

STATE OF NEW HAMPSHIRE

Inter-Department Communication

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DATE: April 18, 2019
AT (OFFICE): NHPUC

TRF

FROM: Rich Chagnon, Utility Analyst – Electric Division

SUBJECT: Docket No. DE 18-038

Unitil Energy Systems, Inc.
2017 Annual Major Storm Cost Reserve Fund Report

Staff Correction of Calypso Invoices

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Les Stachow, Assistant Director, Electric Division
Suzanne Amidon, Staff Attorney
Karen Moran, Chief Auditor

Summary

On October 25, 2018, Unitil Energy Systems, Inc. (Unitil) filed a letter with the Commission's Electric Division Director. The letter expressed Unitil's disagreement with the Commission's Audit Staff's (Audit Staff) conclusion of Unitil's 2017 Major Storm Cost Reserve (MSCR) Fund Report, identified in its Audit Report (Audit) issued on June 7, 2018. In its report, Audit Staff recommended that \$14,625 associated with work performed by Calypso Communications (Calypso) be disallowed for recovery from the MSCR.

In response to Unitil's letter, Staff informed the Commission that it would reopen the Audit of Unitil's 2017 MSCR Report. On February 4, 2019, Audit Staff filed an Addendum to its original Audit. In the addendum, Audit Staff reported that it had identified additional invoices in the amount of \$32,506 from Calypso that were paid from the MSCR. Audit Staff concluded that the sum of \$32,506 was inappropriately paid from

the MSCR, and should instead be booked to the Company's media and communications accounts.

On March 7, 2019, The Commission issued a Secretarial letter stating that the Commission agreed with the Audit Staff's conclusion that the charges for work performed by Calypso should be booked to appropriate media services accounts because the work related to communications to the public and to media services. Because of the manner in which the Audit report addendum was written, the Commission decided to direct Unitil to restore the sum of \$47,131 to the MSCR and to book the expenses in Unitil's media or communications accounts as Unitil deems appropriate.

On April 8, 2019, Unitil filed a Motion for Rehearing and for Implementation of Adjudicatory Procedures. Unitil's motion states that the Calypso invoices are properly included in the MRCS fund and is an issue that should have been decided through an adjudicatory process. Unitil also believes that the \$47,131 total that the Commission directed the Company to restore to the MSRC fund includes double-counted invoices (from Calypso) totaling \$14,625.

Staff Review of Audit Addendum and Calypso Invoices

Page 13 of the Audit Addendum issued on February 1, 2019 states the following:

Audit agrees with UES that the two Calypso invoices totaling \$14,625 were a prudent use of funds. However, Audit restates the original audit issue and believes the invoices should not be included in the Major Storm Fund. These costs should be moved to UES media services accounts. Audit reviewed Calypso invoices from the March 14, 2017 and April 1, 2017 storms that were similar to the Wind Storm. The invoices were booked to the storm reserve account as payroll. Contractors should not be booked to payroll as they are not direct employees. In addition to the \$14,625, the following invoices Audit sampled should be moved from the Major Storm Reserve Account 10-20-00-00-182-10-00 to media and communications general expense accounts:

<u>Account</u>	<u>Storm Date</u>	<u>Amount</u>
10-20-00-00-182-10-00 Reg Asset: MSR	3/14/17	\$9,620.00
10-20-00-00-182-10-00 Reg Asset: MSR	3/14/17	\$2,694.00
10-20-00-00-182-10-00 Reg Asset: MSR	4/1/17	\$5,567.00
10-20-00-00-182-10-00 Reg Asset: MSR	10/30/17	\$8,400.00
10-20-00-00-182-10-00 Reg Asset: MSR	10/30/17	<u>\$6,225.00</u>
Total		\$32,506.00

Staff's Corrected Total Regarding Calypso Invoices

Staff has reviewed the Calypso invoices and amounts in the Audit Addendum, Unitil's Motion for Rehearing and for Implementation of Adjudicatory Procedures filing in regards to the Calypso invoices, and has reviewed this information with Audit Staff.

Staff and Audit Staff agree that Unitil is correct in regards to double-counted invoices from Calypso totaling \$14,625. These are the two invoices from October 30, 2017. The total included in the Secretarial letter for the Calypso invoices should have been \$32,506. This is the correct total for the invoices Audit Staff sampled which should be moved from the Major Storm Reserve Account 10-20-00-00-182-10-00 and book the expenses in Unitil' s media or communications accounts as Unitil deems appropriate.

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