

STATE OF NEW HAMPSHIRE

Department of Energy

Intra-Department Communication

DATE: August 31, 2022

FROM: Enforcement Division Audit Staff
NH Department of Energy

SUBJECT: Public Service Company of New Hampshire d/b/a Eversource Energy
DE 22-030 Third Step Adjustment
FINAL Audit Report

TO: Thomas Frantz, Director Regulatory, NH Department of Energy
Elizabeth Nixon, Director, NH Department of Energy
Jay Dudley, Analyst, Regulatory, NH Department of Energy
Paul Dexter, Attorney, NH Department of Energy

Introduction

On May 2, 2022 Eversource filed a petition for a third step adjustment, as contemplated by the Settlement Agreement filed in the DE 19-057 docket. The third step filing was docketed as DE 22-030 and was specifically summarized on Bates pages 000026 and 000028 of the DE 19-057 Eversource Energy Petition for Approval of Step 3 Adjustment (4-29-22).pdf. Audit included the number of projects for information only.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY **Summary of Projects Placed in Service in 2021, excluding New Business projects**

Step 3 - Calendar Year 2021

<u>Line</u>	Project Category	Plant Additions as of December 31, 2021	
1	Specific Current Projects	\$ 70,328,873	66 projects
2	Annuals - Blanket Projects and Programs	\$ 44,055,580	38 projects
3	Specific Carryover Projects	\$ 8,107,592	93 projects
4	Total Plant Additions	<u>\$ 122,492,045</u>	197 projects

The Public Utilities Commission, via an Order Commencement of Adjudicative Proceeding and Notice of Hearing, issued 6/9/2022 directed the Department of Energy Audit staff : *“FURTHER ORDERED, that in order to have the hearing on the scheduled*

date, (July 19, 2022) the New Hampshire Department of Energy (DOE) shall file a report from DOE Audit Division Staff showing the results of an audit of the costs proposed for recovery in this proceeding by July 12, 2022". A motion to enlarge the time was submitted to the PUC on June 29, 2022. The Commission approved the motion on July 7, 2022, requiring a final audit report by August 31, 2022.

A business process audit report of the capitalization procedures, contemplated by settlement agreement in DE 19-057, has not yet been issued. However, the work conducted by River Consulting Group has not been duplicated here. That is, the review of the authorization forms and approvals was not reviewed as part of this audit, which focused primarily on the accounting for the reported asset additions and retirements.

As with all other Step adjustment totals, the reported \$122,492,045 was reported to include direct and indirect installation costs as well as Cost of Removal dollars. Audit understands that Costs of Removal are literal costs to Eversource, and verified that, appropriately, the listed additions do not include those costs as Plant in Service for 2021.

The filing schedule MBP EAD-1 P2 Plant includes the following:

	Year-Ending 12/31/2020	Year-Ending 12/31/2021
Beginning Plant Balance	\$ 2,250,917,651	\$ 2,345,505,174
Additions (excluding New Business)	123,141,060	122,492,045
Retirements (excluding New Business)	(28,553,538)	(19,985,639)
Ending Plant Balance	<u>\$ 2,345,505,174</u>	<u>\$ 2,448,011,579</u>

Audit compared the 12/31/2020 information to the Step 2 filing and Order. The Step 2 filing originally reflected additions totaling \$124,215,060.30. Order 26,504, issued 7/30/2021 required the Company to reduce the additions as follows:

Original 2020 Step Two	\$124,215,062
Pemigewasset Transformer Project	\$ (911,000)
Welch and Locks Island Cable Replacement Project	<u>\$ (163,000)</u>
Approved total 2020 investment per Order 26,504	\$123,141,062

Audit reviewed the accounting entries related to the Second step adjustment, and noted that there was no adjustment to the general ledger or continuing property records for the disallowance of \$(911,000). Eversource disputed the disallowance, and the issue is currently before the Supreme Court.

The \$(163,000) disallowance was booked in 12/2021:

Debit 06.11100. <u>594030</u> UG Corrective+emergent Maint	\$163,000.00	
Credit 06.11100. <u>107010</u> Construction Work in Progress		\$(81,500.00)
Credit 06.11100. <u>186950</u> Cycle Error Suspense-Accts Payable		\$(81,500.00)

Subsequent system generated entries cleared the above entry to:

Work order 9L620642

Debit 06.11100. <u>594030</u> UG Corrective+emergent Maint	\$81,500.00	
Credit 06.11100. <u>106010</u> Completed Construction not Classified		\$(81,500.00)

Work order 9L620643

Debit 06.11100. <u>594030</u> UG Corrective+emergent Maint	\$81,500.00	
Credit 06.11100. <u>106010</u> Completed Construction not Classified		\$(66,001.14)
Credit 06.11100.108030 Accumulated Provision for Depre		\$(15,280.44)
Credit 06.11100. <u>593000</u> Distrib Main of Overhead Lines		\$ (218.42)

As part of the audit of the Second step adjustment, Audit requested clarification of the accounting entry. Eversource provided the following:

“The A16N01 11W1 - Replace Submarine Cable project consists of two work orders, 9L620642 and 9L620643. Based on the work associated with the work order, charges to the work order are allocated to FERC accounts for each charge type. In this specific case, as shown in the screen captures of the FERC account mapping for the work orders associated with the project, for work order 9L620642, Other Miscellaneous Accounting charges are allocated 100% to account 107010 and for work order 9L620643, Other Miscellaneous Accounting charges are allocated 80.98% to 107010, 18.749% to 108030 and 0.268% to 593000. The 9L620643 work order considered a derived work order where the charges go through a derivation process and are allocated as specified in the work order. In PowerPlan, charges are initially charged to a temporary account 186950... Those charges are then reversed... and then allocated to the FERC account as specified in the work order for the charge type... The \$163,000 disallowed amount was allocated equally to the two work orders 9L620642 and 9L620643 that make up the project. For work order 9L620642, the \$81,500 is allocated 100% to account 107010 and for work order 9L620643, the \$81,500 is allocated as 80.98% or \$66,001.14 to 107010, 18.749% or \$15,280.44 to 108030 and 0.268% or \$218.42 to 593000 as specified in the work order FERC account mapping. Charges from source system are initially charged to the appropriate FERC account as specified in the work order. On a monthly basis, during the monthly close process, if a work order is in service, then charges are moved from FERC account 107010 to 106010 as a system transaction...”

Audit disagreed with the accounting for the credits of \$(15,280.44) and \$(218.42). Refer to the report for the second step, which was issued as a Revised Final Audit Report on July 8, 2022.

Overview of Reported 2021 Additions

Audit summarized the reported projects' addition totals, found in the RDJ_DJP_JJD (FINAL).xls filing schedule by the reported general ledger:

<u>Project Type</u>	<u>Account 106</u>	<u>Account 101</u>	<u>Total</u>
Specific	\$ 59,523,848.25	\$10,805,024.58	\$ 70,328,872.83
Annual Blanket	\$ 41.52	\$44,055,538.27	\$ 44,055,579.79
Carry-over	\$ 7,403,642.51	\$ 703,949.55	\$ 8,107,592.06
Totals	\$110,983,029.03	\$11,509,015.65	\$122,492,044.68

The Continuing Property Record (CPR) information provided to Audit agrees with the overall \$122,492,044.68 figure, but does not agree with the representation as summarized using the filing schedule. Specifically:

	<u>Account 106</u>	<u>Account 101</u>	<u>Total</u>
Totals per CPR	\$109,884,271.90	\$12,607,772.78	\$122,492,044.68
Filing minus CPR	\$ 1,098,757.13	\$ (1,098,757.13)	\$ -0-

The filing schedule did not reflect the FERC account information for the Annual Blanket projects. Audit requested clarification of the accounts in which the total was posted, and was provided with the information above. Account 106 is Completed Construction not Classified, and account 101 is Plant in Service. Both accounts represent assets reported to be used, useful and in service. The only project unitized to account 101 for the Annual Blanket project type was noted by Eversource to be A10X04, Direct Buried Cable Injection, in the amount of \$41.52.

The overall \$122,492,044.68 reportedly excludes New Business additions summing to \$16,217,447.

A limited audit of the representation of the step assets posting to the continuing property records (CPR) was conducted by the NH Department of Energy Enforcement Division Audit Staff (Audit). The volume of the information was 61,136 lines of data, summarized as:

FERC Account	Reported Addition	Retirement	Total	Adjustment to Retirement	Adjusted Grand Total
360	\$ 119,176	\$ (3,204)	\$ 115,972	\$ -	\$ 115,972
361	\$ 1,130,030	\$ (140,079)	\$ 989,951	\$ -	\$ 989,951
362	\$ 30,594,828	\$ (1,213,411)	\$ 29,381,417	\$ -	\$ 29,381,417
364	\$ 16,135,848	\$ (2,826,291)	\$ 13,309,556	\$ 680,890	\$ 13,990,446
365	\$ 19,927,467	\$ (7,891,288)	\$ 12,036,180	\$ 2,437,607	\$ 14,473,786
366	\$ 2,666,341	\$ (39,671)	\$ 2,626,670	\$ 4,586	\$ 2,631,256
367	\$ 5,297,195	\$ (1,021,405)	\$ 4,275,790	\$ 503,142	\$ 4,778,932
368	\$ 16,093,479	\$ (5,855,911)	\$ 10,237,568	\$ 2,072,640	\$ 12,310,209
369	\$ 2,285,014	\$ (776,035)	\$ 1,508,979	\$ 98,499	\$ 1,607,478
370	\$ 1,986,286	\$ (386,835)	\$ 1,599,451	\$ -	\$ 1,599,451
371	\$ 206,245	\$ (47,981)	\$ 158,264	\$ -	\$ 158,264
373	\$ 120,798	\$ (20,446)	\$ 100,352	\$ 11,035	\$ 111,387
	\$ 96,562,706	\$ (20,222,557)	\$ 76,340,150	\$ 5,808,398	\$ 82,148,548
390	\$ 12,533,548	\$ (1,245,068)	\$ 11,288,480	\$ -	\$ 11,288,480
391	\$ 1,354,815	\$ (753,786)	\$ 601,030	\$ -	\$ 601,030
392	\$ 7,457,559	\$ (776,306)	\$ 6,681,253	\$ -	\$ 6,681,253
393	\$ 306,155	\$ (81,140)	\$ 225,015	\$ -	\$ 225,015
394	\$ 2,720,582	\$ (9,954)	\$ 2,710,628	\$ -	\$ 2,710,628
395		\$ (322,335)	\$ (322,335)	\$ -	\$ (322,335)
397	\$ 1,469,733	\$ (2,373,063)	\$ (903,330)	\$ -	\$ (903,330)
398	\$ 86,946	\$ (9,829)	\$ 77,117	\$ -	\$ 77,117
	\$ 25,929,338	\$ (5,571,480)	\$ 20,357,858	\$ -	\$ 20,357,858
					\$ -
TOTAL Step 3	\$122,492,045	\$ (25,794,037)	\$ 96,698,007	\$ 5,808,398	\$ 102,506,405
	Additions	Retirements	Net	Adjustment	Adjusted Net

Audit requested clarification of the adjustment total of \$5,808,398 and was informed that retirements booked in 2021, to the specific accounts identified, were duplicate retirement entries posted in error. The filing Retirements figure is the net:

Retirements	\$(25,794,037)
Adjustment	<u>\$ 5,808,398</u>
Net Retirements	\$(19,985,639) Audit Issue #1

Audit reviewed the 31,954 line items in the retirements portion of the CPR, as well as reconciliation pivot information provided in support of the \$5,808,398 adjustment. A request to meet and discuss the duplicate retirement was made to Eversource. Rather, the Company provided the following documentation regarding the retirement issue that was identified by them and summarized as a December 2021 journal entry at the consolidated financial statement level via the Hyperion Financial

Management system (HFM) (*Appendix A*), with the entry posting to PowerPlan along with first quarter 2022 retirement activity (*Appendix B*), specifically:

“Plant Retirements – PowerPlan/Maximo Issue

Date: January 31, 2022

Description

- *Plant Accounting uncovered a problem with the PowerPlan/Maximo Adapter coding that is used for processing plant asset retirements. The issue impacts mass distribution work orders coming from the Maximo Work Management System (WAM).*
- *Duplicate plant asset retirements were identified in PowerPlan for mass distribution work orders since a code change to the PowerPlan/Maximo Adapter was implemented in October 2021.*
- *The WAM team noted that the existing process did not trigger 100 percent of designs/as-builts to PowerPlan. The intention of the code change was to re-trigger Maximo CUE designs/as-builts to PowerPlan to ensure the completeness and accuracy of FERC splits for all Maximo work orders.*
- *During testing for WAM, it was discovered that the same CUE came over multiple times and duplicated the asset retirements instead of overwriting the last revision.*
- *Plant Accounting reviewed all of the asset retirements processed in the CPR in 2021 noting the duplication started in late October but did not process in PowerPlan until November/December 2021.*
- *A separate consultant (ARC Two) provided a list of work orders where it appeared the duplication occurred in PowerPlan.*
- *The WAM team provided a query of the table showing the correct retirements by work order.*
- *Plant Accounting did an analysis by comparing both lists to come up with the estimated number of duplicated plant asset retirements by company in the November/December 2021 timeframe.*

Conclusion

Based upon an analysis, a journal entry was recorded in HFM for December 2021 totaling \$36.4 million based on the estimated number of duplicated plant asset retirements by company in the November/December 2021 timeframe. (see Appendix A). The correction will be made at the PowerPlan subledger level in the first quarter of 2022.

