage	Pre-Stage	Pre-Stage	Storm	Storm	Pre-Stage	By
Workorder	<u>MS18N006</u>	<u>MS18Q006</u>	<u>MS18S006</u>	<u>EXPSTGA9</u>	<u>EXPSTGB9</u>	<u>EXPSTGC9</u>	<u>MS19C006</u>	<u>MS19D006</u>	<u>EXPSTGD9</u>	<u>Increment</u>
Contractor/Vendor	\$ 358,746	\$ 534,416	\$5,034,523	\$ 593,128	\$ 12,574	\$ 13,175	\$ 1,441,084	\$ 712,037	\$ 25,579	\$ 8,725,262
Storm Payroll	230,749	314,629	1,599,333	290,703	33,275	36,891	653,281	442,335	52,288	3,653,484
Payroll OH/Tax	10,033	10,596	258,884	14,027	697	903	34,198	28,952	2,524	360,814
Vehicle Expenses	77,877	83,320	408,222	77,773	13,051	16,496	187,920	156,583	16,221	1,037,463
Other Employee Expenses	5,681	4,451	24,980	3,229	781	359	9,357	4,408	964	54,210
Materials	<u>22,980</u>	<u>4,085</u>	<u>28,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,599</u>	<u>7,954</u>	<u>-</u>	<u>87,984</u>
Total Costs	\$ 706,066	\$ 951,495	\$7,354,307	\$ 978,860	\$ 60,378	\$ 67,824	\$ 2,350,439	\$ 1,352,269	\$ 97,577	\$ 6,564,908
Carrying Charge a/o 4/30/20	<u>44,340</u>	<u>56,592</u>	<u>417,183</u>	<u>62,614</u>	<u>4,661</u>	<u>4,221</u>	<u>145,267</u>	<u>78,859</u>	<u>3,327</u>	<u>817,064</u>
TOTAL	\$ 750,406	\$1,008,088	\$7,771,490	\$ 1,041,474	\$ 65,039	\$ 72,045	\$ 2,495,706	\$ 1,431,129	\$ 100,904	<u>\$14,736,281</u>

Audit noted a \$509 variance between the \$14,735,771 filed storm costs and the \$14,736,281 summary of storm costs provided by the Company in support of the filed amount. Audit examined the amounts reported on the storm cost summary spreadsheets, noting that the carrying charges of \$78,859, for the 4/3/19 major storm, did not match the filed amounts of \$78,350, resulting in a \$509 variance. Audit questioned the \$509 discrepancy between the carrying charges that were reported in the filing for the 4/3/19, as well as their subsequent total storm costs filed, and the amounts listed on the storm cost summary spreadsheets that were provided as supporting documentation to the DE 20-062 filing. On 07/08/20, the Company replied to Audit's inquiry, regarding the \$509 variance, with revised summaries of storm costs and the following explanation:

“Attached please find the revised files for [April 3 storm event], provided as Attachment ELM-8_rev.xlsx...the only revision is related to the carrying costs.”

Audit reviewed attachments ELM-8, noting that the revised summary of storm costs for the 4/3/19 major storm reported a carrying charge of \$78,346. This revised amount resulted in a variance of (\$4) from the filed carrying charge of \$78,350.

The Company stated that, *“While reviewing and comparing the carrying costs filed with the storm [fund] balances, it was identified that the carrying costs for the 10/15/18, 11/02/18, and 11/26/18 storms were incorrectly listed in the table on Bates Page 000008. Attached please find the revised files for the 10/15/18, 11/02/18, and 11/26/18 storms events, provided as Attachment ELM-1_rev.xlsx, Attachment ELM-2_rev.xlsx, and Attachment ELM-3_rev.xlsx, respectively. The only revision is related to the carrying costs. There were also slight revisions in the carrying charges for the 1/20/19 and 2/24/19 storm events to reconcile to the storm fund balances, provided as Attachment ELM-4_rev.xlsx and Attachment ELM-6_rev.xlsx, respectively.”*

Audit reviewed the provided attachments ELM-1 through ELM-4, and ELM-6, verifying that the revision in total storm costs was due to adjusted carrying charges to all storm events, excluding the 1/30/19 and 2/13/19 pre-staging events. The Company explained that the 05/01/20 originally filed carrying costs of \$816,555 excluded the adjustment for temporary amortization from the 08/01/19 beginning balance. Bates page 000004 of the settlement agreement within Docket No. DE 19-057, dated 06/17/19, states that, “PSNH will begin amortizing the unrecovered storm costs, currently estimated at \$68,474,355 as of December 31, 2018, over a five-year period beginning August 1, 2019.”

The Company followed-up with an Excel attachment, detailing the proposed changes to Bates page 000008, of the testimony of Erica Menard, noting slight changes to the 2/24/19 and 04/03/19 carrying costs identified in Attachments ELM-6 and ELM-8. Audit reviewed the proposed changes and acknowledged the rate of return used was the stipulated rate, beginning 08/01/19. A \$34 variance from the previously provided Attachment ELM-8 was also noted. The following represents a summary of the revised carrying charges proposed, but not submitted to the DE 20-062 filing:

<u>Storm Event</u>	<u>Total Cost</u>	<u>Carrying Costs</u> <u>04/30/2020</u>	<u>Total Cost</u> <u>04/30/2020</u>
10/15/18 Storm	\$ 706,066	\$ 55,683	\$ 761,749
11/02/18 Storm	951,495	71,855	1,023,350
11/26/18 Storm	7,354,307	534,654	7,888,961
01/20/19 Pre-Staging	978,860	62,611	1,041,471
01/30/19 Pre-Staging	60,378	4,661	65,039
02/24/19 Storm	2,350,439	145,282	2,495,721
02/13/19 Pre-Staging	67,824	4,221	72,045
04/03/19 Storm	1,352,269	78,360	1,430,630
08/21/19 Pre-Staging	97,577	3,327	100,904
Total	\$ 13,919,216	\$ 960,652	\$ 14,879,870

The variance identified, between the filed storm cost total of \$14,735,771 and the revised storm cost total of \$14,879,870, was \$144,098. This amount represents additional storm-related preparation and response costs that the Company has documented as incurred but has not filed.

AUDIT ISSUE #1

10/15/18 Major Storm Event MS18N006 \$750,406

The weather for the October 15th major storm resulted in wind gusts reaching 47 mph. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage at least once. Audit noted that there were 355 reported troubles; thus, a qualifying factor in defining this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the

Definition of a Major Storm and Authorized Pre-Staging Event section of this report for details regarding the verification of the Company’s number of customers, as well as a summary of the major storm cost recovery qualifications.

The provided Attachment Exhibit 1 depicts a summary of the 10/15/18 major storm costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 358,746
Direct Labor (PSNH and Other Eversource Companies)	230,749
Payroll Related Overheads and Taxes	10,033
Vehicles	77,877
Other Employee Related Expenses	5,681
Material (including Stores Loading and Lobby Stock)	22,980
Carrying Charge through April 30, 2020	<u>44,340</u>
Actual Storm Reserve Balance April 30, 2020	<u>\$ 750,406</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$358,746

Documentation from the October 15, 2018 major storm, totaling \$358,746 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 12 invoices to review, totaling \$93,606 or 26% of the total amount in external contractors, vendors, and mutual aid expenses. The following describes a summary of the expenses incurred, per expense category:

Contractor	\$ 280,856
Vegetation	55,899
Mutual Aid	-
Procurement Card	6,080
Environmental	10,759
Traffic Control / Police Services	4,387
Food and Lodging	445
Material	-
Other	<u>320</u>
Total Ext Contractors/Vendors, Mutual Aid, and Procurement Cards	<u>\$ 358,746</u>

Contractor

A total of \$78,180 in Contractor charges was recorded on the storm reserve account. Audit selected four invoices, totaling \$78,180 or 28% of the total Contractor charges, to review in detail. Of the invoices reviewed, charges were for labor, equipment, and vehicles. The

Company submitted corresponding Daily Work Reports, as well as the billing detail for labor. Audit verified the dates of the invoices and the totals were confirmed with no exceptions noted.

Vegetation

Charges totaling \$55,899 were recorded to the storm cost reserve for Vegetation services provided during the October 15th major storm. Five invoices were reviewed by Audit, totaling \$12,197 or 22% percent of the total Vegetation invoices charged to the storm. All sampled vegetation services invoices were provided by Asplundh. Audit reviewed the 2018 billing rates by pay code, the weekly operations report for each of the vegetation charges, the hours recorded as worked, and the work order numbers. No exceptions were noted.

Procurement Card

The October 15th major storm reported Procurement Card expenses totaling \$6,080 and consisting of two categories: Food and Lodging and Miscellaneous. The following depicts the Procurement Card Summary of Expenditures by Description:

Food and Lodging	\$	5,721
Material		-
Miscellaneous		<u>359</u>
Total Procurement Cards	\$	<u>6,080</u>

Audit selected four charges for review, totaling \$1,282 or 21% of the Procurement Card transactions. The Company provided copies of receipts and/or invoices in support of the selected charges. Reviewed invoices included expenses for snacks and meals. Audit verified the dates of the receipts, as well as the total charged, with no exceptions noted.

Environmental

Four invoices, totaling \$10,759, were charged to the storm reserve under the category of Environmental services. Audit reviewed one invoice in the amount of \$2,266, noting services provided included labor costs, as well as equipment, materials, and vehicles rental charges. In addition to the invoice, Audit also reviewed the Site Services Multi-Task Worksheets associated with the service provided with no exceptions noted.

Traffic Control / Police Services

Charges for traffic control and police services totaled \$4,387 and consisted of eleven invoices. Audit reviewed one invoice, from the Rochester Police Department, in the amount of \$644, noting that services provided included traffic control. Two officers and a cruiser were utilized for the services. Audit noted the date of the invoice and recalculated the rate multiplied by the hours worked. No exceptions were noted.

Other

A total of \$320 was recorded to the storm cost reserve for charges categorized as “other.” Audit reviewed the only invoice in the category, from WB Mason Company, noting that items purchased were for office supplies, such as pens, pencils, push pins, tape, and a sweeper set. Audit believes that these charges are not directly related to the restoration of power during the storm event. **AUDIT ISSUE #2**

Direct Labor (PSNH and other Companies) \$230,749

PSNH	\$	238,853
PSNH Transmission		19,409
EESCO		3,291
Capitalization		<u>(30,804)</u>
Storm-Related Payroll	\$	<u>230,749</u>

The Company provided the Itemization of Direct Labor spreadsheets, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected seven individual employee direct labor charges, totaling \$7,353, for the PSNH, PSNH Transmission, and EESCO companies, and representing eight individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections and noted no exceptions.

Regarding the method of capturing exempt employee time, Audit noted the following from the testimony of Erica L. Menard, Manager of New Hampshire Revenue Requirements, Bates page 000016 of the filing:

“Exempt employee time is captured and tracked in the same storm account. Since exempt employees are not routinely paid for overtime, this time entry is for tracking purposes only. During the most severe weather events, exempt employees are required to work an extensive number of hours over their typical work week. Depending on the severity of the event, exempt operations supervisory employees are paid for overtime worked during a storm event, consistent with the Eversource storm pay policy. For exempt employees who do not fall into the operations supervision category or if the ERP level of the event is not met, employees at the level of manager and below may be awarded fixed compensation. None of the nine Storm Events contain compensation awards for exempt employees who worked extended hours in support of the restoration process.”

