

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

DATE: February 4, 2019
AT (OFFICE): NHPUC

FROM: Rich Chagnon
Utility Analyst – Electric Division

SUBJECT: DE 18-058
Public Service Company of New Hampshire d/b/a Eversource Energy
Petition for Recovery of Storm Expenses

Commission Staff's review of Storm Costs from December 20, 2013
through April 3, 2016

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Amanda Noonan, Director, Consumer Services and External Affairs
Les Stachow, Assistant Director, Electric Division
Suzanne Amidon, Staff Attorney
Karen Moran, Chief Auditor
Krista Leigh, Examiner

Summary

On April 5, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or Company) filed for recovery of storm expenses through the Company's Major Storm Cost Reserve (MSCR). On April 13, Eversource filed a revision to the initial filing.

Eversource requested that storm costs that have already been submitted by the Company, and audited by the New Hampshire Public Utilities Commission (Commission) Audit Staff (Audit), be approved for recovery from the MSCR. On September 17, 2018, the Commission issued a Secretarial Letter approving Eversource's request to recover \$49,021,172 incurred in connection with storm-related costs incurred between August 28, 2011 and March 19, 2013 from the MSCR, effective September 30, 2018.

Eversource also requested to have eight additional storm and pre-staging events that occurred from December 2013 through April 2016 audited, and requested to have the Commission approve the audited costs for recovery from the MSCR.

Commission Staff (Staff) has completed its review of Eversource's storm costs relating to pre-staging and storm restoration efforts from December 20, 2013 through April 3, 2016. These costs have been audited and have been reviewed by Staff.

Staff recommends that the Commission issue a secretarial letter to:

- Approve recovery in the amount of \$38,107,690 from the MSCR fund, in addition to any adjusted amount of appropriate carrying charges.
- Order Eversource to file its storm costs from May 2016 through December 2017 in a new docket, with testimony, by March 15, 2019.
- Order Eversource to annually offsetting the storm cost account #186430 by the funds in the #228430 funding account (MSRC), and file annually by April 1 for storm costs incurred for the prior calendar year.

Background

As part of the settlement regarding restructuring in Docket No. DE 99-099, Eversource established the MSCR for the purpose of recovering the 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 has varied over time, but has been at a level of \$12 million annually since 2013. Following Order No. 25,465 (February 26, 2013) in Docket No. 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.

In its April 5, 2018 filing, the Company reported that its MSCR fund balance, including carrying charges at the stipulated rate of return, was \$79,641,902 as of December 31, 2017.

As stated above, on September 17, 2018, the Commission issued a Secretarial Letter approving Eversource's request to recover \$49,021,172 incurred in connection with storm-related costs incurred between August 28, 2011 and March 19, 2013 from the MSCR, effective September 30, 2018.

On October 25, 2018, the Company reported that after the transfer of \$49,021,172 from the MSCR as approved by the Commission, the MSCR fund balance on September 30, 2018 was \$42,856,012.

Also in its April 5, 2018 filing, Eversource requested to have eight additional storm and pre-staging events that occurred from December 2013 through April 2016 audited, and requested to have the Commission approve the audited costs for recovery from the MSCR.

On January 9, 2019, Audit filed its final report of storm costs from: (1) December 20, 2013 Pre-Staging Event; (2) March 12, 2014 Pre-Staging event; (3) November 26, 2014 Major Storm; (4) December 9, 2014 Pre-Staging event; (5) January 4, 2015 Pre-Staging event; (6) January 26, 2015 Pre-Staging event; (7) February 15, 2015 Pre-Staging event; and (8) April 3, 2016 Pre-Staging event.

Staff Analysis

Audit Issue #1 has been resolved with the transfer of \$49,021,172 from the MSCR on September 30, 2018, as approved by the Commission.

Audit Issue #2 identified the need for Eversource to file storm costs on a timely basis. Audit has recommended that these costs be filed annually by April 1 for storm costs incurred for the prior calendar year. Staff supports this method of reporting and recommends that the Commission order Eversource to comply with this recommendation.

Currently, Eversource has not filed testimony for recovery of additional storm costs from May 2016 through December 2017. Staff believes that Eversource was waiting to see the resulting recommended adjustments from this audit, prior to filing its storm costs from May 2016 through December 2017. Staff recommends that the Commission order Eversource to file its storm costs from May 2016 through December 2017 in a new docket, with testimony, by March 15, 2019.

Audit Issue #3 identified that Eversource did not offset approved storm costs incurred to the MSCR, and Audit recommended that, going forward, Eversource annually offset the storm cost account #186430 directly to the funding account #228430. Eversource responded saying that the Company would not be opposed to annually offsetting the storm cost account #186430 by the funds in the #228430 funding account. Staff supports this change and understands that all portions of the annual reconciliation are subject to audit once the reconciliation is filed.