In addition, as plant assets were understated for the same November/December 2021 timeframe, a catch-up adjustment for depreciation expense was also calculated by company totaling \$171K and deemed immaterial for posting for December 2021. This correction will be recorded in the first quarter of 2022 (see Appendix B).

Remediation

Plant Accounting is working with ARC Two to identify a remedy to the code issue. Once the code issue is resolved, Plant Accounting and ARC Two will develop a fix to unretire the duplicated assets. These tasks are expected to be completed in the first quarter of 2022.

As a permanent monitoring solution, Plant Accounting is working with ARC Two to develop a programmatic reconciliation between Maximo and PowerPlan. This report will provide data on key base tables in each system to show what was sent for additions and retirements from Maximo to PowerPlan to ensure both systems are in sync. Any discrepancies will be investigated.”

Appendix A

Journal Report - 00 Late Plant Retire

Scenario : ACTUAL Year : 2021 Period : Dec Value : <Entity Curr Adjs> ICP : [ICP None] Custom1 : [None] Custom2 : [None] Custom3 : [None] Custom4 : SEC_JE_DOLLARS

Application : ESCONSOL User : parkedj@NU Date : 2/4/22 Time : 09:52:04 AM

Type : Regular Security Class : [Default] Status : Posted
 Group : 000_N Balance Type : Balanced

Description : Assets were incorrectly retired in Q4. This entry reverses the retirements which will be reversed in the plant subledger in 2022.

Row Number	Entity	Account	Debit	Credit
1	G 06	101010		A 7,725,313.75
2	06	108010		7,725,313.75
3	H 11	101010		B 14,784,234.48
4	11	108010		14,784,234.48
5	41	101010		C 3,325,033.33
6	I 41	108010		3,325,033.33
7	J 71	101010		D 1,778,391.49
8	71	108010		1,778,391.49
9	2Y	101010		E 1,088,085.74
10	K 2Y	108010		F 1,088,085.74
11	L 21	101010		7,709,838.92
12	21	108010		7,709,838.92

Comments:

Total Debits : 36,410,897.71
Total Credits : 36,410,897.71
Variance : 0

See Backup for Amounts, Entity and Accounts
 DjP 02/04/2022

Appendix B

Entity	OVER RETIREMENT	Depr Exp Adj
06 - PSNH	(7,725,313.75)	(34,572.08)
11 - CL&P	(14,784,234.48)	(68,600.09)
41 - WMECO	(3,325,033.33)	(16,974.87)
71 - YANKEE	(1,778,391.49)	(6,255.62)
2Y - NSTAR GAS	(1,088,085.74)	(4,911.30)
21 - NSTAR ELECTRIC	(7,709,838.92)	(39,438.98)
TOTAL	(36,410,897.72)	(170,752.93)

The documentation indicated that the “retirements issue was permanently and systematically remediated in the first quarter of 2022”. See additional details within the Retirements portion of this report.

Regarding the IT Systems Used by Eversource

As noted in the Audit reports for prior step adjustments, and updated through the 2021 third step, the PowerPlan financial system intakes data from a variety of sources, both from within the PowerPlan system, and through interfaces with other systems:

- Oracle eBS general ledger interfaces with PowerPlan primarily for miscellaneous accounts receivable transactions and income statement closing entries.
- Journal Lines represent manual journal entries booked in PowerPlan.
- PowerPlant captures fixed asset processes in PowerPlan, such as lease activity, AFUDC, ARO, depreciation, asset retirements, and CWIP to plant-in-service closings.
- A variety of miscellaneous sources interface with PowerPlan such as revenue, cash receipts, and transmission billing.
- The Maximo Inventory system accounts for inventory activity, and was updated in 2021.
- The Maximo Work Management System component was implemented in 2021
- Commitments represent unvouchered liabilities (accruals).
- Oracle interfaces with PowerPlan for accounts receivable and accounts payable.
- Maximo accounts payable also interfaces with PowerPlan as appropriate.
- The CR-Allocations module in PowerPlan calculates labor overheads and allocation transactions from the service company to the operating companies.
- Derivation True-up Process within PowerPlan adjusts the capital and expense estimates on capital work orders when the work order estimate is updates.
- Hyperion Financial Management system (HFM) does not interface with PowerPlan, rather, is the consolidated financial system used at the consolidated corporate level.

Also reflected within the prior step adjustment Audit reports were activity codes that may have been included in the Continuing Property Record pivot table detail, as applicable:

Activity Code	Description	FERC Activity Definition
MADD	Addition (Closed from 107 (etc) to 106 or 101) Mass	Addition
UADD	Addition (Closed from 107 (etc) to 106 or 101) Specific	Addition
CFNU	Addition - CFNU (Closed from 106 to 101)	Addition
NURV	Addition (106 Reversal)	Addition
ACQU	Addition (Acquisition or Purchase - 101)	Addition
MRET	Retirement (Normal - no gain/loss recognized) Mass	Retirement
URET	Retirement (Normal - no gain/loss recognized) Specific	Retirement
URGL	Retirement (gain/loss recognized)	Retirement
SALE	Retirement - Sale (no book gain/loss recognized)	Retirement
SAGL	Retirement - Sale (book gain/loss recognized)	Retirement
UADJ	Adjustment	Adjustment
UTRT	Transfer (To)	Transfer
UTRF	Transfer (From)	Transfer
IIRT	Intercompany Transfer To	Transfer
ITRF	Intercompany Transfer From	Transfer
IMPA	Impairment Adjustment - IMPA	Impairment

Refer to the *General Ledger* section of this report for specific amounts reflected for activity codes within specific accounts.

Overheads

Audit requested the overhead rates for 2020 and 2021, the inputs used in the calculations, how each overhead is applied, and the related general ledger totals supporting each input, whether from entity 06-PSNH Distribution, 6T-PSNH Transmission, other affiliates or corporate entities. The Company directed Audit to the response to Data Request TS 1-003. The Company also provided general ledger totals related to all costs that would have been allocated, although it is unclear from which entity the totals were derived:

	<u>2020</u>	<u>2021</u>
AS&E	\$ 1,679,650	\$ 1,614,559
E&S	\$ 35,505,235	\$ 35,780,101
General Service Co	\$ 20,315,100	\$ 18,795,561
MDEC	\$ 2,380,378	\$ 2,556,129
Non-productive OH	\$ 13,972,041	\$ 12,188,682
Payroll Benefit OH	\$ 21,709,391	\$ 18,894,732
Stores Loader	\$ 5,883,866	\$ 4,499,085
Vehicle Clearing	\$ <u>12,885,527</u>	\$ <u>11,756,711</u>
	\$114,331,188	\$106,085,560

A table of the rates summarized each semi-annual review and recalculation as:

Entity	Overhead and Loader	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		2020											
06:PSNH - D	Non-Productive (ZNP)	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481	0.1481
06:PSNH - D	Payroll Benefit (ZPB)	0.2905	0.2905	0.2905	0.2905	0.2905	0.2905	0.2905	0.2905	0.2905	0.2905	0.2553	0.2553
61:Eversource Service Co	Non-Productive (ZNP)	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788	0.1788
61:Eversource Service Co	Gen Svc Co OH Basis (ZGS)	0.7958	0.7958	0.7958	0.7958	0.7958	0.7958	0.7958	0.7958	0.7958	0.6658	0.6658	0.6658
06:PSNH - D	Stores (ZST)	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
06:PSNH - D	MISC DIST OH (ZMI)	0.0365	0.0470	0.0545	0.0545	0.0360	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
06:PSNH - D	AS&E OH (ZAS)	0.0150	0.0110	0.0110	0.0110	0.0090	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0130
06:PSNH - D	E&S OH - (ZEB)	0.5000	0.5000	0.5000	0.5500	0.4000	0.4000	0.4000	0.4000	0.4000	0.3500	0.3500	0.1500

Entity	Overhead and Loader	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		2021											
06:PSNH - D	Non-Productive (ZNP)	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303	0.1303
06:PSNH - D	Payroll Benefit (ZPB)	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468	0.2468
61:Eversource Service Co	Non-Productive (ZNP)	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521	0.1521
61:Eversource Service Co	Gen Svc Co OH Basis (ZGS)	0.6892	0.6892	0.6892	0.6892	0.6892	0.6892	0.6892	0.6892	0.8027	0.8027	0.8027	0.8027
06:PSNH - D	Stores (ZST)	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
06:PSNH - D	MISC DIST OH (ZMI)	0.0300	0.0300	0.0300	0.0425	0.0425	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0500
06:PSNH - D	AS&E OH (ZAS)	0.0130	0.0150	0.0150	0.0150	0.0150	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100
06:PSNH - D	E&S OH - (ZEB)	0.1500	0.1500	0.1500	0.1500	0.1500	0.3000	0.3000	0.3000	0.3500	0.3500	0.5000	1.0500

Verification of the specific dollars included within all inputs could not be accomplished as a part of this Step audit, due to the extensive time that would be necessary to review every component.

The **2021 Specific Projects** reviewed by NH Department of Energy Regulatory Staff, for compliance with the Company’s authorization policies, and determination of accuracy of the projects, were:

Nashua Renovation #19720	\$ 8,427,374.19
Emerald Street Substation #A14W01	\$19,535,961.04
Replace 3891 Cable #A20S12	<u>\$ 648,513.14</u>
	\$28,611,848.37 or 41% of the reported total of \$70,328,872.83.

Audit selected three 2021 Specific Projects for review to the CPR and general ledger:

PSNH-D LED Lighting Replacements #21772	\$ 79,735.87 in service 12/16/2021
Hooksett -1250 LED L:ighting #21799	\$183,769.75 not fully in service
55 W Brook LED Lighting #217129	<u>\$289,086.45</u> not fully in service
	\$552,592.07

Eversource indicated that the Hooksett and W Brook “*projects are currently not fully in service but are expected to be in 2022*”.

Audit requested clarification of use of any energy efficiency funds or RSA 125-O:5 funds to offset the costs of the energy efficient LED lighting retrofits. The Company indicated that it had not included any of the projects in its 2021 RSA 125-O:5 Facilities

annual report. Reference to the 55 W Brook Street project was part of a larger project including 55 W Brook and 73 W Brook Street, that will use all of the RSA 125-O:5 funds, \$369,743 as of 12/31/2019, and that use will be included in the 2022 report to be filed on June 1, 2023. The report is filed annually within the docket established for the Statewide Energy Efficiency programs. The statute reads:

“125-O:5 Energy Efficiency, Renewable Energy, and Conservation and Load Management Incentive. –

I. In order to encourage energy efficiency, energy conservation, renewable energy, and the reductions in local emissions which result, the integrated multi-pollutant strategy shall promote energy efficiency and conservation through conservation and load management programs.

II. Public Service Company of New Hampshire (PSNH) may utilize SBC funds equivalent to the unencumbered amount, if any, rolled over from the prior program year for energy efficiency projects at facilities owned and operated by PSNH, provided that the company made a good faith effort in the prior program year to meet the goals approved by the public utilities commission for its core energy efficiency programs, and provided that the SBC funds used by PSNH shall not exceed 2 percent of all SBC funds collected in the prior program year. PSNH may utilize these funds to implement approved core energy efficiency initiatives or measures at PSNH's facilities that are cost effective and which enhance the efficient use of energy at PSNH facilities. Any energy savings resulting from the use of these funds by PSNH at its facilities will not be included in the calculation of PSNH's energy efficiency program goals, any shareholder incentive, or any other incentive program. In any year that PSNH utilizes SBC funds, PSNH shall submit a report to the public utilities commission and the department detailing how these funds were utilized, and will make the report available to interested parties. Any party may request that the public utilities commission schedule a hearing to review these reports and the expenditure by PSNH of rolled over SBC funds at its facilities.

III. [Repealed.]

Source. 2002, 130:2. 2008, 182:10, eff. June 11, 2008.”