Audit identified a capitalization of (\$30,804) and requested the details supporting the adjustment. The Company provided an Excel spreadsheet, detailing their capitalization model

for the 10/15/2018 major storm. The accompanying journal entry was also reviewed with no exceptions noted.

Payroll-Related Overheads \$10,033

The Company provided the itemized payroll-related overhead amount, totaling \$10,033 for the October 15th major storm event that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits.

Audit requested the calculation for determining the Non-Productive Time Rate (NPT) and the Payroll Benefits Rate (PBR). In response, the Company provided the 2018-2019 Loader rates for the NPT and PBR, as well as an Excel spreadsheet detailing the payroll-related overhead calculations for each of the 2018-2019 filed major storm and pre-stage events.

For all filed major storm and pre-stage events, Audit reviewed the NPT overhead and payroll benefits, noting that they were calculated based on the direct labor amounts for the companies utilized. The individual direct labor amounts were then multiplied by the corresponding 2018 or 2019 overhead rate. In the case of the October 15th major storm, the NPT overhead and payroll benefits were calculated from the direct labor amounts of PSNH Transmission with the 2018 overhead rate.

Individual division payroll benefits were calculated by taking the Company’s corresponding 2018 overhead rate and multiplying it by the direct labor amount for the specific division. The product is then added to the direct labor amount for the specific division and then multiplied by the Company’s corresponding 2018 payroll benefit rate.

The following is derived from the non-productive time overhead and payroll benefits calculation spreadsheet that was submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	2,523
Payroll Benefits		7,510
Total PSNH Transmission	\$	10,033
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-

Total EESCO	\$ _____ -
Total Payroll-Related Overheads	<u>\$ 10,033</u>

The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations, noting that the direct labor amounts for PSNH Transmission included a November 2018 total, for the October 15th major storm event. Audit questioned the inclusion of the November 2018 direct labor amount, as it is outside of the October 15th major storm event. The Company explained with the following statement: *“The direct labor charges in months subsequent to the storm event are related to payroll adjustments that are identified as needing correction. The adjustments are made after the initial payroll closing period and may appear in a subsequent month. These charges are typically small in nature.”*

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$238,853 and \$3,291 respectively—but they do not have any payroll-related overheads reported. In response, the Company stated that, *“PSNH and EESCO overheads have historically not been transferred to the major storm reserve for cost recovery purposes, only direct labor amounts are transferred to the major storm reserve for cost recovery purposes.”*

Vehicles \$77,877

The total vehicle expense for the October 15th major storm was \$77,877. The following depicts the vehicle charges for the corresponding companies:

PSNH	\$ 73,845
PSNH Transmission	4,032
EESCO	<u>-</u>
	<u>\$ 77,877</u>

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. The Company explained that, *“Vehicle costs are no longer calculated on a rate schedule, but rather are based on an allocation.”* Audit requested this allocation and the Company provided an Excel workbook with calculations, by department and vehicle, for the pre-stage or storm’s monthly vehicle cost by “sister company.” All of the vehicles were charged based on a the current annual cost of each vehicle compared with the percentage of the total cost of the fleet, and the sum of the dollars of productive labor including overtime (OT).

Audit requested further explanation of the calculation for vehicle charges to the storm reserve. The Company replied with the following explanation:

“Beginning in 2016, Eversource transitioned to an allocation process for vehicle costs. The actual vehicle costs for each subsidiary are accumulated and allocated to departments based on their vehicle complement. The vehicle cost assigned to each department is then allocated at the work order level based on productive labor.”

Audit also reviewed the vehicle allocation process and supporting Excel worksheets, as submitted by the Company. The following describes the calculation method of vehicle charges to the storm reserve account:

The Cost Centers are assigned vehicles and then Source Cost Center clusters are developed, which are groupings of Cost Centers with a like compliment of vehicles (e.g. OH/UG lines, engineering, constructions, meters, etc.). Then, the total cost of the fleet for each cluster grouping is determined, based upon the current annual cost of each vehicle in that cluster. Each cluster’s percentage of the total cost of the fleet for that entity is determined. The cost center’s allocation percentage of the total cluster is then driven by the sum of the dollars of productive labor, including OT, but excluding non-productive and premium pay. The Cost Center’s labor will be used to allocate costs, using eligible work orders charged by each Source Cost Center to determine the number of labor dollars as a percentage of the total labor dollars in that cluster. The vehicle costs are accumulated in FERC account 184010 by entity and will be cleared monthly according to the percentage applied to each cluster. The Company explained that the vehicle allocation process will run the 2nd workday of the month after all payroll charges have been recorded and the process allocates the current month’s expenses. Furthermore, the Company stated that, *“Due to the nature of the allocation process, minimal vehicle charges may remain in the clearing account and will be added to the following month.”*

Audit examined the Excel worksheets provided by the Company, detailing the 2018 and 2019 labor and vehicle allocation, based on vehicle percentage of usage within the specific company, as well as the annual cost of each vehicle within the cluster grouping. Companies used throughout all of the storm events’ vehicle allocation process include PSNH, PSNH Transmission, CL&P, CL&P Transmission, and EESCO. Audit requested the vehicle types and class of the vehicles for each fleet within the cluster groupings indicated on the vehicle allocation spreadsheets. The Company provided a spreadsheet with the listing of vehicles, as well as the 2018 and 2019 vehicle rates by type and class, with the calculation of the cluster percentages.

Other Employee-Related Expenses \$5,681

The Employee-Related Expenses for the 10/15/18 major storm totaled \$5,681. The following represents the Summary of Expenditures by Company:

PSNH	\$	4,871
PSNH Transmission		622
EESCO		<u>188</u>
Total Other Employee-Related Expenses	\$	<u><u>5,681</u></u>

The Company provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Audit selected three items, totaling \$5,631 from the meals and mileage expense categories within PSNH, PSNH Transmission, and EESCO. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of receipts and employee time cards in support of the meals and mileage charges.

Materials \$22,980

The Company provided a listing of all materials utilized during the storm, totaling \$22,980, including their quantities and total cost. Audit selected three materials charges, totaling \$4,984, that were listed as issued during the October 15th major storm. Documentation was requested, depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company then provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. There were thirty-two light, beacon, rotating vehicle plug-ins and eighteen disconnect switches removed from the Bow Central Warehouse. Audit also reviewed the provided capitalization calculations for materials and verified the recorded capitalization of (\$9,480). No exceptions were noted.

11/02/2018 Major Storm Event MS18Q006 \$1,008,088

The weather for the November 2nd major storm resulted in wind gusts reaching 58 mph. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outages. Audit noted that there were 356 reported troubles; thus, a qualifying factor in defining this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for details regarding the verification of the Company’s number of customers, as well as a summary of the major storm cost recovery qualifications. Audit was provided with Exhibit-1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	534,416
Direct Labor (WMECO and other NU Companies)		314,629
Payroll Related Overheads and Taxes		10,596

Vehicles	83,320
Other Employee Related Expenses	4,451
Material	<u>4,085</u>
Total Storm Cost Transferred to Reserve	<u>\$ 951,495</u>
Carrying Charge through April 30, 2020	<u>\$ 56,592</u>
Actual Storm Reserve Balance April 30, 2020	<u>\$ 1,008,088</u>

External Contractors, Mutual Aid and Procurement Cards \$534,416

Documentation from the November 2, 2018 major storm, totaling \$534,416 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 22 invoices, totaling \$100,674 or 19% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$ 326,613
Vegetation	182,137
Mutual Aid	-
Procurement Card	23,049
Environmental	-
Traffic Control / Police Services	1,219
Food and Lodging	1,398
Material	-
Other	-
Total Contractors, Mutual Aid, and Procurement Cards	<u>\$ 534,416</u>

Contractor

A total of \$326,613 in Contractor expense was recorded on the storm reserve account. Audit selected invoices totaling \$69,296, or 21% of total contractor expenses, to review in detail. Charges were for the labor, equipment, and vehicles needed to preform power restoration services. Invoices and the Contractor Daily Work Reports from Evans Line and Cianbro Corporation were reviewed by Audit, including the date of the work performed, the work order number, and the hours worked. No exceptions were noted.

Vegetation

There was \$182,137 in Vegetation services charged to the storm cost reserve for the November 2nd major storm. Sixteen percent of the total vegetation invoices, totaling \$29,871, was reviewed by Audit. All vegetation services reviewed were provided by Asplundh Tree.

Traffic Control / Police Services

A total expense of \$1,219 in traffic control/police services was recorded during the November 2nd major storm. Audit reviewed one invoice, totaling \$424, and noted the services provided included traffic control for the Town of Hinsdale. No exceptions were noted.

Food and Lodging

There was \$1,398 in food and lodging expenses recorded to the storm cost reserve. Audit reviewed one invoice, comprised of \$1,083, for twenty storm team luncheons, twenty-six afternoon snacks, and twenty-six dinners. The meals and snacks were provided during the November 2nd major storm event. The dates of the invoice, as well as the total charge, was verified by Audit.

Procurement Card

The total Procurement Card expenses were for Food and Lodging, as well as Miscellaneous charges. The following is the Summary of Expenditures by Description:

Food and Lodging	\$	22,970
Contractor		-
Material		-
Miscellaneous		<u>79</u>
Total Procurement Card	\$	<u>23,049</u>

Audit selected four invoices to review in detail, totaling \$6,681 or 29% of the total Procurement Card Charges. Invoices reviewed were for meals provided during the November 2nd major storm event. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$314,629

PSNH	\$	309,397
PSNH Transmission		20,498
EESCO		5,088
Capital Adjustment		<u>(20,355)</u>
Storm-related Payroll	\$	<u>314,629</u>

The Company provided the Itemization of Direct Labor in Excel spreadsheets, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected eight individual employee direct labor charges, for a total of \$7,755, including all three of the companies listed and representing seven individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Audit identified the capital adjustment of \$(20,355) and requested the supporting detail for the amount. The Company provided an Excel spreadsheet, detailing their capitalization model for the 11/02/2018 major storm. The accompanying journal entry was also reviewed with no exceptions noted.

Payroll-Related Overhead \$10,596

The Company provided the itemized payroll-related overhead amount, totaling \$10,596 for the November 2nd major storm event that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the NPT overhead and the PBR. For details regarding the Company’s calculation of overhead charges, refer to the Payroll-Related Overhead section of this report within the 10/15/18 major storm event.

The following is derived from the non-productive time overhead and payroll benefits calculation spreadsheet submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	2,665
Payroll Benefits		7,931
Total PSNH Transmission	\$	10,596
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	10,596

The NPT and PBR were confirmed to the 2018 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations with no exceptions.

