

**Public Service of New Hampshire d/b/a Eversource Energy**  
**Docket No. DE 19-057**

**Date Request Received: 07/22/2019**

**Request No. STAFF 5-005**

**Request from: New Hampshire Public Utilities Commission Staff**

**Date of Response: 08/05/2019**

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**Witness: Marisa B. Paruta**

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**Request:**

Affiliate Transactions: Has any allocation or distribution model or method used to determine the amount of billings between the Company and the parent company or affiliates changed since the Company's last distribution service rate case. If the answer is affirmative, provide each change, an explanation for each change, and the impact of each change on billed amounts.

**Response:**

In 2014, Eversource implemented its Financial Simplification and Standardization Project ("FSSP"). FSSP was undertaken to develop a standard code block and chart of accounts for use across all Eversource Energy companies. As part of FSSP, Eversource Energy reviewed all service company allocation methodologies as set forth in the FERC Form No. 60 and implemented a standard set of methodologies in 2014.

Only Eversource Energy Service Company ("EESCO") can allocate costs to affiliated companies. Eversource Energy does not allocate costs from Eversource parent or other affiliated companies. EESCO costs are allocated through the use of a Service Company Accounting Work Order ("AWO"). Each transaction has an AWO that identifies the allocation to be used for the specific transaction being processed.

EESCO costs are directly charged to the appropriate Eversource Energy subsidiary/business segment whenever possible for costs incurred in carrying out activities or conducting business for that entity/business segment. When EESCO costs are incurred to serve the operating companies more broadly and cannot be directly assigned, such costs are allocated among the operating companies based on an allocation methodology. The allocation methodologies are designed to be proxies for cost causation. For example, Human Resources generally uses an allocator based on labor charged to each Eversource Energy subsidiary/business segment. Allocation methodologies are used only after it is determined that it is not practical or reasonably possible to perform a direct assignment of EESCO costs.

In 2015, Eversource discontinued the use of the allocation methodology based on "Budgeted Capital Expenditures" and in 2016 Eversource discontinued the use of the allocation methodology based on the "Personal Computer ("PC") Counts". As of this filing, no other allocation methodologies have been discontinued or added.

In 2016, there was a change to the name of the "Miscellaneous" methodology set forth in the FERC Form No. 60 to "Labor Misc". This change was made to reflect the underlying basis of the methodology.

In addition to the changes noted above, the allocation rates within each allocation methodology change each year based on updates to the underlying data that support the methodologies (e.g., Gross Plant Assets are updated to reflect current year balances for each entity/business segment).

Please refer to Attachment OCA 1-015 for Eversource Energy's Service Company cost charging and allocation manual.

Because Eversource identifies the allocation methodology at the transaction level, it is not practical to provide an explanation of the impact of each change made to allocations on billed amounts. O&M amounts allocated to the PSNH distribution business by Eversource Energy Service Company in 2016 were \$70.5 million, 2017 were \$71.1 million and 2018 were \$71.5 million.