The Company noted that SBC (system benefit charge) funds were not allocated in 2020 or 2021, and thus ended the 12/31/2021 year with the same \$369,743 balance. Audit questioned why the fund balance did not increase through application of interest. Eversource said that because the funds are part of the overall deferred over-collection of the energy efficiency portion of the SBC, they are held within the general ledger account 254P90, which does accrue interest.

The Company stated that use of the 125-O funds would be applied to accounts 106010 and 108030. When Audit asked why the use of a CIAC account was not done, as has been contemplated when the RSA 125-O funds are used to pay for facilities at

Eversource, the Company noted that “Looking back to the previous use of funds in 2019, account 254P90 was debited for the project expenditures directly. The recent projects undertaken include capital work orders that initially are charged to account 107 and 108. The Company will transfer RSA 125-O funds from account 254P90 and credit the appropriate workorders for the applicable amounts.” **Audit Issue #2**

The **2021 Annual Blanket Projects and Programs** reviewed by Regulatory Staff were:

Maintain Voltage #DK9R	\$1,586,428.78
Distribution Line Right of Way Program #DL9R	\$1,073,379.19
Reliability Improvements #DR9R	\$3,913,099.80
Insurance Claims Annual #INSOH9R	<u>\$1,900,569.53</u>
	\$8,473,477.30 or 19% of the

reported total of \$44,055,579.79.

Audit verified the reported Insurance total of \$1,900,569.53 to 7,028 entries:

	Additions to 101	Additions to 106	Move from 106 to 101	Retirements from 101
URET - 4 entries				\$ (975.66)
UADD - 2,081 entries		\$ 1,897,388.63		
NURV - 496 entries			\$ (857,602.27)	
MRET - 4,111 entries				\$ (1,888,412.37)
MADD - 2 entries	\$ 2,693.88			
CFNU - 334 entries	\$ 858,089.29			
Total Dollars for 7,028 entries	\$ 860,783.17	\$ 1,897,388.63	\$ (857,602.27)	\$ (1,889,388.03)
Reported 2021 In-service		\$ 1,900,569.53		

In prior filings, the Insurance annual was INS9R and was the sum of three specific categories: INSOH, INSUG, and INSDB. Audit requested clarification of why the reference in this Step 3 was noted as INSOH. The Company indicated that the reference was simply that, and still includes the three types of Insurance recoveries: overhead, underground, and direct bury. Audit reviewed all of the data provided and summarized the Insurance related work orders as:

	<u>INSDB9R</u>	<u>INSOH9R</u>	<u>INSUG9R</u>	<u>Total</u>
Addition CFNU	\$ 272,483.76	\$ 585,605.53	\$ -0-	\$ 858,089.29
Addition NURV	\$(272,486.98)	\$ (585,115.29)	\$ -0-	\$(857,602.27)
Addition UADD	\$ 110,404.65	\$ 1,778,191.80	\$ 8,792.18	\$1,897,388.63
Addition MADD	\$ -0-	\$ 2,693.88	\$ -0-	\$ 2,693.88
Additions	\$ 110,401.43	\$1,781,375.92	\$ 8,792.18	\$1,900,569.53
Retirement MRET	\$(111,438.07)	\$(1,746,462.96)	\$(30,511.34)	\$(1,888,412.37)
Retirement URET	\$ -0-	\$ (975.66)	\$ -0-	\$ (975.66)
Retirements	\$(111,438.07)	\$(1,747,438.62)	\$(30,511.34)	\$(1,889,388.03)

In response to data request TS-1-007, the Company stated: *“In 2021, the Company implemented Maximo, a new work management system. It was determined in 2022 that the reimbursables function in Maximo was journaling reimbursements in accordance with the individual work order FERC split, rather than to Account 108 as required by FERC. The Company is in the final stages of permanently correcting the reimbursables function to ensure the amounts are recorded in Account 108. In the meantime, the Company has been performing a high-level journal entry on a quarterly basis to correct the reimbursables accounting.”*

Audit reviewed the following Annual blanket Projects:

NH Storm Capitalization, #STORMCAP	\$ 1,257,544.79
Direct Buried Cable Injection #A10X04	\$ 41.52
Purchase Transformers and Regulators #DT7P	<u>\$14,624,957.54</u>
	\$15,882,543.85 or 36% pf the

reported total of \$44,055,579.79.

Audit requested the capitalized details related to the Storms, and was provided with:

<u>Cap WO</u>	<u>Description</u>	<u>Amount</u>
STM0619A	NH Storm Cap for MS19A006: Jan 9, 2019	\$ 3,426
STM0619B	NH Storm Cap for MS19B006: Feb 8, 2019	\$ 20,026
STM0619C	NH Storm Cap for MS19C006: Feb 25, 2019	\$ 102,300
STM0619D	<i>NH Storm Cap for MS19D006: Apr 3, 2019</i>	\$ 119,360
STM0619E	NH Storm Cap for MS19E006: Jun 29-30, 2019	\$ 12,086
STM0619F	NH Storm Cap for MS19F006: Oct 17-18, 2019	\$ 435,740
STM0619G	<i>NH Storm Cap for MS19G006: Oct 31, 2019</i>	\$ 353,373
STM0620A	NH Storm Cap for MS20A006: Feb 7, 2020	\$ 107,329
STM0620C	<i>NH Storm Cap for MS20C006: Mar 23, 2020</i>	\$ 14,191
STM0620D	<i>NH Storm Cap for MS20D006: Apr 13, 2020</i>	\$ 38,704
STM0620H	NH Storm Cap for MS20H006: Sep 30, 2020	\$ 35,173
STM0620L	NH Storm Cap for MS20L006: Oct 29, 2020	\$ 1,762
STM0620Q	NH Storm Cap for MS20Q006: Dec 24, 2020	\$ 14,074
		<u>\$1,257,544</u>

Annually, Eversource files a report of qualified storms that are deferred for collection through an annual rate base revenue component. A comparison of the above storms was made to the three storm reports that have been (or are in the process of being) audited. Specifically:

<u>DE 20-062</u>	<u>DE 21-089</u>	<u>DE 22-031</u>
1/20/2019	10/16/2019	8/4/2020
1/30/2019	<i>10/31/2019</i>	12/5/2020
2/13/2019	12/2/2019	12/16/2020
2/24/2019	12/30/2019	2/1/2021
<i>4/3/2019</i>	2/7/2020	2/15/2021
8/21/2019	2/26/2020	3/1/2021
	<i>3/23/2020</i>	3/29/2021
	<i>4/13/2020</i>	6/30/2021
	5/15/2020	

The bolded and italicized storm dates included in the Step 3 filing and those posted to the deferred account, appear to be the same weather events. Audit requested clarification of the other capitalized storms from January 9, 2019 through December 24, 2020, and was informed that certain weather events occur which do not qualify for inclusion in the annual storm fund deferral.

Direct Buried Cable Injection #A10X04 \$41.52

Audit reviewed the unitization detail and noted:

Work Order in service date 11/14/2017, unitization entry posted 11/1/2021:

Unitized to 101010, account 367720	\$1,505.08	
Cleared from 106010		\$ (24.37)
Cleared from 106010		\$ (41.52)
Cleared from 106010		\$ (653.89)
Cleared from 106010		<u>\$ (785.30)</u>
	\$1,505.08	\$(1,505.08)

Within the “Additions” detail was what appears to be a duplicate posting of the \$41.52 to account 106010.

106010 11/1/2021 posted to CPR non-unitization \$41.52

Due to the immateriality of the duplication, this is not considered a monetary issue, but reminds the Company to ensure accuracy of additions.

Purchase Transformers and Regulators #DT7P \$14,624,957.54

This total figure represents pre-capitalized transformers and regulators.

The reported total of \$14,624,957.54 is the sum of the following:

UNITIZED	\$(3,011,781.23)	account 106010
ADDITIONS	\$ 3,116,322.37	account 106010
ADDITIONS	<u>\$14,520,416.40</u>	account 101010
	\$14,624,957.54	

The detail supporting the figure as UNITIZED, posted to account 106010, NURV in November 2021:

368330 Equipment Overhead	\$ (100,175.93)	2 line items
368350 Installations-Overhead	\$(2,052,220.80)	8 line items
368730 DB/UG Equipment	\$ (140,518.87)	2 line items
368750 DB.UG Installations	<u>\$ (718,865.63)</u>	5 line items
	\$(3,011,781.23)	17 line items

The detail for DT7P, noted as “ADDITIONS”, posted throughout 2021 to account 106010, UADD, addition non-unitization:

368330 Equipment Overhead	\$ 100,175.93	2 line items
368350 Installations-Overhead	\$2,145,973.89	9 line items
368730 DB/UG Equipment	\$ 140,518.87	2 line items
368750 DB.UG Installations	<u>\$ 729,653.68</u>	11 line items
	\$3,116,322.37	24 line items

The details for the ADDITIONS were reflected within 40 individual line items for work order DT7P that sum to the reported \$14,520,416.40, each identified as transaction code CFNU, Unitization, debited to account 101010.

368330 Equipment Overhead	\$ 5,105,724.82	12 line items
368350 Installations-Overhead	\$ 3,966,638.61	12 line items
368730 DB/UG Equipment	\$ 4,231,012.98	12 line items
368750 DB/UG Installations	<u>\$ 1,217,039.99</u>	4 line items
	\$14,520,416.40	40 line items

The additions to the first three accounts above represent monthly postings to the general ledger, and quarterly to the final account. Audit does not express an opinion regarding pre-capitalization.

The Specific **2021 Carryover of Prior Specific Projects** reviewed by Regulatory Staff were:

Energy Park Café Renovations #18740	\$ (269.29)
11W1 Replace Submarine Cable #A16N01	\$(148,109.89)
Pemigewasset Substation Upgrade #A18N05	<u>\$ (17,614.12)</u>
	\$(165,993.30) or 2% of the reported
	\$8,107,592.06.

Regarding the A16N01 credit of \$(148,109.89), as part of the Step 2 docket filing, the PUC had ordered \$163,000 be removed from the project. In response to Staff data request TS 1-008, the Company attached the Audit report of Step 2, and also included the following small pivot table:

Account 106010	AWO 9L620643 Non-unitization	\$ (65,794.89)
	AWO 9L620642 Non-unitization	<u>\$ (82,315.00)</u>
106010 Total		\$(148,109.89)

9L620642	\$(81,500.00)	disallowance write off to 106
9L620642	\$ (815.00)	loader activity
	\$(82,315.00)	
9L620643	\$(65,511.35)	disallowance write off to 106
9L620643	\$ (283.54)	loader activity
	\$(65,794.89)	

Audit reiterates the issue noted in Step 2, indicating that the full \$163,000 should have been written off to Plant in Service, either account 106010 or 101010.

Audit requested clarification of the A18N05 credit of \$(17,614.12), because the Step 2 Audit report indicated there was a variance between the general ledger and the Step 2 filing of \$27,521.69. The Company provided:

“It is reflected partially on Exhibit RDJ/DJP/JJD-1 with a credit of (\$17,614.12) for 2021 Plant in Service for A18N05 on line 28 of the Specific Carryover Projects Placed in Service in 2021 exhibit. There was also a credit of (\$9,907.57) in FERC Account 108 for this project in 2021. This split between Accounts 106 and 108 is due to the FERC mapping of this project’s accounting work orders. See below for the details of the credit of (\$27,521.69) for A18N05 in 2021 that was split between Account 106 (\$17,614.12) and Account 108 (\$9,907.57) as illustrated below:

Sum of amount		year	2018	2019	2020	2021	Grand Total
ferc_account	accounting_work_order						
106010	A18N0501				\$ 6,477,349.81	\$ 43,658.22	\$ 6,521,008.03
	A18N0502				\$ 61,272.34	\$ (61,272.34)	\$ 0.00
106010 Total					\$ 6,538,622.15	\$ (17,614.12)	\$ 6,521,008.03
107010	A18N0501	\$ 1,103,558.24	\$ 1,161,330.11	\$ (2,264,888.35)	\$ 0.00	\$ 0.00	
	A18N0502		\$ 4,289.16	\$ (4,289.16)	\$ 0.00	\$ (0.00)	
107010 Total		\$ 1,103,558.24	\$ 1,165,619.27	\$ (2,269,177.51)	\$ 0.00	\$ 0.00	
108030	A18N0501	\$ 7,634.71	\$ 167,640.75	\$ 782,166.41	\$ 9,562.39	\$ 967,004.26	
	A18N0502		\$ 1,795.77	\$ 17,674.19	\$ (19,469.96)	\$ 0.00	
108030 Total		\$ 7,634.71	\$ 169,436.52	\$ 799,840.60	\$ (9,907.57)	\$ 967,004.26	
108040	A18N0501			\$ (900.00)		\$ (900.00)	
108040 Total				\$ (900.00)		\$ (900.00)	
Grand Total		\$ 1,111,192.95	\$ 1,335,055.79	\$ 5,068,385.24	\$ (27,521.69)	\$ 7,487,112.29	

In terms of the STEP 3 filing, the full \$27,521.69 credit is flowed through the calculation of revenue requirements, as the Company calculates the amount used to determine the rate increase using the net plant asset value, which includes all Plant FERC Account activity (including both 106 and 108).” Audit verified the reported figures sum to the overall total adjustment, (underline emphasis added), and requested the accounting offsets for each of the four figures noted for 2021:

A18N0501 \$43,658.22 was verified to a PowerPlan download of 33 line items debited to account 106010. The credit offset was noted to be “...*this is the sum of normal work order activity. The \$43,658.22 of activity for account 106010 is the ‘non-unitization’ transaction that moved the work order charges in 107010 to 106010 because the work order was in in-service status.*” Audit verified that the 33 line items posted to the work order throughout 2021 sum to the debit to account 106010.