Vehicles \$83,320

The vehicle expense for the November 2nd major storm totaled \$83,320. The following vehicle charges were identified by company:

PSNH	\$	78,805
PSNH Transmission		4,515
EESCO		<u>-</u>
Total Vehicles	\$	<u>83,320</u>

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the provided vehicle calculation spreadsheet and recalculated the vehicle cost for the two companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the Vehicles section of the report, for the 10/15/18 major storm, for further details on the calculation process of the vehicle usage amounts.

Other Employee-Related Expenses \$4,451

The Employee-Related Expenses for the 11/02/18 major storm totaled \$4,451. The following represents the Summary of Expenditures by Company:

PSNH	\$	3,718
PSNH Transmission		409
EESCO		<u>323</u>
Total Other Employee-Related Expenses	\$	<u>4,451</u>

The Company provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Audit selected three items, totaling \$656, from the meals and miscellaneous expense categories within PSNH, PSNH Transmission, and EESCO. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Two exceptions were noted.

Michael John’s Pizza: Audit reviewed a receipt totaling \$87 and dated 10/27/18. The date on the receipt precedes the 11/02/18 storm by six days. **AUDIT ISSUE #3**

Ticket Fulfillment Services: A June 17, 2018 dated receipt, totaling \$156, was reviewed by Audit. Charges were listed as “entertainment” for “concert tickets.” **AUDIT ISSUE #2**

Materials \$4,085

The materials expense for the November 2nd major storm, totaled \$4,085. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected the two materials charges, totaling \$1,786, that were listed as issued during the November 2nd major storm. Documentation was requested, depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The

Company then provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. There were three crossarm center mount brackets and 4 underground self-adjusting trip current ranges removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about the recorded capital adjustment of (\$5,145) in Materials charges to the storm cost reserve. The Company explained that, *“The amounts shown as capital adjustments are the O&M portion of the costs associated with those work orders and adjustments were made to the storm costs to include those O&M amounts as they were attributable to the storm event.”* Audit verified the (\$5,145) capital adjustment through review of the provided capitalization calculations for materials. No exceptions were noted.

11/26/18 Major Storm MS18S006 \$7,771,490

The weather reported for the November 26th major storm resulted in wet snow accumulation of 3-18 inches, as well as 25-35 mph winds. The Company provided a “troubles report” spreadsheet, indicating the number of reported trouble events from customers and the number of customer accounts reporting a loss in power. Audit noted that 102,654 customers, or 20 % of the Company’s 517,361 total customers, reported an outage at least once. There were also 1,277 documented trouble reports; thereby, qualifying this event as a major storm and subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for details regarding the verification of the Company’s number of customers, as well as a summary of the major storm cost recovery qualifications.

The Company provided Audit with Exhibit 1, which summarized the November 26th major storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	5,034,523
Direct Labor (PSNH and other Companies)		1,599,333
Payroll Related Overheads and Taxes		258,884
Vehicles		408,222
Other Employee Related Expenses		24,980
Materials		<u>28,366</u>
Total Storm Cost Transferred to Reserve	\$	<u>7,354,307</u>
Carrying Charge through April 30, 2020	\$	<u>417,183</u>
Actual Storm Reserve Balance April 30, 2020	\$	<u>7,771,490</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$5,034,523

Documentation from the November 26th major storm, totaling \$5,034,523 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected twenty-two invoices for review, totaling \$1,354,897 or 27% of the total contractors/vendors, mutual aid and procurement card charges.

Summary of Expenditures by Description:

Contractor	\$ 4,177,633
Vegetation	514,845
Mutual Aid	49,954
Procurement Card	259,255
Environmental	-
Traffic Control / Police Services	20,578
Food and Lodging	2,998
Material	-
Other	<u>9,259</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 5,034,523</u>

Contractor

A total of \$4,177,633 in Contractor expenses was recorded on the storm reserve account. Audit selected invoices totaling \$1,266,247, or 30% of total contractor expenses, to review in detail. Charges were for the labor, equipment, meals, and fuel needed for storm restoration services. Invoices and the accompanying receipts, Contractor Daily Work Reports, time sheets, and certificate of liability insurance were reviewed by Audit, including the date of the work performed and/or the work order number, as well as the hours worked and invoice total. No exceptions were noted.

Vegetation

A total of \$514,845 was charged to the storm reserve for Vegetation services provided during the November 26th major storm. Sixteen percent of the total vegetation charges, totaling \$79,839 were reviewed by Audit. The vegetation service was provided by Asplundh, Global Energy, and Lewis Tree for the week ending 12-01-18. The invoice totals and the accompanying Weekly Operations Reports were reviewed by Audit, including the work order number and/or the date of the work performed.

Procurement Card

The total Procurement Card expenses of \$259,255 was for Food and Lodging and Miscellaneous charges. The following is the Summary of Expenditures by Description:

Food and Lodging	\$ 247,701
Contractor	-
Material	-
Miscellaneous	<u>11,555</u>
Total Procurement Cards	<u>\$ 259,255</u>

Audit selected eleven charges, totaling \$36,925, to review in detail. The charges were for food, lodging, and auto recovery of a unit that had gone off the side of the road in Cornish. One Exception was noted.

Amazon.com: Audit noted a charge, totaling \$77, to the storm cost reserve. The receipt provided was for four Morton Iodized Salt Shakers, with a price of \$19 each. Audit believes that these charges are not directly related to the restoration of power during the storm event. **AUDIT ISSUE #2**

Traffic Control / Police Services

Charges for traffic control and police services totaled \$20,578 and consisted of fourteen invoices. Audit reviewed two invoices, from the New England Traffic Control Services, for the total amount of \$6,135, noting that services provided included traffic control and storm duty for “wire guard.” No exceptions were noted.

Food and Lodging

A total of \$2,998 in Food and Lodging charges were recorded to the storm cost reserve. Audit selected one charge, in the amount of \$2,677, for further review. The supporting invoices for the charge were for meals provided on 11/27/18 through 11/28/18.

Direct Labor (PSNH and other Companies) \$1,599,333

PSNH	\$ 1,086,101
PSNH Transmission	112,575
CL&P	221,178
CL&P Transmission	16,308
MA East	181,824
EESCO	29,889
Capital Adjustment	<u>(48,540)</u>
Storm-Related Payroll	<u>\$ 1,599,333</u>

The Company provided the Itemization of Direct Labor on Excel worksheets, which listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected fourteen individual employee direct labor charges, with a total of

\$31,221, including all six of the companies listed and representing fourteen different job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Audit identified the capital adjustment of \$(48,540) and requested the supporting detail for the amount. The Company provided an Excel spreadsheet, detailing their capitalization model for the 11/26/2018 major storm. The accompanying journal entry was also reviewed with no exceptions noted.

Payroll-Related Overheads \$258,884

The Company provided the itemized payroll-related overhead amount, totaling \$258,884 for the November 26th major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the 10/15/18 major storm’s Payroll-Related Overheads section of this report for details on how the Company calculated the overhead charges. The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-

PSNH Transmission

Non-Productive Time Overhead	\$	14,636
Payroll Benefits		43,562
Total PSNH Transmission	\$	58,198

CL&P

Non-Productive Time Overhead	\$	27,679
Payroll Benefits		100,518
Total CL&P	\$	128,196

CL&P Transmission

Non-Productive Time Overhead	\$	2,038
Payroll Benefits		7,401
Total CL&P Transmission	\$	9,439

MA East (NSTAR)

Non-Productive Time Overhead	\$	27,274
Payroll Benefits		35,777
Total MA East	\$	63,050

EESCO

Non-Productive Time Overhead	\$	-
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Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	<u>258,884</u>

The NPT and PBR were confirmed to the 2018 and 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations, noting that the direct labor amounts for PSNH Transmission and CL&P included January and March 2019 totals for the 11/26/18 major storm. Refer to the 10/15/18 major storm’s Payroll Related Overheads section of this report for details regarding the inclusion of months outside of the date of the audited storm event.

Refer to the 10/15/18 major storm’s Payroll-Related Overhead section of this report for details regarding the Company’s calculation of overhead charges.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$1,086,101 and \$29,889 respectively—but they do not have any payroll-related overheads reported. For the Company’s response, refer to the 10/15/18 major storm’s Payroll-Related Overhead section of this report.

Vehicles \$408,222

The total vehicle expense for the November 26th major storm was \$408,222. The following vehicle charges were broken down by entity:

PSNH	\$	272,994
PSNH Transmission		21,002
CL&P		62,298
CL&P Transmission		7,542
MA East		44,103
EESCO		<u>283</u>
Total Vehicles	\$	<u>408,222</u>

Vehicle usage amounts were recorded for six companies. Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 10/15/18 major storm section of the report for further details regarding the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$24,980

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the November 26th major storm event:

PSNH	\$	12,934
PSNH Transmission		3,535
CL&P		4,839
CL&P Transmission		235
MA East		2,204
EESCO		<u>1,232</u>
Total Other Employee-Related Expenses	\$	<u>24,980</u>

The Company provided a spreadsheet showing the amount of employee-related expenses by expense description and sorted by company. Audit selected five items, totaling \$2,672 from the meals, transportation, and miscellaneous expense categories. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of receipts, invoices, and credit card statements in support of the meals and miscellaneous charges, as well as a spreadsheet documenting the employee’s name, expense type, date of the charge, and amount of the charge.

Materials \$28,366

The materials expense for the November 26th major storm, totaled \$28,366. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected the five materials charges, totaling \$11,926, that were listed as issued during the November 26th major storm. Documentation was requested, depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company then provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. There were thirty-eight fuses, fifty-six crossarms, and a weathering steel pole removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about the recorded capital adjustment of (\$12,948) in Materials charges to the storm cost reserve. The Company explained that, *“The amounts shown as capital adjustments are the O&M portion of the costs associated with those work orders and adjustments were made to the storm costs to include those O&M amounts as they were attributable to the storm event.”* Audit verified the (\$12,948) capital adjustment through review of the provided capitalization calculations for materials. No exceptions were noted.

01/20/19 Pre-Staging Event EXPSTGA9 \$1,041,474

The weather forecast for the January 20, 2019 pre-stage event described a “high” probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation that is greater than twelve inches, in all regions of the state. This weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. A summary of the pre-stage cost recovery qualifications is located within the Definition of a Major Storm and Authorized Pre-Staging Event section of this report.

Audit was provided with Exhibit 1, which summarized the costs for the January 20, 2019 pre-stage event as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 593,128
Direct Labor (WMECO and other NU Companies)	290,703
Payroll Related Overheads and Taxes	14,027
Vehicles	77,773
Other Employee Related Expenses	<u>3,229</u>
Total Storm Cost Transferred to Reserve	<u>\$ 978,860</u>
Carrying Charge through April 30, 2020	<u>62,614</u>
Actual Storm Reserve Balance April 30, 2020	<u>\$ 1,041,474</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$593,128

Documentation from the January 20th pre-stage event, totaling \$593,128 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. The following represents the summary of expenditures by description:

Contractor	\$ 362,873
Vegetation	202,861
Mutual Aid	-
Procurement Card	21,396
Environmental	-
Traffic Control / Police Services	4,969
Food and Lodging	1,029
Material	-
Other	<u>-</u>
Total Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 593,128</u>

Audit selected twenty-two invoices for review, totaling \$154,090 or 26% of the total contractors/vendors, mutual aid and procurement card charges. Invoices and copies of receipts supporting the charges were provided by the company.

