

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 17-160**

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
d/b/a EVERSOURCE ENERGY**

**Petition for Recovery of Annual Assessment and Consulting Costs**

**Order Regarding Staff Audit of Consultant Costs**

**ORDER NO. 26,108**

**March 2, 2018**

In this Order, the Commission directs Eversource to comply with the findings contained in Staff's audit of the accounting treatment of consultant costs. Specifically, the Order directs Eversource to reduce its recovery of consulting costs by \$200,904 beginning with rates effective April 1, 2018, and to credit ratepayers for the over-recovery of consulting costs incurred between January 1 and March 31, 2018.

**I. PROCEDURAL BACKGROUND**

On October 10, 2017, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a petition to recover through base rates the annual assessments that Eversource pays for its portion of Commission expenses and consultant costs incurred by Commission Staff and the Office of Consumer Advocate (OCA). Utilities are required to pay consultant costs related to Commission investigations pursuant to RSA 365:37 and RSA 363:28, III. The consultant costs for which Eversource seeks recovery are associated with IR 15-296, the Commission's investigation into grid modernization, and DE 16-576, in which the Commission considered the development of new alternative net metering tariffs and other regulatory mechanisms for customer-generators.

The Commission held a hearing on December 19, 2017, and issued Order No. 26,091 on December 27, 2017 (Order). In the Order, the Commission stated that “we agree that the Company’s accounting treatment of the consulting fees should be reviewed by Staff.” Order at 5. The Commission’s Audit Division conducted that review and prepared a report dated January 24, 2018. Staff filed the Audit Report on January 30 and Eversource responded on February 6. Staff filed a letter on February 23, 2018, correcting the Audit Report, noting that the correct amount of consultant costs eligible for recovery is \$229,665.<sup>1</sup>

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission’s website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-160.html>.

## **II. AUDIT REPORT**

The audit found that Eversource had expensed, not deferred, all of the consultant costs at issue that were booked in 2016 and 2017. The audit found further that the Company had “included \$200,904 of 2016 expenses within the year-end 2017 deferral.” Audit Issue #1, Audit Report at 7. The Audit Report concluded that Eversource had thus “overstat[ed] the deferral” and “must adjust the amount of the deferred consultant cost down from \$430,569 to \$229,665, adjust the rate being assessed to customers, and return the amount over-collected since the start of the year.” *Id.*

According to the Audit Report, Eversource’s inclusion of 2016 expenses in the 2017 deferral violated the Uniform System of Accounts established by the Federal Energy Regulatory Commission (FERC). Specifically, the Audit Report quoted the FERC rule that states what can be included in “account 182,” *i.e.*, the deferral account. “The amounts included in this account

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<sup>1</sup> Because of the correction, page 5 of the Audit Report shows an incorrect amount of \$229,775. The correct amount is \$229,665 and the overstated amount is correctly shown as \$200,904.

are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations *in the current period under* the general requirements of the Uniform System of Accounts.” Audit Report at 7 (quoting FERC 182.3, “Other regulatory asset”) (emphasis in Audit Report). Because Eversource included \$200,904 in the 2017 deferral that had been booked as a 2016 expense, the deferral was overstated, contrary to the FERC rule.<sup>2</sup> *Id.* at 5.

### III. EVERSOURCE RESPONSE

Eversource replied to the Audit Report, explaining why it expensed the costs in 2016, but representing that it would defer such costs in the future.

Due to the timing of some of these non-routine costs being charged to the Company in late 2016 and the uncertainty of recovery, the costs were deferred once we received certainty of recovery. Recovery was not certain until the Company received approval for recovery of the cost in Order No. 26,091 [in the instant docket]. The closing of the calendar year does not preclude recovery of a prudently incurred cost in rates. The 2017 entry was not a reclassification entry. The entry was to record a regulatory asset that was expected to be recovered in rates. Going forward, all OCA and NHPUC Staff consultant costs incurred by the Company will be deferred as they are incurred for future recovery.