A18N0502 credit of \$(61,272.34) represents 100% of the 2020 costs accumulated for that accounting work order during 2020 which had been credited to 107010, CWIP, and debited to 106010. A review of the debits to 106010 indicates that the total should have posted to the Transmission related Webster Transfer Tip work order, rather than the Pemigewasset Substation. As a result of the adjustment, the amount included in the Step 2 filing, \$6,538,622.15 reflected in account 106010 was overstated by the \$61,272.34 adjustment. The adjustment was posted to the general ledger September 24, 2021 as part of a journal entry provided to Audit:

Entity 06 is PSNH Distribution, 6T is PSNH Transmission

Debit 6T 107010 CWIP	\$19,961.76	seven specific line items
Debit 6T 186950 Cycle Error Suspense-Accts Paya	\$53,309.81	three specific line items
Credit 06 Distribution 107010 CWIP	\$ (1,081.89)	two items
Credit 06 Distribution 186950 Cycle Error Suspense-Accts Paya	<u>\$(72,189.68)</u>	eight items
	\$73,271.57	\$(73,271.57)

An inter-company due from/due to entry was also provided as posting on 9/24/2021:

Debit 06 14601X Intercompany AR ICP	\$73,271.57
Credit 6T 23401X Intercompany AP ICP	\$(73,271.57)

Audit verified the credit to 19 line items of the work order.

A18NO501, \$9,562.39 of activity for account 108030 was identified by Eversource as “*normal work order charges that took place in 2021 (labor, outside services, overheads, etc.)*”. Audit verified the net debit activity to 620 line items posting to the work order during 2021.

A18NO502, \$(19,469.96) credit to account 108030 was verified to line item posting to the work order throughout 2021.

Audit requested clarification of fourteen credit items included as 2021 Carryover of Prior Specific Projects, and was provided with the following: “*The credit amounts observed in all carryover projects in question are due to the ‘Derivation True Up Process’. When the estimated percentage of the dollars charged to a work order by FERC account (FERC Split) is updated, the Derivation True Up process moves the dollars between FERC accounts to reflect this updated estimate percentage/FERC Split.*”

For the carryover projects, there were updates to the FERC Splits on work orders written under these projects. This caused dollars to be moved out of Account 106 and into Account 108, or to an expense account. The amount was not over what should have been booked, but only the distribution between FERC accounts was updated. This is a normal process that takes place as work order FERC Split estimates are updated during the work order life cycle.”

As noted in the Audit report of Step 2, “The GL Journal Category ‘CR Derivation’ stands for PowerPlan ‘Cost Repository Derivation’. When a direct charge hits the work order, it initially goes to the holding account, 186950. When the ‘CR Derivation’ process runs, it moves the dollars charged out of 186950 and allocates the dollars charged between the FERC accounts established for that work order.”

Project	2021 Step 3 filing		2020 Step 2 filing		2021 life spent - 2020 life spent		Does Calculated Yr over Yr change match 2021 filing?
	2021 In Service	2021 Life Spend	2020 In Service	2020 Life Spend	Calculation	2021 in Service	
19707	\$ (124,599.21)	\$ 1,233,781.00	\$ 340,721.00	\$ 1,233,781.00	\$ -	\$ (124,599.21)	No-appears one or both yr to date life spend \$ incorrect
A08W49	\$ (109,120.85)	\$ 4,360,485.18	\$ 889,029.00	\$ 4,557,944.00	\$ (197,458.82)	\$ (109,120.85)	No-unclear why
A17C26	\$ (590,642.80)	\$ 4,854,452.62	\$ 240,502.00	\$ 4,832,439.00	\$ 22,013.62	\$ (590,642.80)	No-unclear why
A17E01	\$ (1,737.48)	\$ 4,407,903.74	\$1,932,287.00	\$ 4,376,539.00	\$ 31,364.74	\$ (1,737.48)	No-unclear why
A19E11	\$ (31,003.69)	\$ 2,885,517.08	\$1,339,525.00	\$ 2,883,375.00	\$ 2,142.08	\$ (31,003.69)	No-unclear why
A20N30	\$ (365,111.48)	\$ (394,957.54)	\$ 11,730.00	\$ (106,530.00)	\$ (288,427.54)	\$ (365,111.48)	No-unclear why
A20N32	\$ (2,248.84)	\$ (52,649.78)	\$ (42,857.00)	\$ (216,471.00)	\$ 163,821.22	\$ (2,248.84)	No-unclear why
A20S17	\$ (714.00)	\$ 1,065,899.67	\$1,046,033.00	\$ 1,066,614.00	\$ (714.33)	\$ (714.00)	yes
A20W08	\$ (3,383.70)	\$ 600,412.42	\$ 550,764.00	\$ 603,794.00	\$ (3,381.58)	\$ (3,383.70)	yes, rounded
A14N21	\$ (244,631.29)	\$ 3,698,786.39	\$ (5,287.00)	\$ 3,698,786.00	\$ 0.39	\$ (244,631.29)	No-appears one or both yr to date life spend \$ incorrect
R15HLR	\$ (1,122.67)	\$ 1,480,289.37			\$ 1,480,289.37	\$ (1,122.67)	not included in 2020 Step 2
R15RPR	\$ (1,308.71)	\$ 8,586,598.08	\$ (4,712.00)	\$ 8,555,396.00	\$ 31,202.08	\$ (1,308.71)	No-unclear why
R17CTC	\$ (2,302.07)	\$ 3,720,160.09			\$ 3,720,160.09	\$ (2,302.07)	not included in 2020 Step 2
ROWLR	\$ (1,369.01)	\$ (26,540.93)	\$ 709.00	\$ -	\$ (26,540.93)	\$ (1,369.01)	No-unclear why
	\$ (1,479,295.80)		\$6,298,444.00	\$31,485,667.00	\$ 4,934,470.39	\$ (1,479,295.80)	

Audit compared the above 2021 Plant in Service cost figures and actual-project-life-to-date summary figures for each, to the actual-project-life-to-date summary figures included within the 2020 Step 2 filing.

Audit noted ten of fourteen project cost changes year over year do not match the credit figure reported for 2021 Plant in Service. Two of the fourteen projects were not included in the Step 2 filing, and two of the fourteen changes in balance actually agreed with the credit figures included in the Step 3 filing.

Specific Projects:

19707 Actual Project Life to Date Costs of \$1,233,781, with \$340,721 included within the 2020 Plant in Service figure.

A08W49 Actual Project Life to Date Costs of \$4,557,944, with \$889,029 included within the 2020 Plant in Service figure.

A17C26 Actual Project Life to Date Costs of \$4,832,439, with \$240,502 included within the 2020 Plant in Service figure.

A17E01 Actual Project Life to Date Costs of \$4,376,539, with \$1,932,287 included within the 2020 Plant in Service figure.

A19E11 Actual Project Life to Date Costs of \$2,883,375, with \$1,339,525 included within the 2020 Plant in Service figure.

A20N30 Actual Project Life to Date Costs of \$(106,530), with \$11,730 included within the 2020 Plant in Service figure.

A20N32 Actual Project Life to Date Costs of \$(216,471), with \$(42,857) included within the 2020 Plant in Service figure.

A20S17 Actual Project Life to Date Costs of \$1,066,614, with \$1,046,033 included within the 2020 Plant in Service figure.

A20W08 Actual Project Life to Date Costs of \$603,794, with \$550,764 included within the 2020 Plant in Service figure.

Specific Carry-over Projects per 2020 Filing

A14N21 Actual Project Life to Date Costs of \$3,698,786, with \$(5,287) included within the 2020 Plant in Service figure.

R15RPR Actual Project Life to Date Costs of \$8,555,396, with \$(4,712) included within the 2020 Plant in Service figure.

Annual Projects per 2020 Filing

ROWLR Actual Project Life to Date Costs of \$-0-, with \$709 included within the 2020 Plant in Service figure.

2021 Projects-Carryover per 2021 Filing, but not noted in 2020 Filing

R15HLR Actual Project Life to Date Costs of \$1,480,289.37, with \$(1,122.67) included within the 2021 Plant in Service figure.

R17CTC Actual Project Life to Date Costs of \$3,720,160.09, with \$(2,302.07) included within the 2021 Plant in Service figure.

Audit requested clarification of why any adjustment to the projects would take six years or two years to accomplish, and why only two projects' overall changes year-over-year agreed with the reported 2021 life-to-date figure as of 12/31/2021.

The Company provided the following response: *“The project life to date file includes charges in all accounts: 107/CWIP, 106/101/Plant In-Service and 108/Cost of Removal for all work orders written under each specific project. The Plant In-Service file is simply the movement of dollars between 107 to 106/101 in 2021. You cannot take the prior project life-to-date balance, add 2021 Plant In-Service and come to a total that will tie to the 2021 project life to date balance.*

The adjustments noted for 2 of the 14 projects (#R15HLR and #R17CTC, neither included in the Step 2 filing) are credits due to the derivation true up process explained [previously to Audit], which typically occurs at the time a project is closed and unitized. The FERC splits for these work orders were updated prior to their close in 2021 and is a normal part of the work order close out/unitization process. As previously discussed, the close out/unitization timing from 106 to 101 can take more than a year in certain cases.”

Refer to **Audit Issue #3**

An additional Carryover of Prior Specific Projects was reviewed by Audit:

20CGVE06 2020 CG Vehicles for NH account 392 from 2020 \$159,542.80, posted to account 106010 on 12/1/2021.

There was not a budget related to this asset, as it was below the required APS-01 threshold of \$500,000.

Documentation provided reflects:

8 vehicles purchased for \$19,634.47 each	\$157,075.76
Registrations	\$ 715.59
Online payment fee	\$ 12.70
Admin and Engineering overhead	<u>\$ 1,738.75</u>
	\$159,542.80

The vehicles are 2020 GMC Trax ,small sport utility vehicles, purchased from McLaughlin Chevrolet, Whitman, MA. The purchase contract date is February 24, 2020 on each of the eight. Specifics of the purchase price were the same for each:

Price per Unit	\$22,604.47
Keys	\$ 290.00
Fuel	\$ 40.00
Delivery	\$ 200.00
GM Rebate	<u>\$ (3,500.00)</u>
Total Payment	\$19,634.47

Audit requested clarification of why the purchase of the vehicles in February 2020 took so long to be included in Plant in Service in 2021. The Company explained: *“The vehicles in question are the Chevrolet Trax trucks that were purchased by PSNH in late February 2020, which occurred at the start of the pandemic. At the start of the pandemic, Eversource moved to a “one person, one vehicle” COVID plan to ensure employee health and safety. These trucks were deployed to the Eversource Massachusetts area work centers that did not have enough vehicles to meet the COVID safety plan. In 2021, once the “one person, one vehicle” COVID plan ended, these trucks were returned to PSNH and placed into service in Eversource New Hampshire area work centers. During the time these trucks were used in Eversource Massachusetts, these trucks were registered in the respective area work center towns/municipalities and all costs were charged to the Eversource Massachusetts operating companies.”*

The purchase of the vehicles by PSNH then used by Massachusetts for over a year should be posted to the general ledger and continuing property records at the value of a used vehicle. **Audit issue #4**

Audit also noted work order 19CGVE06, in the amount of \$182,243.32 was booked to account 106010 on 10/1/2021. Eight additional Chevy Trax vehicles were purchased in late 2019. Audit requested clarification of the delay in posting, and was referred to the response above. **Audit issue #4**

Audit also requested clarification of three additional fleet related workorders:

MBLEYE06	Mobileye-Fleet Safety Mechanism 2021	\$ 109,280.99
NHEDVH20	NH Electric Distribution Vehicle Purchase 2021	\$ 256,463.70
NHEDVH21	NH Distribution Vehicle Purchase 2021	\$6,620,817.27

The Mobileye was noted to be an aftermarket collision-avoidance system that was retrofitted to Eversource NH bucket trucks.