Contractor

A total of \$362,873 in Contractor expenses was recorded on the storm cost reserve account. Audit selected invoices totaling \$102,505, or 28% of total contractor expenses, to review in detail. Charges were for the labor, hotel accommodations, meals, and equipment needed to “stand-by” for possible storm restoration services. Receipts, invoices, and the accompanying Contractor Daily Work Report were reviewed by Audit, including the invoice total, the date of the work performed and/or the work order number.

Vegetation

A total of \$202,861 was charged to the storm reserve for Vegetation services provided during the January 20th pre-stage event. Seven invoices were reviewed by Audit with all vegetation services requiring labor and equipment stand-by and were provided by Asplundh Tree for the week ending 01/26/2019. Audit reviewed the billing rates and individual Weekly Operations Reports, noting the work order number, amount of the service, and date of the report.

Traffic Control / Police Services

Charges for traffic control and police services totaled \$4,969 and consisted of two invoices. Audit reviewed one invoice, from New England Traffic Control Services, in the amount of \$1,988, noting that services provided included traffic control. Ten officers were utilized for the services. Audit noted the date of the invoice and recalculated the rate multiplied by the hours worked. No exceptions were noted.

Food and Lodging

A total of \$1,029 in meals charges was expensed to the storm cost reserve. Audit reviewed one invoice from the Tidewater Catering Group, totaling \$921, for twenty-five breakfasts and twenty five lunches provided on 01/19/2019. No exceptions were noted.

Procurement Card

The 01/20/19 pre-stage event procurement card expenses totaled \$21,396 and were categorized as Food and Lodging or Miscellaneous. The following depicts the Procurement Card Summary of Expenditures by description:

Food and Lodging	\$	20,764
Contractor		-
Material		-
Miscellaneous		<u>633</u>
Total Procurement Cards	\$	<u>21,396</u>

Audit selected five invoices, totaling \$5,724 or 27% of the total procurement expense, to review in detail. Charges incurred were for drinks and snacks purchased at BJ's Wholesale Club and Walmart.

Direct Labor (PSNH and other Companies) \$290,703

PSNH	\$	266,931
PSNH Transmission		23,288
EESCO		<u>484</u>
Storm-Related Payroll	\$	<u><u>290,703</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected a total of six individual employee direct labor charges, with a total of \$6,741, including all three of the companies listed and representing six individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Payroll-Related Overheads \$14,027

The Company provided the itemized payroll-related overhead amount, totaling \$14,027 for the 01/20/19 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the 10/15/18 major storm's Payroll-Related Overheads section of this report for the details regarding the Company's calculation of overhead charges. The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

Non-Productive Time Overhead	\$	-
Payroll Benefits		<u>-</u>
Total PSNH	\$	<u>-</u>

PSNH Transmission

Non-Productive Time Overhead	\$	3,125
Payroll Benefits		<u>10,902</u>
Total PSNH Transmission	\$	<u>14,027</u>

EESCO

Non-Productive Time Overhead	\$	<u>-</u>
Payroll Benefits	\$	<u>-</u>
Total EESCO	\$	<u>-</u>
Total Payroll-Related Overheads	\$	<u><u>14,027</u></u>

The NPT and PBR were confirmed to the 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations, noting that the direct labor amounts for PSNH Transmission included a May 2019 total for the January 20th pre-stage storm event. Refer to the 10/15/18 major storm’s Payroll Related Overheads section of this report for details regarding the inclusion of months outside of the date of the audited storm event.

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$266,931 and \$484 respectively—but they don’t have any payroll-related overheads reported. For the Company’s response, refer to the 10/15/18 major storm’s Payroll-Related Overheads section of this report.

Vehicles \$77,773

The total vehicle expense for the January 20th pre-stage storm event was \$77,773. The following vehicle charges were identified by company:

PSNH	\$	72,368
PSNH Transmission		5,405
EESCO		<u>-</u>
Total Vehicles	\$	<u><u>77,773</u></u>

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 10/15/18 major storm section of the report for further details regarding the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$3,229

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Other Employee-Related Expenses for the January 20th pre-stage storm event:

PSNH	\$	3,021
PSNH Transmission		120
EESCO		<u>88</u>
Total Other Employee-Related Expenses	\$	<u><u>3,229</u></u>

Audit selected three items, totaling \$1,080 from the meals and mileage expense categories within PSNH, PSNH Transmission, and EESCO. Each of Audit’s selections had a

purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of receipts, invoices, and credit card statements in support of the charges. Four exceptions were noted.

Dan Poirier: An invoice totaling \$560 was reviewed by Audit. Although the description on the invoice stated that it was for a “4 nights stay 1/18/19 thru 1/21/19,” the “paid in full date” was listed as 11/19/18. The payment for the room reservation was made sixty-two days prior to the 01/20/19 pre-stage storm event. **AUDIT ISSUE #3**

Days inn by Wyndham Hotel New York City – Broadway: Audit reviewed an invoice, totaling \$290, for the reservation of a standard king room. The description stated, “cancelled vacation.” **AUDIT ISSUE #2**

Tucker’s Restaurant: A receipt for two meals, totaling \$33, was dated 02/13/19. The date of the receipt post-dates the 01/20/19 pre-stage event by twenty-four days. **AUDIT ISSUE #3**

Venice Old Style Pizza: A receipt, totaling \$40, was dated 02/12/19 for meals provided. The date of the receipt post-dates the 01/20/19 pre-stage event by twenty-three days. **AUDIT ISSUE #3**

01/30/2019 Pre-Stage Event EXPSTGB9 \$65,039

The weather forecast for the January 30th pre-stage event described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation that is greater than eight inches, for the northern region of the state. This weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the pre-stage storm event cost recovery qualifications.

Audit was provided with Exhibit-1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	12,574
Direct Labor (WMECO and other NU Companies)		33,275
Payroll Related Overheads and Taxes		697
Vehicles		13,051
Other Employee Related Expenses		781
Material		-
Total Storm Cost Transferred to Reserve	\$	<u>60,378</u>
Carrying Charge through April 30, 2020	\$	<u>4,661</u>
Actual Storm Reserve Balance April 30, 2020	\$	<u>65,039</u>

External Contractors, Mutual Aid and Procurement Cards \$12,574

Documentation from the January 30, 2019 pre-stage event, totaling \$12,574 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected two invoices, totaling \$5,339, or 43% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$	5,557
Vegetation		-
Mutual Aid		-
Procurement Card		6,904
Environmental		-
Traffic Control / Police Services		-
Food and Lodging		114
Material		-
Other		-
Total Contractors, Mutual Aid, and Procurement Cards	<u>\$</u>	<u>12,574</u>

Contractor

A total of \$5,557 in Contractor amounts was recorded on the storm reserve account. Audit selected one invoice, totaling \$5,225, or 94% of total contractor expenses, to review in detail. The contractor services were provided by JCR Construction, requiring labor and equipment for the “stand-by” needed in the event of power restoration. Audit reviewed the individual invoice and Contractor Daily Work Reports, noting the total amount and date. No exceptions were noted.

Procurement Card

The Procurement Card expenses for the 01/30/19 pre-stage storm event totaled \$6,904. The following depicts the summary of expenditures by description:

Food and Lodging	\$	6,830
Contractor		-
Material		-
Miscellaneous		<u>74</u>
Total Procurement Cards	<u>\$</u>	<u>167,038</u>

Audit selected two invoices to review in detail, totaling \$1,663 or 24% of the entire procurement card expense. Invoices reviewed were for meals purchased at City Moose Catering

and a shovel purchased at Walmart. Charges incurred were between the dates of 01/29/19 and 01/30/19. No exceptions were noted.

Food and Lodging

Audit reviewed one charge, totaling \$114, for meals provided at Rosie’s Restaurant. Guest checks from the restaurant were provided in support of the meals charge.

Direct Labor (PSNH and other Companies) \$33,275

PSNH	\$	32,052
PSNH Transmission		1,135
EESCO		<u>87</u>
Storm-Related Payroll	\$	<u><u>33,275</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected a total of six individual employee direct labor charges, with a total of \$867, including all three of the companies listed and representing six individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Payroll-Related Overhead \$697

The Company provided the itemized payroll-related overhead amount, totaling \$697 for the 01/30/19 pre-stage event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 10/15/18 major storm event, for detail regarding the Company’s calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		<u>-</u>
Total PSNH	\$	<u><u>-</u></u>
PSNH Transmission		
Non-Productive Time Overhead	\$	155
Payroll Benefits		<u>541</u>
Total PSNH Transmission	\$	<u><u>697</u></u>

EESCO

Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	<u>697</u>

The NPT and PBR were confirmed to the 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations, noting that PSNH and EESCO are listed with Direct Labor charges—\$32,052 and \$87 respectively—but they do not have any payroll-related overheads reported. Refer to the 10/15/18 major storm’s Payroll-Related Overheads section of this report for details regarding the direct labor charges reported.

Vehicles \$13,051

The vehicle expense for the January 30th pre-stage storm event totaled \$13,051. The following vehicle charges were identified by company:

PSNH	\$	12,706
PSNH Transmission		345
EESCO		-
Total Vehicles	\$	<u>13,051</u>

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 10/15/18 major storm section of the report for further details regarding the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$781

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the January 30th pre-stage storm event:

PSNH	\$	742
PSNH Transmission		10
EESCO		29
Total Other Employee-Related Expenses	\$	<u>781</u>

Audit selected one item, totaling \$742 from the meals category within PSNH, and requested the documentation to support the charge. Audit’s selection had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of receipts, credit card statements, and meal bills, as well as a spreadsheet documenting the employee’s name, expense type, date of the charge, and amount of the charge.

02/13/19 Pre-Stage Event EXPSTGC9 \$72,045

The weather forecast for the February 13, 2019 pre-stage event described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation that is greater than eight inches, in the northern region of the state. This weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the pre-stage storm event cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the costs for the February 13, 2019 pre-stage event as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	13,175
Direct Labor (WMECO and other NU Companies)		36,891
Payroll Related Overheads and Taxes		903
Vehicles		16,496
Other Employee Related Expenses		359
Material		-
Total Storm Cost Transferred to Reserve	\$	<u>67,824</u>
Carrying Charge through April 30, 2020		<u>4,221</u>
Actual Storm Reserve Balance April 30, 2020	\$	<u>72,045</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$13,175

Documentation from the February 13th pre-stage storm event, totaling \$13,175 in expenses, was submitted from contractors, vendors, and procurement card charges. Audit selected four invoices, totaling \$3,246 or 25% of the total contractors/vendors, mutual aid, and procurement card expenses to review. The following is the summary of expenditures by description:

Contractor	\$	6,448
Vegetation		-
Mutual Aid		-

Procurement Card	6,031
Environmental	-
Traffic Control / Police Services	424
Food and Lodging	273
Material	-
Other	-
Total External Contractors / Vendors and Procurement Cards	<u>\$ 13,175</u>

Contractor

Nine invoices, totaling \$6,448 in Contractor expenses, were recorded to the storm cost reserve account. Audit selected two invoices totaling \$2,707 to review in detail. All contractor services were provided by JCR Construction, requiring labor and equipment for stand-by, in case of a need for power restoration. Audit reviewed the individual invoices and Contractor Daily Work Reports, noting the work order number and/or date, as well as the total amount of the service. No exceptions were noted.