Audit Issues #4, #5, #6, #7 and #8 are required adjustments which Eversource agreed to accept.

Audit Issue #9 identified charges from The Ergonomics Group and Twenty First Century Communications which should be disallowed for recovery through the storm fund, and should be booked to Media Communications, or a similar expense account, as they are not directly related to the actual restoration of power. Staff supports this recommendation.

Audit Issue #9 also identified premium charges from Liberty Utilities for mutual aid assistance during the November 26, 2018 "Thanksgiving" storm which Audit believed not to be applicable for recovery from the storm fund. Liberty Utility's invoice included its storm rates and a premium to cover its general and administrative expenses. Eversource explained that under mutual aid, the Company is obligated to pay the billing party's invoice if the rates billed appear reasonable, and that these rates are consistent with other rates seen by Eversource for mutual aid. Staff and Audit reviewed these charges again after the audit was completed, and agree that these charges are appropriate and applicable for recovery from the storm fund.

Also after the audit report was issued, Audit identified an additional charge listed under "Other" from the December 20, 2013 pre-staging event which it believes not to be applicable for recovery from the storm fund. Audit reviewed an invoice, dated July 25, 2014, totaling \$6,800 for excavation and pavement of a parking lot at the Campton Elementary School. Supporting detail included a fax describing the excavation and paving project as being the result of a driveway that PSNH "broke up." Staff agrees with Audit and recommends that this amount be disallowed for recovery through the storm fund.

Staff Recommendation

Staff has completed its review of Eversource's storm costs relating to pre-staging and storm restoration efforts from December 20, 2013 through April 3, 2016. These costs have been audited and have been reviewed by Staff. Staff recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$38,107,690 from the MSCR fund, in addition to any adjusted amount of appropriate carrying charges. Please see Staff's summary below. Eversource should notify Staff when this is completed, confirm the amount of recovery, and the balance of the MSCR fund.

Staff recommends that the Commission order Eversource to file its storm costs from May 2016 through December 2017 in a new docket, with testimony, by March 15, 2019.

Staff recommends that the Commission order Eversource to annually offset the storm cost account #186430 by the funds in the #228430 funding account (MSRC), and file annually by April 1 for storm costs incurred for the prior calendar year as recommended by Audit. Staff understands that all portions of the annual reconciliation are subject to audit once the reconciliation is filed.

STAFF SUMMARY

	Recommended Adjustments of Costs from Audit Report	Amount Eversource Agreed To Cost Adjustments	Audit Additional Adjustments	Final Adjustments Recommended by Staff
Audit Issue #1	Completed			
Audit Issue #2	Annual filings of storm fund costs/reconciliation by April 1 for prior calendar year			
Audit Issue #3	Annual offset storm cost with storm funding (subject to Commission audit)			
Audit Issue #4	\$38,641	\$38,641		\$38,641
Audit Issue #5	\$122	\$122		\$122
Audit Issue #6	\$6,262	\$6,262		\$6,262
Audit Issue #7	\$393	\$393		\$393
Audit Issue #8	\$90,885	\$90,855		\$90,885
Audit Issue #9	\$192,848	\$0	(\$35,033)	\$157,815
Post-Audit Issue			\$6,800	\$6,800
Totals	<u>\$329,152</u> (Rounding)			<u>\$300,918</u>

	Reported Cost Balance 12/31/2017	Less: Audit Report Adjustments	Adjusted Report Balance	Additional Audit Adjustments	Staff Recommended Balance
12/20/13 Pre-Staging Costs	\$5,441,858	(\$93,171)	\$5,348,687	(\$6,800)	\$5,341,887
3/12/14 Pre-Staging Costs	\$283,963	(\$36,677)	\$247,286		\$247,286
Thanksgiving Storm (11/26/14)	\$30,441,614	(\$70,103)	\$30,371,511	\$35,033	\$30,406,544
12/9/14 Pre-Staging Costs	\$638,482	(\$41,467)	\$597,015		\$597,015
1/4/15 Pre-Staging Costs	\$50,610	-	\$50,610		\$50,610
1/26/15 Pre-Staging Costs	\$1,145,027	(\$46,722)	\$1,098,305		\$1,098,305
2/15/15 Pre-Staging Costs	\$253,920	(\$41,012)	\$212,908		\$212,908
4/3/16 Pre-Staging Costs	\$153,135	-	\$153,135		\$153,135
Totals	<u>\$38,408,609</u> (Rounding)	<u>(\$329,152)</u>	<u>\$38,079,457</u>	<u>\$28,233</u>	<u>\$38,107,690</u>
Total Deferred MSCR Costs					<u>\$38,107,690</u>

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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

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Docket #: 18-058-1 Printed: February 04, 2019

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**