Work order NHEDVH20 was documented to be:

106010	V2022865	180,438	3 - 2020 Ford F250 XL Hybrids, including upfit and registration
	V2022915	61,535	Upfit for 2020 Chevy Silverados
	V2023492	946	New vehicle registration in Berlin and Keene for 2 - F350's
	V2023613	875	New vehicle registration in Portsmouth
	V2121340	1,509	New vehcile registration Derry, Manchester and Rochester
	V2157230	4,695	New vehcile registration Hooksett and Tilton
	V2158754	6,467	New vehcile registration Hooksett and hybrid decal isntallation
NHEDVH20		256,464	

Vehicle registrations are annual ongoing expenses, thus should not be included as capital costs. For the work order NHEDVH20, that total sums to \$14,492. Eversource noted that “...*the work order in service dates did range from June 2020 through November 2020; however, these costs were appropriately included in the Step 2 filing (embedded in the \$4,587,560 in Docket No. DE 19-057, Attachment LGL/DLP/JJD-1 Step 2 (2020) Adjustment, Page 4 of 6, line 25). Subsequent to those assets being placed in service in 2020, there were additional assets placed in service in 2021, and the associated costs of \$256,464 would appropriately be included in the Step 3 filing.*”

Included within the Audit report of the first step, issued February 1, 2021, Eversource noted the following:

“Work Order Status Definitions:

In Service & Completed: Work orders that have installed capital equipment that are now deemed to be used and useful by Operations. Final documentation requirements need to be met to be eligible for unitization after late charge wait period (3 months) to capture all vendor invoices. Operations is responsible for moving work orders to completed status.

Posted to CPR: Work orders are unitized to 101 by Plant Accounting once all final documentation has been received and accounting review is complete.”

Audit noted that the \$256,464 vehicle totals were all noted as in service from 6./5/2020 through 11/1/2020. The general ledger posting months, however, do reflect 2021. Audit compared the NHEVDH20 details for 2021 to those included in the 2020 step 2 data, and did not see any duplication.

Work order NHEDVH21 was documented to be the sum of:

106010	V2111953	21,939	1 - 2021 Chevrolet Trax, including upfit and registration
	V2122838	47,297	1 - 2021 Ford F150, including upfits
	V2123429	320,373	2 - 2021 Ford F350 upfit by Altec and registrations
	V2125739	122,546	2 - 2021 Ford F550, includes upfits
	V2155840	177,839	1 - 2021 Ford F550 AT40G aerial device w/ hybrid decals
	V2221094	156,533	6 - 2022 Chevrolet Colorado pick-ups
	V2247958	882,174	4 - 2022 International HV 607 4 x 2 Service Trucks
	V2257152	237,391	1 - 2022 International MV607 AT41ME aerial device, hybrid decals and registration
	V2257381	470,974	2 - 2022 International MV607 AT41ME aerial device with hybrid decals
	V2258512	1,842,925	6 - 2022 International MV607 AN55EOC JEMS Bucket Trucks
	V2258526	497,588	2 - 2022 International DM47B Digger Derricks and their registrations
	V2258546	614,830	2 - 2022 International MV607 AN55EOC JEMS Bucket Trucks
	V2258801	1,228,408	4 - 2022 International MV607 AN55EOC JEMS Bucket Trucks
NHEDVH21		6,620,817	

Within work order NHEDVH21, \$6,620,817, it is unclear what portion of the V2111953 \$21,939, V2123429 \$320,373, V2257152 \$237,391, and V2258526 \$497,588 relate to registrations, which should be expensed. **Audit Issue #4**

Retirements

The 12/31/2021 Step 3 filing retirements figure of \$(19,985,639) was reconciled with the CPR/general ledger details provided to Audit. However, that detail does not include retirements that the Company identified as duplicate retirements booked to PowerPlan in error. The issue is discussed earlier in this report. The “reconciliation” of the issue follows:

ferc_activity_code	Retirement			
func_class	Distribution			
Row Labels	Sum of activity_cost	BAL PER UPIS	DIFFERENCE	
360	-3,204.19	(3,204.19)	-	
361	-140,078.71	(140,078.71)	-	
362	-1,213,411.06	(1,213,411.06)	-	
364	-3,467,469.35	(2,632,111.88)	(835,357.47)	
365	-10,008,527.50	(6,916,908.56)	(3,091,618.94)	
366	-43,635.68	(38,591.76)	(5,043.92)	
367	-1,192,062.99	(604,855.29)	(587,207.70)	
368	-8,415,056.31	(5,436,632.29)	(2,978,424.02)	
369	-1,706,335.53	(1,489,757.78)	(216,577.75)	
370	-386,835.04	(386,835.04)	-	
371	-54,058.86	(54,058.86)	-	
373	-20,536.52	(9,452.57)	(11,083.95)	
Grand Total	-26,651,211.74		(7,725,313.75)	
				(18,925,897.99)

Notation next to the \$(7,725,313.75) states “see late journal entry...there was an issue with duplicate retirements in PowerPlan”.

Notation next to the \$(18,925,897.99) states “Ties to FERC”, although it is unclear to where the specific retirement figure was verified, or at what specific point in time.

An additional reconciliation provided to Audit demonstrates the adjustment allocation as follows:

Retirement Adjustment Allocation						
Utility A	RET recon Adjustment			RET recon Adjusted Balance		
	New Business	Step 3	Total	New Business	Step 3	Total
360	\$ -	\$ -	\$ -	\$ -	\$ (3,204)	\$ (3,204)
361	-	-	-	-	(140,079)	(140,079)
362	-	-	-	-	(1,213,411)	(1,213,411)
364	154,468	680,890	835,357	(486,710)	(2,145,402)	(2,632,112)
365	654,012	2,437,607	3,091,619	(1,463,228)	(5,453,681)	(6,916,909)
366	458	4,586	5,044	(3,507)	(35,085)	(38,592)
367	84,066	503,142	587,208	(86,592)	(518,263)	(604,855)
368	905,784	2,072,640	2,978,424	(1,653,362)	(3,783,270)	(5,436,632)
369	118,079	98,499	216,578	(812,221)	(677,537)	(1,489,758)
370	-	-	-	-	(386,835)	(386,835)
371	-	-	-	(6,078)	(47,981)	(54,059)
373	49	11,035	11,084	(42)	(9,411)	(9,453)
Service Total	\$ 1,916,916	\$ 5,808,398	\$ 7,725,314	(\$4,511,739)	(\$14,414,159)	(\$18,925,898)
390	\$ -	\$ -	\$ -	\$ -	\$ (1,245,068)	\$ (1,245,068)
391	-	-	-	-	(753,786)	(\$753,786)
392	-	-	-	-	(776,306)	(\$776,306)
393	-	-	-	-	(81,140)	(\$81,140)
394	-	-	-	-	(9,954)	(\$9,954)
395	-	-	-	-	(322,335)	(\$322,335)
397	-	-	-	-	(2,373,063)	(\$2,373,063)
398	-	-	-	-	(9,829)	(\$9,829)
	\$ -	\$ -	\$ -	\$ -	\$ (5,571,480)	\$ (5,571,480)
	\$1,916,916	\$5,808,398	\$7,725,314	\$ (4,511,739)	\$ (19,985,639)	\$ (24,497,378)

The noted \$5,808,398 above is identified by Eversource as the portion related to Non-growth work orders during 2021 which had retirements booked twice in error. It is unclear what work orders were impacted by the error.

Property Taxes

The filing schedule MBP/EAD-1, Page 6, Bates page 000050 shows a 2021 calendar year property tax expense of \$52,266,266. The Company workpaper “wp MBP_EAD-1 Pg 6_Line 1” reflected, in summary:

	Calendar year 2021		
	3 months of 2020		
	TY 2020	TY 2021	+ 9 months 2021
Municipal	\$ 43,614,023	\$ 43,416,916	\$ 43,466,193
State	\$ 8,120,859	\$ 9,738,984	\$ 9,334,453
	\$ 51,734,882	\$ 53,155,900	\$ 52,800,646
2021 Property Tax Expense Accrual adjustment			(239,222)
Allocation to Construction Work in Progress (CWIP)			(1,661,286)
PY 2020 Allocation Adjustment			1,366,129
Calendar Year 2021 Reported Tax Total			\$ 52,266,267

The reported calendar year 2021 property tax invoice total of \$52,800,645 is the sum of three months' worth of 230 municipalities' tax year 2020 invoices and one state utility property tax invoice plus nine months' worth of the 2021 property tax invoices. Audit recalculated the filing. Audit requested and was provided with pdf copies of the individual municipal property tax invoices for tax years 2020 and 2021.

In over 6,000 PDF copies of the property tax invoices provided, many invoices were scanned in 3 times, such as the towns of Amherst, Auburn, Brookline, Hopkinton and Peterborough. The invoices provided were in no discernable order and the PDF bookmarks that were created were inaccurate, as they were labeled a certain town or city but additional invoices for the same town were further in the scanned attachment and not connected to the bookmark created. In addition, municipalities with multiple properties appeared on vastly different pages and were not grouped together in any kind of order. Some invoices were included that were for towns not listed on the filing support spreadsheet such as the town of Kensington, NH and the Township of Dixville NH. Furthermore, there were tax invoices for the City of Portsmouth for the tax year 2019, which is not a part of the 2020 or 2021 tax expense. When Audit questioned why 2019 invoices would be included, they responded that *"Eversource had a non-property tax department resource scan "all" property tax invoices included in a box archived in its Berlin, CT facility. It is likely these second issue (December 2019) property tax invoices were included in those boxes accidentally."*

Audit sampled for accuracy the 2020 and 2021 property taxes of 142 municipalities from the 230 that were listed on the filing, or 62%. The filing indicates there are 230 municipalities, plus the New Hampshire Utility Property Tax. Five of the municipalities listed in the filing, Berwick, Kittery, Fryeburg, Hiram and Newfield, are located in Maine. The total of the five that were included on the filing and in the overall property tax expense of \$52,266,266 was \$764, an immaterial amount. Audit requested clarification of these properties in Maine, and the reason for including them in the filing tax expense. Eversource responded with a breakdown of assets in Maine and an

explanation that “*the net book value of all assets held in Maine for the Distribution segment totaled \$34,725*”. There is also one town on the filing located in Vermont, however the expenses reported for this municipality are \$0.00.

It was evident that some towns had multiple invoices scattered throughout the PDF attachments. It is apparent that there is no formal process established for batching and indexing property tax invoices to support tax expense figures. For example, the town of Pittsburg had a total of 10 invoices. One invoice was separated from the others and included in the beginning of the scan and did not include the State Education tax. The remaining nine invoices appeared 91 pages after this initial invoice and did include the State Education tax, which should not be included. It was later explained by Eversource, that the nine separated invoices were not PSNH Distribution invoices, rather, belonged to an Eversource subsidy, and should not have been included in the PDF attachments. Eversource again clarified these invoices were inadvertently scanned in by a “*non-property tax department resource*”.

Some of the figures represented in the spreadsheet for the total taxes paid for the year, had significantly different totals than what the sum of the submitted invoices was. For example, for the Town of Littleton the spreadsheet schedule shows \$452 was paid (or anticipated to be paid in the year 2021). However, the 6 invoices submitted totaled \$850,217 showing an \$849,765 difference between what was included in the filing total and what was submitted in invoices. Audit questioned why there was such a large difference between the filing amount and the invoice amount. The Company responded that “*The majority of the investments in the town of Littleton are PSNH Transmission. Of the total \$37.4 million in assets owned in the town of Littleton, only approximately \$39,000 relate to PSNH Distribution, resulting in an average property tax expense of about \$450 annually.*”

Audit reviewed approximately 70 locations through online public records to confirm that the locations were truly utility properties, using online resources such as Vision Appraisal and Avitar Associates. Properties consisted of vacant land, outbuildings, powerlines, and office buildings.

The 2020 municipalities sampled from the filing support totaled \$39,360,996. The invoices reviewed totaled \$43,905,437 indicating a difference of \$4,544,441 between what the filing schedule and the copies of invoices provided. Of the 2020 invoices were a total of 31 invoices that included the State Education tax totaling \$44,220.54. The Company contested this amount, indicating that the State Education taxes were abated in most cases and should not be excluded from the total property tax expense of \$52,266,266. While they provided support that the largest amount of this figure for the town of Brentwood, \$23,574.09 was abated, there is no definite support that the remaining \$20,646.45 was excluded. Audit recommends \$20,646.45 in 2020 State

Education tax be excluded from the overall property tax expense of \$52,266,266. Audit also recommends that the Company contact each of the municipalities that incorrectly assessed them for the state level education tax.