Procurement Card

The Procurement Card expenses totaled \$6,031 for the February 13th pre-stage storm event and consisted of two categories: Food and Lodging and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$ 5,355
Material	-
Miscellaneous	<u>676</u>
Total Procurement Cards	<u>\$ 6,031</u>

Audit selected four charges for review, totaling \$1,291 or 21% of the Procurement Card expenses. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for two breakfast buffets and additional snacks provided between 02/12/19 and 02/15/19.

Traffic Control / Police Services

Charges for traffic control and police services totaled \$424 and consisted of one invoice. Audit reviewed the invoice from the New England Traffic Control Services. No exceptions were noted.

Food and Lodging

A total of \$273 was charged to the storm cost reserve under the expenditure category of Food and Lodging. Audit reviewed one charge, totaling \$114, for meals provided at Rosie's Restaurant. Guest checks from the restaurant were provided in support of the meals charge.

Direct Labor (PSNH and other Companies) \$36,891

PSNH	\$	34,412
PSNH Transmission		1,472
EESCO		<u>1,007</u>
Storm-related Payroll	\$	<u><u>36,891</u></u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected five individual employee direct labor charges, with a total of \$1,247, including all three of the companies listed and representing five individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Payroll-Related Overhead \$903

The Company provided the itemized payroll-related overhead amount, totaling \$903 for the 02/13/19 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 10/15/18 major storm, for details regarding the Company's calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	<u>-</u>
PSNH Transmission		
Non-Productive Time Overhead	\$	201
Payroll Benefits		<u>702</u>
Total PSNH Transmission	\$	<u><u>903</u></u>
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	<u><u>903</u></u>

The NPT and PBR were confirmed to the 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and questioned why PSNH and EESCO are listed with Direct Labor charges—\$34,412 and \$1,007 respectively—but they don’t have any payroll-related overheads reported. For the Company’s response, refer to the 10/15/18 major storm’s Payroll-Related Overheads section of this report.

Vehicles \$16,496

The vehicle expense for the February 13th pre-stage storm event totaled \$16,496. The vehicle charges were for the following companies:

PSNH	\$	16,056
PSNH Transmission		439
EESCO		<u>-</u>
Total Vehicles	\$	<u>16,496</u>

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the 10/15/18 major storm section of the report for further details regarding the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$359

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the February 13th pre-stage storm event:

PSNH	\$	339
PSNH Transmission		-
EESCO		<u>20</u>
Total Other Employee-Related Expenses	\$	<u>359</u>

Audit selected three items, totaling \$339 from the meals category within PSNH and requested the documentation to support the charge. Audit’s selection had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of receipts in support of the charge selections, as well as a spreadsheet documenting the employee’s name, expense type, date of the charge, and amount of the charge.

02/24/2019 Major Storm MS19C006 \$2,495,706

The weather for the February 24th major storm resulted in strong winds, with speeds recorded up to 58 mph. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage. Audit noted that there were 478 reported troubles; thus, qualifying this event as a major storm and subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 1,441,084
Direct Labor (WMECO and other NU Companies)	653,281
Payroll Related Overheads and Taxes	34,198
Vehicles	187,920
Other Employee Related Expenses	9,357
Material	<u>24,599</u>
Total Storm Cost Transferred to Reserve	<u>\$ 2,350,439</u>
Carrying Charge through April 30, 2020	<u>145,267</u>
Actual Storm Reserve Balance April 30, 2020	<u>\$ 2,495,706</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,441,084

A total of 368 contractor and vendor invoices, plus the procurement card expenses, totaled \$1,441,084 in charges from the February 24th major storm. The Company submitted supporting documentation in support of the expenses charged to the MSCR. Audit selected fifteen invoices to review, totaling \$503,388 or 35% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred by description:

Contractor	\$ 1,183,026
Vegetation	127,752
Mutual Aid	-
Procurement Card	77,013
Environmental	15,901
Traffic Control / Police Services	35,876
Food and Lodging	1,516
Material	-
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 1,441,084</u>

Contractor

A total of \$1,183,026 in Contractor expenses was recorded on the storm reserve account. Audit selected five invoices, totaling \$464,517 to review in detail. Of the invoices, time sheets, and Daily Work Reports reviewed, services included equipment rentals, line crews, and vehicles used for the purpose of power restoration. No exceptions were noted.

Vegetation

Expenditures totaling \$127,752 were charged to the storm reserve for Vegetation services provided during the February 24th major storm. Audit reviewed five invoices from Asplundh Tree for labor and equipment services needed for power restoration. The work order number and/or date on the invoice, as well as the total amount charged was noted with no exceptions.

Environmental

Audit reviewed two invoices from Clean Harbors Environmental Services, totaling \$8,709. The description on the invoices stated that the amount charged was for general services on Pole 393 and 612 in Bedford and Rochester, as well as drum disposal.

Traffic Control / Police Services

Eighteen invoices, totaling \$35,876, were charged to the storm reserve under the category of Traffic Control / Police Services. Audit reviewed two of the invoices and accompanying Daily Time Sheets from New England Traffic Control. Services provided included traffic detail and storm duty for twenty-seven controllers between the dates of 02/24/19 and 02/27/19.

Food and Lodging

A total of \$1,516 was charged to the storm cost reserve for meals and lodging provided during the February 24th major storm. Audit reviewed one expense, totaling \$655, for twenty-one employees' meals served at T-Bones Restaurant on 02/25/19. No exceptions were noted.

Procurement Card

The Procurement Card expenses totaled \$77,013 and consisted of two categories: Food and Lodging and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$	76,987
Contractor		-
Miscellaneous		<u>26</u>
Total Procurement Cards	\$	<u>77,013</u>

Audit selected three charges for review, one charge from each expense category and totaling \$16,234 or 21% of the Procurement Card expenses. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for a breakfast buffet and lodging provided on 02/25/19 and 02/26/19.

Direct Labor (PSNH and other Companies) \$653,281

PSNH	\$	644,030
PSNH Transmission		55,739
EESCO		13,469
Capital Adjustment		<u>(59,957)</u>
Storm-related Payroll	\$	<u>653,281</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected eight individual employee direct labor charges, with a total of \$9,797, including all three of the companies listed and representing seven individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Audit identified the capital adjustment of \$(59,957) and requested the supporting detail for the amount. The Company provided an Excel spreadsheet, detailing their capitalization model for the 02/24/2019 major storm. Audit reviewed the capitalization model and recalculated the direct cost capitalization. The variance, between the \$(59,957) filed and the \$(57,156) of the supporting Capitalization of Restoration Costs report, is \$2,801. The \$2,801 of lower capitalized storm costs will increase the direct costs attributed to the storm event. **AUDIT ISSUE #4**

The Company acknowledged the variance in the Direct Labor capital adjustments and stated that, *“It was identified that the February 24, 2019 and April 3, 2019 storm capitalization amounts were incorrect. The revised amounts are \$57,649 and \$67,249, respectively.”* Audit understands that the Company has revised capital adjustment amounts for the two storms identified. These revised amounts will adjust the total Direct Labor for the February 24th and April 3rd storms reported in the filing. Any revision to the amount filed needs to be formally submitted to the docket. **AUDIT ISSUE #1**

Payroll-Related Overhead \$34,198

The Company provided the itemized payroll-related overhead amount, totaling \$34,198 for the 02/24/19 major storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 10/15/18 major storm, for details regarding the Company’s calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	7,620
Payroll Benefits		26,579
Total PSNH Transmission	\$	34,198
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	34,198

The NPT and PBR were confirmed to the 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of March 2019 direct labor amounts for the February 24th major storm expenditures. Refer to the 10/15/18 major storm's Payroll-Related Overheads section of this report for the Company's explanation regarding the inclusion of direct labor charges for months outside of the audited storm event.

Vehicles \$187,920

The vehicle expense for the February 24th major storm event totaled \$187,920. The vehicle charges were identified by company in the following depiction:

PSNH	\$	174,723
PSNH Transmission		12,937
EESCO		260
Total Vehicles	\$	187,920

Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. Refer to the Vehicles section within the report, of the 10/15/18 major storm, for further details regarding the calculation of the vehicle usage amounts.

Audit noted that the vehicle usage spreadsheet included a column showing the variance between the total vehicles amount reported in the filing and the manual calculation amount. The Company explained that the manual calculation depicts the system allocation calculation for the Vehicle Allocation Program. Audit requested further explanation of the vehicle allocation process and the Company stated that, *“The manual calculation gets you close [to the actual allocation] and proves out the process behind the system allocation calculation, but there is a slight variance because there are some true-ups for previous months that happen as part of the system process.”*

Other Employee-Related Expenses \$9,357

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the February 24th major storm:

PSNH	\$	6,612
PSNH Transmission		1,500
EESCO		<u>1,245</u>
Total Other Employee-Related Expenses	\$	<u><u>9,357</u></u>

Audit selected three items, totaling \$6,602 from the meals, transportation, and mileage expense categories and requested the supporting documentation for the sampled charges. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Audit reviewed scanned copies of receipts, invoices, credit card statements, and employee time sheets that were provided in support of the meals, transportation, and mileage charge selections.

Materials \$24,599

The materials expense for the February 24th major storm, totaled \$24,599. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected three materials charges, totaling \$5,314, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Fuses with loadbuster and fiberglass crossarms were removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about the recorded capital adjustment of (\$18,465) in Materials charges to the storm cost reserve. The Company explained that, *“The amounts shown as capital adjustments are the O&M portion of the costs associated with those work orders and adjustments were made to the storm costs to include those O&M amounts as they were*

attributable to the storm event.” Audit reviewed the provided capital adjustment calculation report and noted that the recorded capital adjustment is (\$17,892). The variance between the amount reported for the materials total in the filing and that of the supporting Capitalization of Restoration Costs report, is \$572. The \$572 of lower capitalized storm costs will increase the direct costs attributed to the storm event. **AUDIT ISSUE #4**

The Company explained the variance in the following statement: *“It was identified that the February 24, 2019 and April 3, 2019 storm capitalization amounts were incorrect. The revised amounts are \$17,892 and \$19,718, respectively.”* Audit acknowledges that the Company originally reported the incorrect amount and identifies that the revised materials’ capital adjustment results in a variance from the reported amount in the filing, Bates page 000019, of the Testimony of Erica L. Menard. Any revision to the amount filed needs to be formally submitted to the docket. **AUDIT ISSUE #1**

04/03/19 Major Storm Event MS19D006 \$1,431,129

The weather for the April 3rd major storm resulted in strong winds, with speeds recorded up to 59 mph. The Company provided a “troubles report” spreadsheet, indicating the number of reported troubles from customers, as well as the number of customer accounts reporting outage. Audit noted that there were 409 reported troubles; thus, qualifying this event as a major storm and subject to the recovery of storm costs through the MSCR. Refer to the Definition of a Major Storm and Authorized Pre-Staging Event section of this report for a summary of the major storm cost recovery qualifications.