Audit Report at 7. Eversource referred to the transcript from the December 19, 2017, hearing, stating that it showed the Commission intended to limit the audit to whether the bills reported by the Commission were accurate. Eversource Response at 1-2. Based on that limited view of the scope of the review, Eversource made the procedural argument that if the Commission intended to adopt Staff’s recommendation, the Commission would have to amend the Order after notice and hearing, because Staff’s recommendation was contrary to the Commission directive. *Id.* at 3.

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<sup>2</sup> Audit Staff also referred to RSA 365:37 (Expenses of Investigations), RSA 365:38 (Rate Proceeding), RSA 374:5-a, (Power to Hire Consultants), RSA 374:8, (Accounting Systems), RSA 374:14 (False Entries) and New Hampshire Code Admin Rules Puc 307:04, (Uniform Systems of Accounts), in support of its conclusion.

With respect to the substance of the audit, Eversource claimed that booking the consultant costs as an expense in 2016 instead of a deferral does nothing to change the fact that the expenses are consultant costs that can be recovered by Eversource. Eversource claimed that the Company's accounting treatment of the consultant costs was reasonable and appropriate and should have no bearing on recovery. *Id.*

#### **IV. COMMISSION ANALYSIS**

We reject Eversource's belief that the audit we directed was limited to whether the costs eligible for recovery were correct. In the Order, we stated explicitly that "the Company's *accounting treatment* of the consulting fees should be reviewed by Staff." Order at 5 (emphasis added). It is incontrovertible that the Audit Division's consideration of whether Eversource complied with FERC rules and the Uniform System of Accounts constitutes review of Eversource's "accounting treatment" of the consultant costs incurred and expensed in 2016.

For the same reason, we reject Eversource's argument that we must issue a notice and hold a hearing to amend the Order as a condition to accepting Staff's recommendation. It is clear that we intended for Staff's audit to include a review of the accounting treatment, which is precisely what Staff took into account in its review.

As to the Audit Report's conclusion that Eversource cannot defer what it has already expensed, Eversource appears to agree. In its response to the Audit Report, Eversource said that, in the future, it would defer – not expense – Staff and OCA consultant costs. What Eversource seems to be asking for now is an exception from the applicable accounting rules in this instance. Such an exception is not appropriate, and we require Eversource to adjust the amount of deferred consultant costs consistent with FERC accounting rules and the Audit Report.

**Based upon the foregoing, it is hereby**

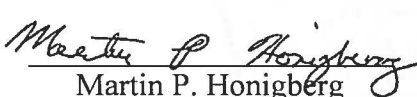
**ORDERED**, that Eversource adjust the amount of the deferred consultant cost down from \$430,569 to \$229,665; and it is

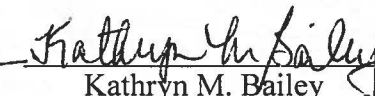
**FURTHER ORDERED**, that Eversource adjust the rate to recover \$229,665 in consultant costs in the rates assessed to customers beginning with rates for services rendered on and after April 1, 2018; and it is


**FURTHER ORDERED**, that Eversource return to customers the amount over-collected since January 1, 2018; and it is

**FURTHER ORDERED**, that Eversource make appropriate tariff filings in accordance with this Order within 20 days of April 1, 2018.

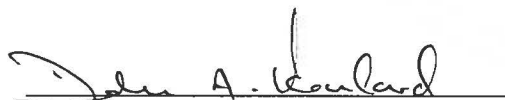
By order of the Public Utilities Commission of New Hampshire this second day of March, 2018.

  
Martin P. Honigberg  
Chairman

  
Kathryn M. Bailey  
Commissioner

  
Michael S. Giaimo  
Commissioner

Attested by:

  
Debra A. Howland  
Executive Director

**SERVICE LIST - EMAIL ADDRESSES- DOCKET RELATED**

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**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 #: 17-160-1      Printed: November 21, 2017

**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  
EXEC 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.