There were some invoices for certain towns either missing, cutoff or only the first half were provided so Audit was unable to verify if the State Education Tax was excluded for some municipalities. One particular municipality was Clarksville that seemed to be missing 19 out of 20 of the 2020 invoices that appeared in the 2021 attachments. The Company clarified that the “missing” 19 invoices for tax year 2020 were for an Eversource subsidiary and should not have been included in the 2021 scanned documents. Moreover, the City of Manchester had 29 of 96 invoices that did not show any municipal breakdown of what contributed to the tax rate. The Company later provided the missing portions of the tax bills indicating that the State Education tax was not assessed.

Audit reviewed all municipal invoices beyond the 142 towns/cities for invoices billed to owners other than Eversource or PSNH. Audit found among the 2020 invoices that 69 invoices were not billed to either Eversource or PSNH. These invoices totaled \$226,255.56 and stated the owners as the following:

- Properties, Inc.
- Renewable Properties
- Quinnehtuk Co. c/o Properties, Inc.
- HSE Hydro NH Eastman Falls LLC f/k/a Eversource

Because of the lack of a formal batching process, Eversource indicated that while the invoices had been included in the PDF attachment provided, the filing figure did not include those properties’ invoiced amounts. The Company also explained that prior to providing the PDF, the Regulatory department “scrubbed” the PDF for those that were not part of the filing. Some, however, were included despite the effort.

The 2021 municipalities sampled totaled \$39,793,225. The invoices reviewed totaled \$49,056,043 showing a \$9,262,818 difference between the filing schedule and the invoices provided. Of the 2021 invoices, were a total of 29 invoices that included the State Education tax totaling \$29,798.22. As discussed previously in this report, although the Company contests this amount should not be included in the overall property tax expense, they provided no support otherwise. Therefore, Audit still recommends this amount to be excluded from the total property tax expense of \$52,266,266.

Audit reviewed all 2021 municipality invoices for alternative owners billed other than Eversource or PSNH, which resulted in finding 47 invoices totaling \$72,203.07. They included the companies mentioned above with the exception of HSE Hydro NH Eastman Falls. There was also a first and second issue invoice billed to “F.S. Koontz &

J.A Tyler Trustees, The William S. Tyler Trust F/B/O J.S. TYL”. Inclusion of these PDF invoices, in the attachment provided to Audit, was inadvertent.

By municipality, the state education tax, as summed for each of the tax years follows:

MUNICIPALITY	2020	2021
ASHLAND	\$ 6,293.36	\$ 6,126.25
BEDFORD	\$ 3,121.20	
BELMONT	\$ 102.01	\$ 103.52
CHARLESTOWN	\$ 1,243.98	
CHESTERFIELD		\$ 14,309.48
CONCORD	\$ 1.68	\$ 1.58
DEERFIELD	\$ 267.24	
DERRY	\$ 975.89	
DUMMER		\$ 73.55
EASTON		\$ 517.65
EPPING	\$ 2,397.06	\$ 2,322.54
FITZWILLIAM	\$ 313.02	
GOSHEN	\$ 2,964.39	
HAMPSTEAD		\$ 304.54
HOOKSETT	\$ 442.20	
KEENE		\$ 5,300.08
LEE	\$ 167.21	\$ 178.68
MERRIMACK	\$ 1,657.54	
NEW LONDON		\$ 171.64
SWANZEY	\$ 140.92	\$ 136.45
TAMWORTH	\$ 462.00	\$ 150.00
TROY	\$ 81.27	\$ 86.21
WOODSTOCK	\$ 15.48	\$ 16.05
TOTALS	\$ 20,646.45	\$ 29,798.22

The following amounts should be excluded from the overall property tax expense of \$52,266,266:

2020 Education Tax	\$20,646.45
2021 Education Tax	<u>\$29,798.22</u>
TOTAL STATE EDUCATION TAX:	\$50,444.67
TOTAL RECOMMENDED BE EXCLUDED	\$50,444.67
Audit Issue #5	

Audit also found within the scanned attachments were 16 invoices for Eliot, Kittery and Yarmouth Maine among all the 2020 and 2021 scanned invoices. These invoices were not included in the filing total and appear to have been scanned in inadvertently.

Of the 142 municipalities reviewed by Audit, only 59 municipalities, using the tax invoices provided, were recalculated to within \$2,000 of the totals listed in the filing spreadsheet. There were multiple properties where it could not be confirmed if the properties were classified as “Utility” property, either due to the location being labeled “unknown” or portions of the invoice were missing. Audit questioned this on the invoices for Haverhill and Eversource responded that “*various utility property located in the Town, including poles, wires, meters, and distribution equip. at many locations.*”

Based on the invoices reviewed by Audit, at minimum \$50,444.67 should be excluded from the property tax expense amount included in the filing.

The Gross Distribution Plant in Service figure of \$2,479,733,073 was verified to the Company’s representation of the Transmission and Distribution segments’ plant in service. Audit verified the Total Plant in Service to the FERC Form 1.

Code	Account Description	Ending Balance @ 12/31/2021		TOTAL Plant in Service per FERC Form 1
		Transmission Entity 6T	Distribution Entity 06	
1. Intangible Plant				
301	Organization	\$ -	\$ 45,057	\$ 45,057
303	Misc Intangible Plant	7,493,788	53,075,177	\$ 60,568,965
	Total Intangible Plant	\$ 7,493,788	\$ 53,120,234	\$ 60,614,022
3. Transmission Plant				
350	Land and Land Rights	\$ 31,271,421	\$ -	\$ 31,271,421
352	Structures and Improvements	66,889,079	-	\$ 66,889,079
353	Station Equipment	628,065,420	-	\$ 628,065,420
354	Towers and Fixtures	15,338,158	-	\$ 15,338,158
355	Poles and Fixtures	806,104,057	-	\$ 806,104,057
356	Overhead Conductors and Devices	220,496,619	-	\$ 220,496,619
359	Roads and Trails	2,500,617	-	\$ 2,500,617
	Total Transmission Plant	\$ 1,770,665,371	\$ -	\$ 1,770,665,371
4. Distribution Plant				
360	Land and Land Rights	\$ -	\$ 10,187,862	\$ 10,187,862
361	Structures and Improvements	-	30,726,566	\$ 30,726,566
362	Station Equipment	-	381,758,180	\$ 381,758,180
364	Poles, Towers and Fixtures	-	362,283,463	\$ 362,283,463
365	Overhead Conductors and Devices	-	678,330,553	\$ 678,330,553
366	Underground Conduit	-	47,606,422	\$ 47,606,422
367	Underground Conductors and Devices	-	150,527,860	\$ 150,527,860
368	Line Transformers	-	265,117,641	\$ 265,117,641
369	Services	-	177,702,203	\$ 177,702,203
370	Meters	-	79,306,991	\$ 79,306,991
371	Installation on Customer Premises	-	6,925,733	\$ 6,925,733
373	Street Light and Signal Systems	-	5,258,080	\$ 5,258,080
374	Asset Retirement Costs for Distribution Plant	-	830,337	\$ 830,337
	Total Distribution Plant	\$ -	\$ 2,196,561,891	\$ 2,196,561,891
5. General Plant				
389	Land and Land Rights	\$ -	\$ 4,800,169	\$ 4,800,169
390	Structures and Improvements	22,377,281	99,012,259	\$ 121,389,540
391	Office Furniture and Equipment	4,827,216	12,684,704	\$ 17,511,920
392	Transportation Equipment	16,516,575	62,319,512	\$ 78,836,087
393	Stores Equipment	1,011,871	3,742,032	\$ 4,753,903
394	Tools, Shop and Garage Equipment	8,400,843	19,743,007	\$ 28,143,850
395	Laboratory Equipment	385,231	1,726,443	\$ 2,111,674
396	Power Operated Equipment	-	161,340	\$ 161,340
397	Communication Equipment	91,137,122	25,337,649	\$ 116,474,771
398	Miscellaneous Equipment	1,171,216	1,354,170	\$ 2,525,386
	Total General Plant	\$ 145,827,355	\$ 230,881,285	\$ 376,708,640
				\$ -
	Total Electric Plant In Service	\$ 1,923,986,514	\$ 2,480,563,410	\$ 4,404,549,924
	Remove account 374		(830,337)	
	Dist. Plant per filing		\$ 2,479,733,073	

Audit requested clarification regarding eliminating the Asset Retirement Obligation account #374, and the Company noted that consistent with the settlement

agreement in DE 19-057, the asset retirement obligation was excluded from Gross Distribution Plant, as noted on filing schedule EMC/TMD-37 (Perm) 1/22/2021.

		Plant in Service balances and activity for 2021 per Oracle General Ledger system			
		Beg Balance 2021	Debits	Credits	12/31/2021 Balance
101010	Utility Plant in Service	\$ 2,189,803,324.97	\$ 112,694,160.39	\$ 33,982,142.63	\$ 2,268,515,342.73
101100	Long Lived Assets - ARO	\$ 837,463.45	\$ 53,238.93	\$ 60,365.32	\$ 830,337.06
101200	Utility Plant in Service Under	\$ 988,955.80	\$ -	\$ -	\$ 988,955.80
101E1X	Electric- Utl Plt in Svc - Elim	\$ 574,601.06	\$ -	\$ -	\$ 574,601.06
101NSC	DBPlans NonSvc Capital + Defri	\$ (4,349,753.08)	\$ 232,785.65	\$ 4,306,119.56	\$ (8,423,086.99)
101SVC	DBPlans Service Capital	\$ 4,349,753.08	\$ 4,306,119.56	\$ 232,785.65	\$ 8,423,086.99
106010	Completed Construction not Clas	175,328,365.30	160,885,933.10	133,296,482.39	202,917,816.01
Oracle Total					\$ 2,473,827,052.66
					Remove ARO per Rate Case settlement \$ (830,337.06)
					Remove Account 101200 \$ (988,955.80)
					Add back duplicate retirement total \$ 7,725,314.00
					Adjusted Oracle Total to agree with Filing \$ 2,479,733,073.80

Exclusion of the 101200, Utility Plant in Service Under-Capital Lease, \$988,955.80, was reportedly “consistent with the DE 19-057 settlement agreement for rate recovery purposes.”

Audit requested clarification of the three adjusting property tax figures noted on the filing. Specifically:

- For each adjustment, Audit requested the underlying details that support the figures, the specific general ledger account(s) in which the adjustments are reflected, and the accounts to which the offsets were booked.
- Identify the general ledger account(s) to which the municipal property taxes are posted and a clear ability to verify what is included within the \$52,800,645 has posted to your general ledger.

Eversource responded:

“The general ledger account to which the town/municipal property taxes are posted is FERC Account 408110, Taxes other than Income Tax Expense, in the Company’s general ledger system. In cases where there are true-up adjustments to accrued property tax estimates, the adjustments are recorded to FERC Account 236180, Accrued Local Property Taxes. Please see the following:

\$(239,222) –

1. the detail breakdown by town/municipality of the actual property taxes billed to Eversource from the towns/municipalities by fiscal year 2020 and 2021, which was compiled from the actual paper/electronic bills received from the towns/municipalities over the course of 2020 through 2022;

2. the pro ration of town/municipal property tax expense bills, as described in 1 above, for property tax years (PTY) 2020 and 2021 that relate to calendar year (CY) 2021, **totaling an estimated \$52,800,645**; and

3. the detail breakdown by town/municipality of the actual property taxes accrued/recorded for the period from January 1, 2021 through December 31, 2021 (calendar year 2021), **totaling \$52,561,423**, which was queried from the PowerPlan property tax module data repository, as posted to the general ledger FERC Account 408110 in 2021.

The difference of the \$(239,222) 2021 Property Tax Expense Accrual Adjustment... is the variance between 2 and 3 above... (\$239,222) represents the difference between what the Company recorded in the general ledger as property tax expense, by town, using a best estimate accrual approach, in accordance with GAAP accounting principles...” Audit requested the query, which was provided.

\$(1,661,286) –is the sum “of the monthly Allocations [debited] to Construction Work in Progress (CWIP) in 2021” and debited to account 186950, Cycle Error Suspense-Accts Payable, each credited to account 408110, Local Property Tax Expense.