Audit was provided with Exhibit 1, which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 712,037
Direct Labor (WMECO and other NU Companies)	442,335
Payroll Related Overheads and Taxes	28,952
Vehicles	156,583
Other Employee Related Expenses	4,408
Material	<u>7,954</u>
Total Storm Cost Transferred to Reserve	<u>\$ 1,352,269</u>
Carrying Charge through April 30, 2020	<u>78,859</u>
Actual Storm Reserve Balance April 30, 2020	<u>\$ 1,431,129</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$712,037

Documentation from the April 3rd major storm, totaling \$712,037 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges.

Audit selected sixteen invoices to review, totaling \$151,485 or 21% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category:

Contractor	\$ 561,234
Vegetation	113,067
Mutual Aid	-
Procurement Card	13,345
Environmental	13,792
Traffic Control / Police Services	9,315
Food and Lodging	1,285
Material	-
Other	-
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 712,037</u>

Contractor

A total of \$561,234 in Contractor expenses was recorded on the storm reserve account. Audit selected two invoices, totaling \$113,860, to review in detail. Of the invoices reviewed, services provided were for the equipment rentals, line crews, and vehicles needed for the restoration of power. Audit reviewed copies of the invoices, along with the corresponding Daily Work Report with no exceptions noted.

Vegetation

Eleven Weekly Operations Reports were reviewed by Audit, for labor and equipment rental services provided by Asplundh Tree, as well as the corresponding Weekly Operations Reports from the vendor. Audit reviewed the work order number and/or date on the invoice, as well as the employee hours and invoice total.

Procurement Card

The Procurement Card expenses totaled \$13,345 and consisted of two categories: Food and Lodging and Miscellaneous. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$ 12,844
Contractor	-
Miscellaneous	501
Total Procurement Cards	<u>\$ 13,345</u>

Audit selected eight charges for review, with amounts from each expenditure description category, totaling \$3,494 or 26% of the Procurement Card expenses. The Company provided copies of receipts and invoices in support of the selected charges. Reviewed invoices included amounts for meals, plus applicable taxes and tip, between the dates of 04/03/19 and 04/04/19. No exceptions were noted.

Environmental

Audit reviewed one invoice from Clean Harbors Environmental Services, totaling \$5,248. The description on the invoices stated that the amount charged was for general services on Pole 34/3 in Mont Vernon, as well as drum disposal.

Traffic Control / Police Services

A total of \$9,315 in Traffic Control and Police service was recorded on the storm reserve account. Audit reviewed one invoice, totaling \$2,518, from New England Traffic Control. Daily Time Sheets were also provided for the traffic controllers. Services provided included traffic detail for twelve controllers between the dates of 04/04/19 and 04/05/19. No exceptions were noted.

Food and Lodging

Audit reviewed one expense, totaling \$543, for nineteen employees' meals served at T-Bones Restaurant between 04/03/19 and 04/04/19. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$442,335

PSNH	\$	460,884
PSNH Transmission		47,188
EESCO		3,177
Capitalization		<u>(68,913)</u>
Storm-related Payroll	\$	<u>442,335</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected four individual employee direct labor charges, with a total of \$8,959, including all three of the companies listed and representing four individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Audit identified the capital adjustment of \$(68,913) and requested the supporting detail for the amount. The Company provided an Excel spreadsheet, detailing their capitalization

model for the 04/03/2019 major storm. Audit reviewed the capitalization model and recalculated the direct cost capitalization. The variance, between the \$(68,913) capitalization reported in the filing and the \$(67,249) reported on the supporting Capitalization of Restoration Costs spreadsheet, is \$1,664. The \$1,664 of lower capitalized storm costs will increase the direct costs attributed to the storm event. **AUDIT ISSUE #4**

The Company acknowledged the variance in the Direct Labor capital adjustments and stated that, *“It was identified that the February 24, 2019 and April 3, 2019 storm capitalization amounts were incorrect. The revised amounts are \$57,649 and \$67,249, respectively.”* Audit understands that the Company has revised capital adjustment amounts for the two storms identified. These revised amounts will adjust the total Direct Labor amounts for the February 24th and April 3rd storms reported in the filing. Any revision to the amount filed needs to be formally submitted to the docket. **AUDIT ISSUE #1**

Payroll-Related Overhead \$28,952

The Company provided the itemized payroll-related overhead amount, totaling \$28,952 for the 04/03/19 major storm, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 10/15/18 major storm, for detail regarding the Company’s calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	6,451
Payroll Benefits		22,501
Total PSNH Transmission	\$	28,952
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	28,952

The NPT and PBR were confirmed to the 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and questioned why PSNH and EESCO are listed with Direct Labor charges—\$460,884 and \$3,177 respectively—but they don’t have any payroll-related overheads reported. For the Company’s response, refer to the 10/15/18 major storm’s Payroll-Related Overheads section of this report.

Vehicles \$156,583

The vehicle expense for the April 3rd major storm totaled \$156,583. The Company’s vehicle charges were identified as follows:

PSNH	\$	144,303
PSNH Transmission		12,205
EESCO		<u>75</u>
	\$	<u>156,583</u>

Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. Refer to the Vehicles section within the report, of the 10/15/18 major storm, for further details regarding the calculation of the vehicle usage amounts.

Audit noted that the vehicle usage spreadsheet included a column showing the variance between the total vehicles amount reported in the filing and the manual calculation amount. The Company explained that, *“The manual calculation gets you close [to the actual allocation] and proves out the process behind the system allocation calculation, but there is a slight variance because there are some true-ups for previous months that happen as part of the system process.”*

Other Employee-Related Expenses \$4,408

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Other Employee-Related Expenses for the April 3rd major storm:

PSNH	\$	3,445
PSNH Transmission		879
EESCO		<u>84</u>
Total Other Employee-Related Expenses	\$	<u>4,408</u>

Audit selected two items, totaling \$949 from the meals and mileage expense categories and requested the supporting documentation for the sampled charges. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Audit reviewed scanned copies of receipts and employee time sheets that were provided in support of the meals and mileage charge selections.

Materials \$7,954

The materials expense for the April 3rd major storm, totaled \$7,954. The Company provided a listing of all materials, including their quantities and total cost, as they were utilized. Audit selected three materials charges, totaling \$3,847, and requested documentation depicting the dates that the items were removed from inventory, as well as the storeroom location of the items removed. The Company provided a spreadsheet listing the materials, their quantities, cost, and corresponding area work center (AWC) locations, along with the dates that the materials were removed from inventory. Crossarms and penta treated poles were removed from the Bow Central Warehouse with no exceptions noted.

Audit inquired about the recorded capital adjustment of (\$20,235) in Materials charges to the storm cost reserve. The Company explained that, *“The amounts shown as capital adjustments are the O&M portion of the costs associated with those work orders and adjustments were made to the storm costs to include those O&M amounts as they were attributable to the storm event.”* Audit reviewed the provided capital adjustment calculation report and noted that the recorded capital adjustment is (\$19,718). The variance, between the (\$20,235) filed and the (\$19,718) reported on the supporting Capitalization of Restoration Costs report, is \$517. The \$517 of lower capitalized storm costs will increase the direct costs attributed to the storm event. **AUDIT ISSUE #4**

The Company explained the variance in the following statement: *“It was identified that the February 24, 2019 and April 3, 2019 storm capitalization amounts were incorrect. The revised amounts are \$17,892 and \$19,718, respectively.”* Audit acknowledges that the Company originally reported the incorrect amount and identifies that the revised materials’ capital adjustment results in a variance from the reported amount in the filing, Bates page 000019, of the Testimony of Erica L. Menard, and needs to be formally submitted to the docket. **AUDIT ISSUE #1**

08/21/2019 Pre-Stage Event EXPSTGD9 \$100,918

The weather forecast for the August 21, 2019 pre-stage event described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by wind gusts greater than 50 mph. This weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. A summary of the pre-stage cost recovery qualifications is located within the Definition of a Major Storm and Authorized Pre-Staging Event section of this report.

Audit was provided with Exhibit 1, which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 25,579
Direct Labor (WMECO and other NU Companies)	52,288
Payroll Related Overheads and Taxes	2,524
Vehicles	16,221
Other Employee Related Expenses	964
Material	-
Total Storm Cost Transferred to Reserve	<u>\$ 97,577</u>
Carrying Charge through April 30, 2020	<u>\$ 3,327</u>
Actual Storm Reserve Balance April 30, 2020	<u>\$ 100,904</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$25,579

Documentation from the August 21, 2019 pre-stage storm event, totaling \$25,579 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected six invoices to review, totaling \$4,864 or 19% of the total amount in contractor, vendor, and mutual aid expenses. The following depicts a summary of the expenses incurred, per expense category:

Summary of Expenditures by Description:

Contractor	\$ 1,989
Vegetation	17,519
Mutual Aid	-
Procurement Card	5,617
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	454
Material	-
Other	-
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 25,579</u>

Contractor

A total of \$1,989 in Contractor charges was recorded to the storm reserve account. Audit selected one invoice, totaling \$502, to review in detail. Charges incurred were from JCR Construction for labor, equipment, and vehicle rentals needed for storm stand-by on 8/22/19. Audit reviewed the individual invoice and Contractor Daily Work Reports, noting the total amount of the service provided and date of the report. No exceptions were noted.

Vegetation

Charges totaling \$17,519 were recorded to the storm cost reserve for Vegetation services provided during the August 21st pre-stage storm event. Three amounts were reviewed by Audit, for services provided by Asplundh Tree, including the weekly operations reports for each of the sampled vegetation charges. Audit noted the dates and total amount of the service provided, as well as the work order number.

Procurement Card

The Procurement Card expenses totaled \$5,617 and consisted of the Food and Lodging category. The following depicts the procurement card summary of expenditures by description:

Food and Lodging	\$	5,617
Contractor		-
Miscellaneous		-
Total Procurement Cards		<u>\$ 5,617</u>

Audit selected three charges for review from Applebee’s, Black Cap Grille, and Atlantic Grill. The Company provided copies of receipts and invoices in support of the amounts. Reviewed invoices included charges for meals purchased on 08/21/19.

Food and Lodging

A total of \$454 was recorded to the storm cost reserve for Food and Lodging expenses. Audit selected one invoice, totaling \$130 in meals charges, to review in detail. There were five dinners purchased from Grandma’s Restaurant on 08/21/19 for five employees. Audit noted the dates of the meal bill and recalculated the total. No exceptions were noted.

Direct Labor \$52,288

PSNH	\$	48,174
PSNH Transmission		4,115
EESCO		-
Storm-related Payroll		<u>\$ 52,288</u>

The Company provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected five individual employee direct labor charges, with a total of \$1,564, including both of the companies listed and representing three individual job descriptions. Audit reviewed the supporting time sheets for the sampled selections.