\$1,366,129 – documentation was forwarded to Audit that “provides the supporting calculation of the PY 2020 Allocation Adjustment (an out-of-period adjustment), as well as the journal entry booked to recognize the adjustment in the April 2021 accounting close.” The entry moved the overall figure out of entity 06, Distribution, into 6T, Transmission, but was caused “when new parcels were set up this year, the transmission ledger components were either omitted or a tax type of “Transmission-Leased” ...resulting in heavier distribution property tax expense rather than the system allocation based on net book”. Additional documentation reflected 24 specific second issue **2020** municipal tax figures identified as:

	PSNH <u>Distribution</u>	PSNH Non- <u>Utility Property</u>	PSNH <u>Transmission</u>
Voided Total	\$ 5,908,494.54	\$1,630.65	2,585,105.01
Waiting for Approval	\$ 4,542,365.37	\$ 848.11	\$3,952,016.72
Adjustment to Be			
Expensed	\$(1,366,129.17)	\$ (782.54)	\$1,366,911.71

The April 2021 intercompany journal entry was:

Debit 6T 408110 Local Property Tax Expense	\$1,366,911.71	
Debit 06 14601X Intercompany AR ICP	\$1,366,911.71	
Credit 06 408201 Non-utility Property Tax		\$ (782.54)
Credit 06 408110 Local Property Tax Expense		\$(1,366,129.17)
Credit 6T 23401X Intercompany AP ICP		<u>\$(1,366,911.71)</u>
Total entry 4/2021	\$2,733,823.42	\$(2,733,823.42)

If the 2nd issue 2020 was literally over-charged to Distribution, that is, debited to

the 408110 expense account in 2020, but not corrected until April 2021, Audit questioned why any part of the \$1,366,129.71 should be added back to the property tax listing. The Company responded:

*“The Company has reviewed the auditor’s question. The Company agrees with the auditor’s finding that because the STEP 3 property tax calculation does not reflect the full general ledger expense, removing/negating the prior period adjustment was not necessary as it was not in the base data. As a result, the calculation should include the portion of the adjustment that relates to calendar year 2021 (January 1, 2021 through March 31, 2021 totaling \$341,532) as a reduction to the property tax expense provided in the PowerPlan property tax module used to calculate an estimated property tax rate. **That revised amount would be \$50,558,605** (\$50,900,137 less \$341,532). Further, the revised amount will not change the STEP 3 revenue requirements as the estimated property tax expense included in the revenue requirements calculation of the STEP 3 filing will decrease by \$70,591 (\$2,160,566 in Attachment MBP/EAD-1, page 1 of 6, line 12, revised to \$2,089,975). The STEP 3 revenue increase will remain at \$9,300,000 (Attachment MBP/EAD-1, Page 1 of 6, line 15), in accordance with the maximum allowed increase in DE 19-057 Settlement, Section 10.1(c)(i), Bates Page 20.”*

The *calculated* Property Tax figure included in the Revenue Requirement filing schedule MBP/EAD-1, Page 1 of 6, Bates page 000045, reflects \$2,160,566, using the 2.11% tax rate. However, based on the response above, and the recommended exclusions identified by specific towns, which sum to \$50,444.67, the calculated tax rate will change. Audit does understand that the impact will not affect the requested revenue increase of \$9,300,000. **Audit Issue #5**

Revenue

Reported 2021 revenue on Bates page 000060, \$1,548,139,579 could not be verified to the billing system. Audit requested the totals pages of the various billing system reports, and the Company indicated that the revenue in the filing is “*based on historical billing determinants from [the] 2018 rate case.*” Audit noted that the reported Operating Revenue per the year-end 2021 FERC Form 1 was \$1,177,173,721.

General Ledger

Audit noted the general ledger accounts of the Company, provided as part of the DE 19-057 rate case audit work, includes the following:

Related to account 101, Utility Plant in Service:

101010 Utility Plant in Service (Distribution, Transmission, and formerly Generation)

101100 Long Lived Assets-ARO (Generation only)

101200 Utility Plant in Service under Capital Lease (Transmission only)
 101E1X title unknown, segment unknown
 101E9E title unknown, segment unknown

Related to account 106, Completed Construction not Classified:

106010 Completed Construction not Classified-CCNC (Distribution, Transmission)
 106500 title unknown, segment unknown

Related to account 108 Accumulated Depreciation:

108010 Accumulated Provision for Depreciation
 108030 Accumulated Provision-Cost of Removal
 108040 Accumulated Provision-Salvage
 108AR0 Accumulated Reserve for Asset Retirement Obligations

As noted earlier in the report, Audit was provided with CPR details that demonstrated total Plant in Service of \$102,506,405.34. The general ledger demonstrates a total of \$96,698,007.31, a variance of \$5,808,398.03:

	CPR and filing	General Ledger
FERC account <u>101010</u> , Utility Plant in Service	\$ 63,222,313.96	\$57,413,915.93
FERC account <u>106010</u> , Completed not Classified	\$ 39,284,091.38	\$39,284,091.38
Reported Plant in Service as of 12/31/2021	\$102,506,405.34	\$96,698,007.31
Variance Filing minus General Ledger		\$ 5,808,398.03

As noted earlier in this report, the variance was identified by Eversource Plant Accounting personnel. Audit cannot conclude as to the accuracy of the reported IT issue and its resolution.

The breakdown of the totals by the general ledger accounts was sorted by Audit as follows:

<u>101010 Utility Plant in Service:</u>		
Activity Code MADD Closed from 107 to 106 -101	\$ 222,464.83	66 entries
Activity Code CFNU Closed from 106 to 101	\$ 82,617,622.43	3,885 entries
Activity Code UADD Closed from 107 to 106 -101	\$ 654.48	1 entry
Activity Code UTRT Transfer within company	<u>\$ 367,211.56</u>	1 entry
101010 Additions	\$ 83,207,952.30	
Activity Code MRET Retirement Normal	\$ (16,028,237.12)	30,743 entries
Activity Code SAGL Rtrmt gain/loss recognized	\$ (3,204.19)	3 entries
Activity Code URET Retirement/Unitization	<u>\$ (9,762,595.96)</u>	1,208 entries
101010 Retirements	\$ (25,794,037.27)	
NET Account 101010	\$ 57,413,915.93	35,907 entries

106010 Completed Construction not Classified

Activity Code UADD Addition Non-unitization	\$ 109,661,152.59	19,721 entries
Activity Code NURV Addition Unitization	<u>\$ (70,377,061.21)</u>	5,508 entries
NET Account 106010	\$ 39,284,091.38	25,229 entries

The additions related to New Business were reportedly not included within the requested Step increase, nor the detailed general ledger pivot data provided to Audit.

Timing of unitizing projects appears to be an ongoing issue with which the Company is dealing.

The 101010 UTRT Transfer within company, \$367,211.56 related to computer/PC replacements and represented a transfer from 06-105010 Utility Plant Held for Future Use, into account 101010 Utility Plant in Service. Supporting invoices demonstrated that the assets were purchased in 2019. **Audit Issue #6**

CONCLUSION

The reported asset addition total of \$122,492,045 was verified to pivot tables of accounts 101010 and 106010.

	Year-Ending 12/31/2020	Year-Ending 12/31/2021
Beginning Plant Balance	\$ 2,250,917,651	\$ 2,345,505,174
Additions (excluding New Business)	123,141,060	122,492,045
Retirements (excluding New Business)	(28,553,538)	(19,985,639)
Ending Plant Balance	\$ 2,345,505,174	\$ 2,448,011,579

The testing of specific projects' authorizations and prudence was done by the Electric staff within the Regulatory division of the Department of Energy. Audit understands the Regulatory division is evaluating at least two projects to determine appropriateness of consideration in this step vs. consideration in base rates during the next full distribution rate case:

Emerald Street Substation	\$19,535,961.04
Mill yard Replacement (not used and useful)	\$ 86,983.50

Audit reviewed the accounting entries related to the Second step adjustment PUC Order, and noted that there was no adjustment to the general ledger or continuing property records for the disallowance of \$(911,000). Eversource disputed the disallowance, and the issue remains before the Supreme Court. As noted in the Step 2 Audit report, \$15,498.86 of the \$(163,000) was written off to accounts other than 106010, due to the Company's interpretation of the Order. Audit continues to understand the Order to have required writing the complete \$163,000 off of the Plant in Service accounts.

Timely closing of work orders from account 106010 Completed not Classified to Utility Plant in Service account 101010 continues to be an issue, as was documented in the Step 1 Audit report and the Step 2 Audit report.

Of the \$122,492,045 Step Addition total for 2021 assets placed in service, and which were reviewed by Audit, it is recommended that the following adjustments, based solely on those projects' accounting treatment reviewed during this audit, outlined in the text of this report be excluded from consideration in this Step:

Hooksett-1250 LED Lighting, #21799	\$ 183,769.75	Audit Issue #2 Company agrees
55 W Brook LED Lighting, #217129	\$ 289,086.45	Audit Issue #2 Company agrees
2019 CG Vehicles for NH, #19CGVE06	\$ 182,243.32	Audit Issue #4 Partially agrees
2020 CG Vehicles for NH, #20CGVE06	\$ 159,542.80	Audit Issue #4 Partially agrees
IT19433 Transfer within company	<u>\$ 367,211.56</u>	Audit Issue #6 Company agrees
Recommended reduction based on Audit's review	\$1,181,853.88	

NHEDVH21 Unknown amount of vehicle registrations should also be excluded. See Audit Issue #4

The calculated Gross Property Tax rate included in the filing should be adjusted, see Audit Issue #5:

	<u>Per Filing</u>	<u>Recommended</u>
Total Gross Distribution Property Taxes	\$ 52,266,266	\$ 50,508,160
Gross Distribution Plant in Service	<u>\$2,479,733,073</u>	<u>\$2,479,733,073</u>
Gross Property Tax Rate	2.11%	2.03%

Audit Issue #1
System Error

Background

Audit requested the Continuing Property Record (CPR) and the general ledger details supporting the filed plant additions totals of:

Additions	\$122,492,044.68
Retirements	<u>\$ (19,985,639.24)</u>
Net	\$102,506,405.44

Issue

Eversource provided pivot table details of the general ledger that reflected totals of:

	<u>Account 101</u>	<u>Account 106</u>	<u>Total</u>
2021 Additions	83,207,953.20	39,284,091.38	122,492,044.58
2021 Retirements	<u>(25,794,037.27)</u>	-	<u>(25,794,037.27)</u>
Net	57,413,915.93	39,284,091.38	96,698,007.31
		Adjustment	<u>5,808,398.03</u>
		Filing Net	102,506,405.34

The \$5,808,398.03 was identified by Eversource as the Step 3 related portion of a system error between PowerPlan and Maximo, identified in Q3 of 2021. The issue was identified by “*Plant Accounting [which] uncovered a problem with the PowerPlan/Maximo Adapter coding that is used for processing plant asset retirements. The issue impacts mass distribution work orders coming from the Maximo Work Management System (WAM). Duplicate plant asset retirements were identified in PowerPlan for mass distribution work orders since a code change to the PowerPlan/Maximo Adapter was implemented in October 2021.*”

At year end, the following entry was posted to the consolidated financials, but not to the entity level, thus causing the general ledger of entity 06-PSNH not to agree with the filing:

<u>Entity</u>	<u>Over-retirement</u>	<u>Depreciation Expense Adjustment</u>
06-PSNH	\$ (1,916,915.72)	
06-PSNH	<u>\$ (5,808,398.03)</u>	
subtotal	\$ (7,725,313.75)	\$ (34,572.08)
11-CL&P	\$(14,784,234.48)	\$ (68,600.09)
41-WMECO	\$ (3,325,033.33)	\$ (16,974.87)
71-Yankee	\$ (1,778,391.49)	\$ (6,255.62)
2Y-NStar Gas	\$ (1,088,085.74)	\$ (4,911.30)
21-Nstar Electric	<u>\$ (7,709,838.92)</u>	<u>\$ (39,438.98)</u>
Total	\$(36,410,897.71)	\$(170,752.94)

While Audit appreciates that the Plant Accounting personnel identified the system error, Audit cannot verify the accuracy of the error and subsequent correction as noted by the Company.

Recommendation

Audit commends the Plant Accounting personnel for noting the coding error, identifying it, and having the adjusting entry posted to HFM. However, the error itself should have been identified during the testing phase of the software.

Company Response

The Company appreciates the opportunity to comment. Eversource's Plant Accounting department uncovered an issue with the PowerPlan/Maximo Adapter coding, which is used for processing plant asset retirements, after a code change was done in October 2021. This issue was discovered during a subsequent round of WAM testing in December 2021/January 2022 and was addressed by ARC Two and the Maximo team. For the year end December 31, 2021, there was a manual journal entry recorded, based on an analysis of the data, to effectively correct the issue in the Company's year-end financial statements while a system fix was being built and tested. The system fix was implemented on March 23, 2022.

Audit Conclusion

Audit concurs with the Company's response, and is encouraged to understand that testing and review of IT systems is ongoing.

Audit Issue #2
Overstatement of Plant in Service

Background

From the 2021 Specific Projects detail in the filing, Audit selected three for review to the CPR and general ledger:

PSNH-D LED Lighting Replacements #21772	\$ 79,735.87 in service 12/16/2021
Hooksett-1250 LED Lighting #21799	\$183,769.75 not fully in service
55 W Brook LED Lighting #217129	<u>\$289,086.45</u> not fully in service
	\$552,592.07

Issue

Eversource indicated that the Hooksett and W Brook “*projects are currently not fully in service but are expected to be in 2022*”.

Audit requested clarification of use of any energy efficiency funds or RSA 125-O:5 funds to offset the costs of the energy efficient LED lighting retrofits. The Company indicated that it had not included any of the projects in its 2021 RSA 125-O:5 Facilities annual report. Reference to the 55 W Brook Street project was part of a larger project including 55 W Brook and 73 W Brook Street, that will use all of the RSA 125-O:5 funds, \$369,743 as of 12/31/2019, and that use will be included in the 2022 report to be filed on June 1, 2023. The Company noted that excess energy efficiency system benefit charge (SBC) funds were not allocated in 2020 or 2021, and thus ended the 12/31/2021 year with the same \$369,743 balance.

The Company stated that use of the 125-O funds would be applied to accounts 106010 and 108030. When Audit asked why the use of a Contribution in Aid of Construction account, as has been contemplated when the RSA 125-O funds are used to pay for facilities at Eversource, the Company noted that “*Looking back to the previous use of funds in 2019, account 254P90 was debited for the project expenditures directly. The recent projects undertaken include capital work orders that initially are charged to account 107 and 108. The Company will transfer RSA 125-O funds from account 254P90 and credit the appropriate workorders for the applicable amounts.*” (Underline added)

Recommendation

Audit recommends that the two lighting projects, identified as not fully in service at the end of 2021, be excluded from the third Step total, reducing the Step amount by \$472,856.20.

Audit also recommends that the full and available use of RSA 125-O funds, reportedly \$369,743, reduce the Plant in Service amount. The entry debiting the deferred account 254P90 and offsetting account 106 and 108 for both projects, up to the total available funds in the RSA 125-O account, should be provided to Audit as soon as it is posted.

Company Response

The Company agrees with the Audit recommendation. The Company will provide the entry as soon as it is posted.

Audit Conclusion

Audit concurs with the Company response.

Audit Issue #3

Timely Unitization and Retirement

Background

Audit reviewed the Continuing Property Records relating to assets fully unitized from account 106010, Completed not Classified to account 101010 Utility Plant in Service.

Issue

Audit requested clarification of why any adjustment to the projects would take two years to fully unitize, and why only two projects' overall changes year-over-year, from 2020 to 2021, agreed with the reported 2021 life-to-date figure as of 12/31/2021 for 14 Carryover projects.

The Company provided the following response: *“The project life to date file includes charges in all accounts: 107/CWIP, 106/101/Plant In-Service and 108/Cost of Removal for all work orders written under each specific project. The Plant In-Service file is simply the movement of dollars between 107 to 106/101 in 2021. You cannot take the prior project life-to-date balance, add 2021 Plant In-Service and come to a total that will tie to the 2021 project life to date balance.*

The adjustments noted for 2 of the 14 projects (#R15HLR and #R17CTC, neither included in the Step 2 filing) are credits due to the derivation true up process explained [previously to Audit], which typically occurs at the time a project is closed and unitized. The FERC splits for these work orders were updated prior to their close in 2021 and is a normal part of the work order close out/unitization process. As previously discussed, the close out/unitization timing from 106 to 101 can take more than a year in certain cases.”

Recommendation

As recommended in the First Step Adjustment Audit report, and Second Step Adjustment Audit report, in consultation with the FERC, Office of Enforcement, assets should not reside in the 106 account for longer than one financial reporting period. The Business Process Audit may result in recommendations relating to timely closing of work orders.

See also **Audit Issue #4** regarding posting of Vehicle purchases to account 106010, Completed Construction not Classified.

Company Response

The Company acknowledges the delay in certain capital projects completed but not yet unitized and continues to actively facilitate the movement of projects placed in service from account 106 (non-unitized) to account 101 (unitized) as expeditiously and effectively as possible. The Company would like to note there is no impact to the customers nor are rates billed to customers affected should unitization of account 106 projects be delayed.

Audit Conclusion

Audit understands that there is no impact on customers, and appreciates the ongoing effort to account for plant in service expeditiously and effectively.

Audit Issue #4 Vehicles

Background

Carryover Work Order 19CGVE06, 2019 CG Vehicles for NH \$182,243.32 was posted on 10/1/2021 to account 106010, Completed Construction not Classified.

Carryover Work Order 20CGVE06, 2020 CG Vehicles for NH \$159,542.80, was booked to account 106010, Completed Construction not Classified on 12/1/2021.

2021 Specific Project NHEDVH20, NH Electric Distribution Vehicle Purchase \$256,463.70, was posted to account 106010 from March 2021 through November 2021.

Issue

The 2019 vehicle purchase 19CGVE06 \$182,243.32 was booked to account 106010 on 10/1/2021. Eight additional Chevy Trax vehicles were purchased in late 2019. The Company indicated that the vehicles were used by the Massachusetts affiliate during the pandemic. When the emergency was declared over, the vehicles were transferred to NH. As a result, the depreciated value of the trucks is a more appropriate measure of the cost, since the trucks were used, not new, by the time they became used and useful assets of PSNH.

The eight 2020 vehicles, 20CGVE06 \$159,542.80, purchased in February 2020, were also used by the Massachusetts affiliate during the pandemic. When the emergency was declared over, the vehicles were transferred to NH. As above, the depreciated value of the trucks is a more appropriate measure of the cost, since the trucks were used, not new, by the time they became used and useful assets of PSNH.

CPR information for work order NHEDVH20 demonstrated that the work order in service dates ranged from June 2020 through November 2020, with GL postings to 106010 from 1/1/2021 through 12/1/2021. Included in the total \$256,464 were vehicle registrations, which are annual ongoing expenses, thus should not be included as capital costs. For the work order NHEDVH20, that total sums to \$14,492.

Within work order NHEDVH21, \$6,620,817, it is unclear what portion of the V2111953 \$21,939, V2123429 \$320,373, V2257152 \$237,391, and V2258526 \$497,588 relate to registrations, which should be expensed.

Recommendation

Timely unitization of vehicles, at the appropriate cost, should be accomplished. The 2019 vehicles and the 2020 vehicles purchased by NH, were used by the Massachusetts affiliate, then returned to NH. Full cost should not have been booked to the CPR or general ledger.

In addition, no vehicle registration costs should be booked as capital, as these are annual expenses. Based on the information provided, Audit cannot quantify the impact that should be moved out of Plant in Service to the appropriate expense account.

Company Response

The Company appreciates the opportunity to respond to each of these recommendations.

2019 & 2020 Vehicles – The Company agrees with the audit finding that these Company fleet vehicles should be adjusted to reflect the period of time used in the Massachusetts affiliated company area work centers. The Company agrees to remove \$57,828 from the Step 3 filing, representing the depreciated value for the period from acquisition to the period of transfer back to the New Hampshire area work centers, as these assets were used and useful in New Hampshire effective October 1, 2021 for 19CGVE06, and effective December 1, 2021 for 20CGVE06, the dates these vehicles were included in FERC Account 106.

Registration Fee Issue – In accordance with the Power and Utility (P&U) Industry accounting practice, which is consistent with GAAP and states that costs that are necessary in readying an asset for use should be treated as capital in the period in which they occur. The Company's process is to capitalize the initial registration fee when new vehicles are purchased in order to ready the fleet vehicles to be used and useful and ready to be deployed into the area work centers. All costs incurred to prepare the vehicle as "used and useful" and ready for deployment are capitalized accordingly and would be appropriately included in the Step 3 filing. Any vehicle registration fees paid subsequent to initial date of acquisition (i.e., standard renewal fees) would not fall into this category and are treated as standard costs to operate the vehicle.

Audit Conclusion

Audit appreciates the Company response and accepts that the \$57,828 should be the amount removed, representing the accumulated depreciation associated with the vehicles used by the Massachusetts affiliate.

While Audit understands the Company's response regarding the registration fees, guidance within the FERC to "make ready" relating to inclusion of such vehicle registration fees could not be located. Audit verified with representatives of commissions in Maine, Pennsylvania, Oklahoma, and Michigan that registration fees should not be capitalized.

Therefore, Audit does not agree that the inclusion of registration fees as part of the capitalization of vehicles complies with FERC. Audit is unable to determine the dollar amount of the registration fees included in this third step filing that should have been expensed.

Audit Issue #5
Filing Property Taxes

Background

The filing Attachment MBP/EAD-1 Page 6 of 6, relating to the Property Tax Rate Calculation reflected the following:

Total Gross Distribution Property Taxes	\$ 52,266,266
Gross Distribution Plant in Service	<u>\$2,479,733,073</u>
Gross Property Tax Rate	2.11%

Issue

Audit reviewed a sample of the 2020 and 2021 property invoices, as well as the worksheet that supported the \$52,266,266. Three adjustments were included on the filing worksheet, but were questioned by Audit. An out-of-period adjustment was added that should not have been. In response to a series of questions, Eversource stated: “*The Company agrees with the auditor’s finding...That revised amount would be \$50,558,605.*”

Audit also reviewed invoices for the calendar year 2021 for 142 of the 230 towns in the Eversource property tax listing, with errors noted which sum to \$50,444.67, which should also be deducted from the revised figure above of \$50,558,605:

2020 Education Tax	\$20,646.45
2021 Education Tax	<u>\$29,798.22</u>
TOTAL STATE EDUCATION TAX:	\$50,444.67

Recommendation

While it is understood that the recommended reductions to the reported Gross Distribution Property Taxes figure does change the 2.11% rate down to 2.03%, the calculated property tax expense figure relating to the filed step total does not materially change. Audit recommends that the property tax calculation be reviewed based on the revised property tax expense.

Eversource also must ensure that PDF copies of property taxes paid for those properties owned by affiliates are not included with PDF copies of invoices related to properties owned by the distribution system. In that context, it is recommended that

Eversource develop a better system to batch and index property tax records, sorted by the appropriate Company and by tax year.

Company Response

The Company appreciates the opportunity to respond to these audit recommendations.

The first topic is the 2020/2021 state education taxes paid, totaling \$50,444.67. The calculation of an estimated property tax rate in the Company's Step filings includes property tax expenses that have timing differences as they relate to the abatement process. That abatement process includes the Company seeking refunds for state education taxes paid to towns that were charged to Eversource erroneously. The Company does actively work with the towns and municipalities in getting these charges abated/refunded. For example, in 2020, the Company paid the town of Brentwood \$23,574 in state education taxes included in their 2020 property tax bill. That amount was later credited in 2021 by the town of Brentwood as part of the abatement process. Using the town of Brentwood as an example, if the Company were to exclude any state education taxes charged and paid from the Step 3 property tax rate calculation, this would ignore the process of collecting those charges and reflecting those credits also flowing through the calculation. If the Company is required to exclude all state education taxes paid from the calculation of the property tax rate, the Company should also exclude the abatements/refunds received for state education taxes, resulting in a net zero impact.

The Company receives thousands of manual property tax bills annually from New Hampshire's towns and municipalities. These are filed and indexed manually. Eversource understands the audit finding on electronically scanning and indexing property tax records and where some improvements can possibly be addressed and implemented.

Audit Conclusion

It is understood that the rolling calculations of the payments, then refunds of the State Education Taxes, paid to municipalities will eventually net to zero. However, the reflection in the filing of the (albeit estimated) property tax expenses for the calendar year 2021 are for a specific point in time.

Audit also understands the volume of property tax invoices received and paid, and acknowledges that the majority of the municipal invoices do not include the Statewide education tax portion. It will assist Eversource to have a more formal batching approach, to ensure that those properties owned by Eversource are not assessed the Statewide

education tax, and that those properties owned by affiliates of Eversource are assessed the Statewide portion of the education tax.

Audit Issue #6
Transfer from Utility Plant Held for Future Use

Background

Audit noted an increase to account 101010, Utility Plant in Service, in the amount of \$367,211.56, identified as code UTRT, Transfer within company on 2/1/2021.

Issue

The 101010 UTRT Transfer within company, \$367,211.56 related to computer/PC replacements and represented a transfer from 06-105010 Utility Plant Held for Future Use, into account 101010 Utility Plant in Service. Supporting invoices demonstrated that the assets were purchased in 2019, relating to work order IT19433.

Recommendation

Audit recommends that this transfer be considered as part of the rate base within the next base rate case, rather than included as part of this Step 3 filing. Inclusion of the transfer of assets that had been purchased two years before posting to the Plant in Service account does not seem to comport with the idea of the Step filing.

Company Response

The Company has confirmed these assets were placed in service and used and useful in New Hampshire in 2019. The Company agrees to exclude the \$367,211.56 in assets from the Step 3 filing and will include these in the Company's next base distribution rate case proceeding.

Audit Conclusion

Audit concurs with the Company's response.