Payroll-Related Overhead \$2,524

The Company provided the itemized payroll-related overhead amount, totaling \$2,524 for the 08/21/19 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section, of the 10/15/18 major storm, for details regarding the Company’s calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH	
Non-Productive Time Overhead	\$ -
Payroll Benefits	-
Total PSNH	<u>\$ -</u>
PSNH Transmission	
Non-Productive Time Overhead	\$ 562
Payroll Benefits	1,962
Total PSNH Transmission	<u>\$ 2,524</u>
EESCO	
Non-Productive Time Overhead	<u>\$ -</u>
Payroll Benefits	<u>\$ -</u>
Total EESCO	<u>\$ -</u>
Total Payroll-Related Overheads	<u><u>\$ 2,524</u></u>

The NPT and PBR were confirmed to the 2019 Loader rates with no exceptions. Audit then verified the accuracy of the payroll-related overhead calculations and noted the inclusion of the September 2019 direct labor amounts for the August 21st pre-stage storm event expenditures. Refer to the 10/15/18 major storm’s Payroll-Related Overheads section of this report for the Company’s explanation regarding the inclusion of direct labor charges for months outside of the audited storm event.

Vehicles \$16,221

The vehicle expense for the August 21st pre-stage event totaled \$16,221. The Company’s vehicle charges were identified as follows:

PSNH	\$ 15,124
PSNH Transmission	1,098
EESCO	-
	<u>\$ 16,221</u>

Audit reviewed the provided vehicle calculation Excel spreadsheet and recalculated the vehicle cost for the companies, based on the cost for each fleet and the dollars of productive labor. No exceptions were noted. Refer to the Vehicles section within the report, of the 10/15/18 major storm, for further details regarding the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$964

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Other Employee-Related Expenses for the August 21st pre-stage storm event:

PSNH	\$	724
PSNH Transmission		240
EESCO		-
Total Other Employee-Related Expenses	\$	<u>964</u>

Audit selected one item, totaling \$724 from the meals category and requested the supporting documentation for the sampled charges. Audit's selection had a purchase price over \$25, as the Company's policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of receipts, as well as a spreadsheet documenting the employee's name, expense type, date of the charge, and amount of the charge.

AUDIT SUMMARY

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.

On July 28, 2020, the Company submitted filing updates to Docket No. DE 20-062, as revisions to Bates pages 8, 16, and 19, of the testimony of Erica Menard. The filing updates do not tie to the carrying cost adjustments that the Company had previously provided to Audit, as identified in Audit Issue #1. Consequently, the Company explained that the July 28th filed revisions were erroneously submitted, as these revisions should have included the amounts currently being amortized as part of the temporary distribution rate settlement agreement. The Company also stated that they understand the correct revisions, previously provided to Audit which included the amortized amounts, will need to be submitted to Docket No. DE 20-062. Based on the audit of the documentation provided in support of the petition, filed on May 1,

2020 to recover storm costs incurred, and including the revised carrying costs identified early during the audit but which have not yet been submitted to the Docket, Audit recommends adding the following costs to the storm reserve:

Audit Issue #1	\$	144,098
Audit Issue #2		(843)
Audit Issue #3		(647)
Audit Issue #4		<u>5,554</u>
Total Cost Recommended for Increase Adjustment	\$	<u>148,162</u>

	Total Cost 04/30/20	Add: Audit Adjustments	Adjusted Storm Balance
10/15/18 Major Storm Costs	\$ 750,406	\$ 11,023	\$ 761,429
11/02/18 Major Storm Costs	1,008,088	15,019	1,023,107
11/26/18 Major Storm Costs	7,771,490	117,394	7,888,884
01/20/19 Pre-Staging Costs	1,041,474	(853)	1,040,621
01/30/19 Pre-Staging Costs	65,039	-	65,039
02/13/19 Pre-Staging Costs	72,045	-	72,045
02/24/19 Major Storm Costs	2,495,706	3,388	2,499,094
04/03/19 Major Storm Costs	1,430,619	2,191	1,432,810
08/21/19 Pre-Staging Costs	<u>100,904</u>	-	<u>100,904</u>
Total Deferred MSCR Costs	\$ <u>14,735,771</u>	\$ <u>148,162</u>	\$ <u>14,883,933</u>

Audit notes that the actual balances as of 04/30/20 include carrying charges. Once Audit's recommended adjustments are made, carrying charges will need to be recalculated.

Audit Issue #1
Supporting Documentation Not Consistent with Filing

Background

The Company provided Audit with information in support of the filed costs for the nine storm and pre-staging events that occurred from October 2018 through August 2019. The supporting information provided was detailed on the Summary of Storm Costs, Summary of Storm Related Payroll Costs, and the Itemization of Materials documents, as Exhibits 1, 4, and 5, respectively.

Issue

The provided Exhibits 1, 4, and 5 did not tie to the filing for the following storms and pre-stage events: 10/15/18 storm, 11/02/18 storm, 11/26/18 storm, 1/20/19 pre-stage, 02/24/19 storm, and 04/03/19 storm. The Company acknowledged that Exhibits 1, 4, and 5, for the aforementioned storm events, did not tie to the filing and submitted revised documents to Audit; thereby, impacting the total storm-related costs filed. Audit reviewed the revisions and agrees with the adjusted amount.

Recommendation

Audit recommends the Company formally submit adjustments to the carrying charges, payroll costs, and materials charges, to the appropriate Bates pages within the actual docket. Consequently, Audit also recommends adding the following carrying charges to the storm cost reserve amount:

<u>Storm</u>	<u>Carrying Costs</u>
	<u>04/30/2020</u>
10/15/18 Storm	\$ 11,343
11/02/18 Storm	15,262
11/26/18 Storm	117,471
01/20/19 Pre-Staging	(3)
01/30/19 Pre-Staging	-
02/13/19 Pre-Staging	-
02/24/19 Storm	15
04/03/19 Storm	10
08/21/19 Pre-Staging	-
Total for Audit Issue #1	<u>\$ 144,098</u>

Audit calculated the variances for the payroll costs and materials charges, mentioned in the Background paragraph for this Audit Issue, and listed the adjusted amounts under Audit Issue #4.

Company Responses to the Draft Audit Report, Issued 07/23/20

07/30/20 Response: The Company agrees with the adjustments and agrees to formally submit adjustments to the carrying charges and total costs shown on Bates page 8 as follows. The table below also reflects the update to total costs and carrying charges as identified in Audit Issue #4. A column indicating the increase or decrease is provided for reference but will not be included in the final table in the revised filing.

Bates Page 8:

Storm	Total Cost	Carrying Costs 04/30/2020	Total Cost 04/30/2020	Inc/(Dec)
10/15/18 Storm	\$ 706,066	\$ 55,683	\$ 761,749	\$ 11,343
11/02/18 Storm	\$ 951,495	\$ 71,855	\$ 1,023,350	\$ 15,262
11/26/18 Storm	\$ 7,354,307	\$ 534,654	\$ 7,888,961	\$ 117,471
01/20/19 Pre-Staging	\$ 978,860	\$ 62,611	\$ 1,041,471	\$ (3)
01/30/19 Pre-Staging	\$ 60,378	\$ 4,661	\$ 65,039	\$ (0)
02/24/19 Storm	\$ 2,353,814	\$ 145,282	\$ 2,499,095	\$ 15
02/13/19 Pre-Staging	\$ 67,824	\$ 4,221	\$ 72,045	\$ (0)
04/03/19 Storm	\$ 1,354,449	\$ 78,360	\$ 1,432,809	\$ 10
08/21/19 Pre-Staging	\$ 97,577	\$ 3,327	\$ 100,904	\$ (0)
Total	\$ 13,924,771	\$ 960,652	\$ 14,885,423	\$ 144,097

08/05/20 Revised Response: The initial filing of carrying charges did not reflect the adjustment related to the DE 19-057 temporary rate case settlement agreement. The revised carrying charges adjust the 8/1/2019 beginning balances for the 3 storm events that were included in the storm amortization as part of the settlement agreement. In addition, the methodology for calculating the carrying charges was updated to reflect the language in the settlement agreement, specifically using the cost of debt to calculate the return and as well as the removal of the tax adjustment. The initial filing did use the cost of debt, but did not exclude the tax adjustment. These are the reasons that the carrying charges were adjusted downward from the initial filing. [Attached] is a summary of the changes to the carrying costs. We believe [these changes reflect] the correct carrying charge calculation based on reviewing the temp settlement agreement further. We would propose [the following] as the update to the filing:

Storm	Total Cost	Carrying Costs 04/30/2020	Total Cost 04/30/2020
10/15/18 Storm	\$ -	\$ (14,066)	\$ (14,066)
11/02/18 Storm	\$ -	\$ (19,955)	\$ (19,955)
11/26/18 Storm	\$ -	\$ (126,701)	\$ (126,701)
01/20/19 Pre-Staging	\$ -	\$ (3)	\$ (3)
01/30/19 Pre-Staging	\$ -	\$ (0)	\$ (0)
02/24/19 Storm	\$ 3,374	\$ 15	\$ 3,389
02/13/19 Pre-Staging	\$ -	\$ (0)	\$ (0)
04/03/19 Storm	\$ 2,180	\$ 10	\$ 2,190
08/21/19 Pre-Staging	\$ -	\$ (0)	\$ (0)
Total	\$ 5,554	\$ (160,701)	\$ (155,147)

Audit Conclusion

Audit issued a Draft Audit Report to the Company on 07/23/2020 and based subsequent conclusions on the Company's 07/30/20 responses. Consequently, Audit agrees with the Company's 07/30/20 response to file increased carrying charges by \$144,098. Audit notes that the table's total cost amount of \$14,885,423 reflects the \$5,554 increase adjustment listed in Audit Issue #4. The table on page 5 of this report depicts a total cost of \$14,879,870, as the \$5,554 increase adjustment had not been recognized by the Company at that time.

Audit further notes that the Company's 08/05/20 revised response contained attachments detailing the proposed revisions to the 07/30/20 carrying charges. Also included with the Company's 08/05/20 carrying charge revision attachment that they intend to file, was an Excel workbook, containing spreadsheets that depicted the monthly activity, monthly return, and net of tax ending balance for each of the storm costs filed. A rate of return calculation spreadsheet was also provided, based on the cost of the Company's long-term debt, as established in the DE 19-057 settlement agreement, issued on 06/17/19.

Bates page 000004 of the settlement agreement within Docket No. DE 19-057, dated 06/17/19, states that, *"PSNH will begin amortizing the unrecovered storm costs, currently estimated at \$68,474,355 as of December 31, 2018, over a five-year period beginning August 1, 2019. As of August 1, 2019, the Company will apply a carrying charge equal to its embedded cost of long-term debt currently calculated at 4.3%, to the unrecovered storm costs, rather than at the stipulated rate of return previously applied to unrecovered storm costs net of taxes."* Audit noted the amortization of the unrecovered storm costs, currently estimated at \$68,474,355 as of December 31, 2018, as well as the quarterly adjustment in rate changes, ranging between 4.09% and 4.02%. The Company explained that the actual cost of long-term debt is calculated on a quarterly basis and used on a one quarter lag.

Audit Issue #2

Charges Not Applicable for Storm-Related Recovery

Background

Audit reviewed invoices provided by the Company detailing the expenditures for the storms. Audit then selected specific items to review to source documentation.

Issue

During Audit's review of the supporting documentation, it was determined that specific charges should not be included in the storm fund. These expenditures were for items that were deemed not applicable for recovery from the storm fund, as they are believed to not be related to the restoration of power.

Recommendation

Audit recommends removing the following charges from the storm reserve:

External Contractors/Other	\$ (320)	10/15/18 Major Storm
Ticket Fulfillment Services	(156)	11/02/18 Major Storm
Amazon.com	(77)	11/26/18 Major Storm
Days Inn Wyndham Hotel NYC	(290)	01/20/19 Pre-Stage
Total for Audit Issue #2	<u>\$ (843)</u>	

Company Response

The Company agrees to remove the \$843 of charges identified by audit, however, for the \$156 and \$290 expenses, these expenses are for pre-paid vacation expenses that employees were requested to cancel to be able to support the storm restoration. While the Company agrees to remove the cost for purposes of resolving the audit issue, the Company believes this is a valid expense that the Company would not have incurred if not for the storm event.

Audit Conclusion

Audit agrees with the Company's response to remove the \$843 of charges from the storm reserve. Audit acknowledges that \$156 and \$290 were pre-paid vacation expenses that employees were requested to cancel for the purpose of supporting the storm restoration. However, Audit reaffirms that reimbursements of employees' personal purchases are not applicable for recovery from the storm fund, as they are not directly related to the restoration of power to the customers.

Audit Issue #3
Invoice Dates Not Concurrent with the Corresponding Storm Event

Background

Audit reviewed sampled invoices and/or receipts from vendors detailing the charges incurred for storm event related work.

Issue

The dates listed on the invoices either pre-dated or post-dated the storm event for which they were applied.

Recommendation

Audit recommends removing the following charges from the storm reserve:

Michael John's Pizza	\$ (87)	11/02/18 Major Storm
Dan Poirier	<u>(560)</u>	01/20/19 Pre-Stage
Total for Audit Issue #3	<u>\$ (647)</u>	

Company Response

The Company agrees to remove \$647 related to the Michael John's Pizza and Dan Poirier employee expenses, however, for the \$560 expense, this expense is for a pre-paid vacation expense that an employee was requested to cancel to be able to support the storm restoration. While the Company agrees to remove the cost for purposes of resolving the audit issue, the Company believes this is a valid expense that the Company would not have incurred if not for the storm event.

Audit Conclusion

Audit agrees with the Company's response to remove the \$647 of charges from the storm reserve. Audit acknowledges that \$560 was a pre-paid vacation expense that an employee was requested to cancel for the purpose of supporting the storm restoration. However, Audit reaffirms that reimbursements of employees' personal purchases are not applicable for recovery from the storm fund, as they are not directly related to the restoration of power to the customers.

Audit Issue #4
Incorrect Amount Charged to Storm Cost Reserve

Background

Audit reviewed spreadsheets provided by the Company, detailing the expenditures for the storm and pre-stage events.

Issue

The amounts reported on the provided spreadsheets, as support for the storm expenditures, did not tie to the amounts charged to the storm cost reserve.

Recommendation

Audit recommends adding the following charges to the storm reserve:

Direct Labor	\$	2,801	02/24/19 Storm
Materials		572	02/24/19 Storm
Direct Labor		1,664	04/03/19 Storm
Materials		<u>517</u>	04/03/19 Storm
Total for Audit Issue #4	\$	<u>5,554</u>	

Company Response

The Company agrees with the Direct Labor and Materials adjustments increases. The tables on Bates pages 16 and 19 would be adjusted as follows for the direct cost adjustments. The additional carrying costs are accounted for in the table provided in the Company response to Audit Issue #1.

Bates page 16:

Storm	Storm-related Payroll
10/15/18 Storm	\$ 230,749
11/02/18 Storm	\$ 314,629
11/26/18 Storm	\$ 1,599,333
01/20/19 Pre-Staging	\$ 290,703
01/30/19 Pre-Staging	\$ 33,275
02/24/19 Storm	\$ 656,083
02/13/19 Pre-Staging	\$ 36,891
04/03/19 Storm	\$ 444,000
08/21/19 Pre-Staging	\$ 52,288
Total	<u>\$ 3,657,950</u>

Bates page 19:

Storm	Itemization of Materials
10/15/18 Storm	\$ 22,980
11/02/18 Storm	\$ 4,085
11/26/18 Storm	\$ 28,366
01/20/19 Pre-Staging	\$ -
01/30/19 Pre-Staging	\$ -
02/24/19 Storm	\$ 25,172
02/13/19 Pre-Staging	\$ -
04/03/19 Storm	\$ 8,469
08/21/19 Pre-Staging	\$ -
Total	\$ 89,072

Audit Conclusion

Audit agrees with the Company on their response. Audit notes that the variances from the original May 1, 2020 filing, for the payroll and materials charges, resulted in the \$5,554 recommended by Audit for inclusion in the storm cost reserve.

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Matthew J. Fossum
Senior Regulatory Counsel

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July 28, 2020

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: Docket No. DE 20-062
Public Service Company of New Hampshire d/b/a Eversource Energy
Recovery of Storm Expenses

Dear Director Howland:

On May 1, 2020, Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”) submitted its petition and supporting testimony of Erica Menard regarding the costs of nine storm and pre-staging events that occurred from October 2018 through August 2019. The Commission’s Audit Staff has undertaken an audit of the costs and supporting information pertaining to the identified storm events. As a result of the audit, certain changes to Eversource’s request are necessary.

Accordingly, enclosed for filing are updates to Bates pages 8, 16, and 19 of the testimony of Erica Menard to account for the changes identified through the audit. The adjustments are highlighted on the identified pages. The remainder of Eversource’s filing beyond the identified pages is unaffected by this submission.

If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



Matthew J. Fossum
Senior Regulatory Counsel

Enclosures
CC: Service List

1 Following this introduction is a review of each cost category in Section II. Section II also describes
2 the review process that is undertaken to analyze charges from outside vendors to ensure that costs
3 are accurate and reasonable. Section III provides concluding remarks.

4 **II. COST ANALYSIS AND DOCUMENTATION**

5 **Q. For the Storm Events which have yet to be audited, please provide the total amount of storm**
6 **costs included in this filing related to the restoration of power.**

7 A. As illustrated in the table below, the Company incurred storm-related preparation and response
8 costs totaling approximately \$14.0 million in relation to the nine Storm Events listed. These
9 amounts do not include any costs capitalized within utility plant on the Company's books nor the
10 carrying charge associated with the costs incurred. Including the carrying charge associated with
11 the timing of each of these expenditures, the total cost including carrying charges as of April 30,
12 2020 is approximately \$14.6 million.

Storm	Total Cost	Carrying Costs 04/30/2020	Total Cost 04/30/2020
10/15/18 Storm	\$ 706,066	\$ 28,335	\$ 734,401
11/02/18 Storm	\$ 951,495	\$ 33,627	\$ 985,122
11/26/18 Storm	\$ 7,354,307	\$ 277,339	\$ 7,631,646
01/20/19 Pre-Staging	\$ 978,860	\$ 62,611	\$ 1,041,471
01/30/19 Pre-Staging	\$ 60,378	\$ 4,661	\$ 65,039
02/24/19 Storm	\$ 2,353,814	\$ 145,282	\$ 2,499,095
02/13/19 Pre-Staging	\$ 67,824	\$ 4,221	\$ 72,045
04/03/19 Storm	\$ 1,354,449	\$ 78,360	\$ 1,432,809
08/21/19 Pre-Staging	\$ 97,577	\$ 3,327	\$ 100,904
Total	\$ 13,924,771	\$ 637,762	\$ 14,562,533

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14 **Q. Did the Company review the incremental storm expenses to ensure the amounts identified**
15 **are accurate and correctly attributable to each event?**

16 A. Yes. The Company undertook a thorough review of invoices and costs recorded to the Company's
17 system in relation to these events. In conducting that review, the Company carefully examined the
18 charges to confirm that the costs are incremental costs directly attributable to the emergency

Storm	Storm-related Payroll
10/15/18 Storm	\$ 230,749
11/02/18 Storm	\$ 314,629
11/26/18 Storm	\$ 1,599,333
01/20/19 Pre-Staging	\$ 290,703
01/30/19 Pre-Staging	\$ 33,275
02/24/19 Storm	\$ 656,083
02/13/19 Pre-Staging	\$ 36,891
04/03/19 Storm	\$ 444,000
08/21/19 Pre-Staging	\$ 52,288
Total	\$ 3,657,950

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The payroll category includes the labor costs for union and non-union personnel. Employees are required to account for each hour worked every day. Employees in the field with a designated timekeeper fill out a paper timesheet with their hours worked. The timesheet is reviewed and approved by the employee's supervisor and entered into Eversource's time and attendance system by a clerical employee in the office. Employees with access to Eversource's time and attendance system enter their own time directly and supervisors review and approve payroll in that system.

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For the union personnel discussed above, the actual costs related to their worked hours is based on the applicable collective-bargaining agreement(s).

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Exempt employee time is captured and tracked in the same storm account. Since exempt employees are not routinely paid for overtime, this time entry is for tracking purposes only. During the most severe weather events, exempt employees are required to work an extensive number of hours over their typical work week. Depending on the severity of the event, exempt operations supervisory employees are paid for overtime worked during a storm event, consistent with the Eversource storm pay policy. For exempt employees who do not fall into the operations supervision category or if the ERP level of the event is not met, employees at the level of manager and below may be awarded fixed compensation. None of the nine Storm Events contain compensation awards for exempt employees who worked extended hours in support of the restoration process.

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Storm	Itemization of Materials
10/15/18 Storm	\$ 22,980
11/02/18 Storm	\$ 4,085
11/26/18 Storm	\$ 28,366
01/20/19 Pre-Staging	\$ -
01/30/19 Pre-Staging	\$ -
02/24/19 Storm	\$ 25,172
02/13/19 Pre-Staging	\$ -
04/03/19 Storm	\$ 8,469
08/21/19 Pre-Staging	\$ -
Total	\$ 89,072

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2 The Materials category represents the incremental costs associated with the materials used to
3 restore power and repair storm damage. Typically, these are small items like tape, nuts and bolts,
4 and short sections of wire, safety and protective equipment. Also included in these amounts are
5 store and lobby stock items purchased during a storm event.

6 **III. CONCLUDING REMARKS**

7 **Q. Were the costs presented in this filing for recovery reasonably and prudently incurred to**
8 **restore power to customers following the Storm Events?**

9 A. Yes. All of the costs that the Company has presented in this filing were incurred as part of the
10 Company's efforts to prepare for and respond to the storm conditions caused by the Storm Events.
11 As previously mentioned, each of these events met or exceeded the threshold required to be
12 recoverable via Eversource's MSCR. Significant resources were needed to prepare for the Storm
13 Events and to restore power in a reasonable timeframe. The actions taken by Eversource to prepare
14 for and respond to the weather events were appropriate and effective, and resulted in the restoration
15 of power in a reasonably prompt manner. Therefore, the costs that were incurred to achieve these
16 results are eligible for recovery through the Company's MSCR.

17 **Q. Does this complete your testimony?**

18 A. Yes, it does.

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