

**KEEGAN WERLIN LLP**

ATTORNEYS AT LAW  
99 HIGH STREET, Suite 2900  
BOSTON, MASSACHUSETTS 02110

— — —  
(617) 951-1400

TELECOPIER:  
(617) 951- 1354

July 29, 2022

Paul Dexter, Esq.  
New Hampshire Department of Energy  
21 S. Fruit Street, Suite 10  
Concord, New Hampshire 03301

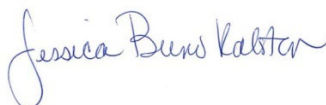
**Re: Docket No. DE 22-030  
Public Service Company of New Hampshire d/b/a Eversource Energy  
Petition for Third Step Adjustment**

Dear Mr. Dexter:

Enclosed on behalf of the Public Service Company of New Hampshire d/b/a Eversource Energy (the "Company"), please find the Company's supplemental response to Data Request TS 1-008.<sup>1</sup>

Please contact me if you have any questions. Thank you for your attention to this filing.

Sincerely,



Jessica Buno Ralston

cc: Discovery Service List, Docket DE 22-030

---

<sup>1</sup> The Company is finalizing the supplemental responses to Data Requests TS 1-005 and TS 1-006 as discussed at the July 21, 2022 technical session and expects to file same early next week.

**Public Service Company of New Hampshire d/b/a Eversource Energy**  
**Docket No. DE 22-030**

**Date Request Received: July 21, 2022**  
**Data Request No. TS 1-008S**

**Date of Response: July 29, 2022**  
**Page 1 of 3**

**Request from: Department of Energy**

**Witness: Paruta, Marisa B**

**Request:**

As a follow-up to TS 1-008 please explain why the Company has not removed the entire \$163,000 from plant.

**Response:**

The Company did remove the entire \$163,000 from Plant. The response to TS 1-008 included only a description of the reduction associated with Plant Account 106010. Please see below for screen shots from the Company's PowerPlan system of all Plant Accounts credited for the disallowance, resulting in the Welch and Locks Island cable replacement project Plant Asset value appropriately being reduced by the \$163,000.

Charge	* GI Account	* Expenditure Type	* Month	* Charge Type	* Utility Account	Amount	Quantity	* Cost Element	Company Id
Loader	106010 Com Additions	12/2021	Allocation AS&E-Z0:			(\$815.00)	.00	ZAS: Admin and Eng OH-A	Public Service Co of New H&7
MISC CR ADJUSTMENT	106010 Com Additions	12/2021	Miscellaneous Acco			(\$81,500.00)	.00	A85: Miscellaneous Account	Public Service Co of New H&7

**Public Service Company of New Hampshire d/b/a Eversource Energy**  
**Docket No. DE 22-030**

**Date Request Received: July 21, 2022**  
**Data Request No. TS 1-008S**

**Date of Response: July 29, 2022**  
**Page 2 of 3**

Work Order Charges

Set of Books: Financial

WO Number: 9L620643  
FP Number: A16N01  
Company: Public Service Co of New Hampshire  
Business Segment: Electric

WO Description: Welch Island Submarine Cable Rep  
FP Description: 11W1 - Replace Submarine Cable  
Major Location: DIST MASS - NEW HAMPSHIRE  
Department: 310 - Miscellaneous Other

Charge	* GI Account	* Expenditure Type	* Month	* Charge Type	* Utility Account	Amount	Quantity	* Cost Element	Company Id
Loader	106010 Com Additions		12/2021	Allocation AS&E-Z0:		(\$660.01)		.00 ZAS: Admin and Eng OH- A	Public Service Co of New H
CR DERIVATION	106010 Com Additions		12/2021	Miscellaneous Acco		(\$66,001.14)		.00/A85: Miscellaneous Accour	Public Service Co of New H

Work Order Charges

Set of Books: Financial

WO Number: 9L620643  
FP Number: A16N01  
Company: Public Service Co of New Hampshire  
Business Segment: Electric

WO Description: Welch Island Submarine Cable Replac  
FP Description: 11W1 - Replace Submarine Cable  
Major Location: DIST MASS - NEW HAMPSHIRE  
Department: 310 - Miscellaneous Other

Charge	* GI Account	* Expenditure Type	* Month	* Charge Type	* Utility Account	Amount	Quantity	* Cost Element	Company Id
Loader	106010 Com Additions		05/2016	Allocations-Capitaliz		\$119.56	.00	ZMI: Misc Dist Exp Capitali	Public Service Co of New H
Loader	106010 Com Additions		05/2016	Allocations-Capitaliz		\$119.16	.00	ZMI: Misc Dist Exp Capitali	Public Service Co of New H
CR DERIVATION	106010 Com Additions		04/2016	UVL		\$700.00	.00	U08: UVL-Contractor Labor	Public Service Co of New H
Loader	106010 Com Additions		04/2016	Allocation AS&E-Z0:		\$2.49	.00	ZAS: Admin and Eng OH- A	Public Service Co of New H
Loader	106010 Com Additions		04/2016	Allocations-E&S-Z04		\$236.04	.00	ZES: Engin and Super OH- P	Public Service Co of New H
Loader	106010 Com Additions		04/2016	Allocations-Capitaliz		\$34.37	.00	ZMI: Misc Dist Exp Capitali	Public Service Co of New H
Loader	108030 AccrRetirements		12/2021	Allocation AS&E-Z0:		(\$152.80)	.00	ZAS: Admin and Eng OH- A	Public Service Co of New H
CR DERIVATION	108030 AccrRetirements		12/2021	Miscellaneous Acco		(\$15,280.44)	.00	A85: Miscellaneous Accour	Public Service Co of New H

Order 26,504 in Docket No. DE 19-057, issued 7/30/2021, stated “[w]e conclude that the costs incurred prior to the supplemental authorization approval were imprudently incurred, and disallow \$163,000 in *investment costs* associated with this project.” (emphasis added). Because the Company’s PowerPlan capital project accounting system is driven by project code identification numbers and their related accounting work orders (“AWO”), the Company wrote off the \$163,000 disallowance using the Welch and Locks Island cable replacement project code (A16N01) and associated AWO’s in the same way the \$163,000 was originally invested/recorded. The PowerPlan system automatically recorded the write-off using the pre-coded FERC Accounts originally established and maintained in the project AWO’s, in accordance with the project code accounting and how funds are invested/recorded in the project.

**Public Service Company of New Hampshire d/b/a Eversource Energy**  
**Docket No. DE 22-030**

**Date Request Received: July 21, 2022**  
**Data Request No. TS 1-008S**

**Date of Response: July 29, 2022**  
**Page 3 of 3**

More importantly, using A16N01 and the project AWO appropriately links the project write-off of \$163,000 to the Welch and Locks Island cable replacement project in the accounting system and Eversource's book of records. Such highly sophisticated PowerPlan system functionality creates a no-risk accounting process that ensures plant asset costs and credits are reflected to the appropriate project and the original FERC Accounts where the project investment costs were originally incurred/spent/recorded. This allows the net project value to be properly accounted for during the entire project useful life, until retirement/removal. At that time, once the project is permanently removed from the PowerPlan capital project accounting system, PowerPlan ensures all investment costs, credits, and write-offs are properly unwound through its automatic system functionality, so long as the project investment costs, credits, and write-offs were appropriately booked using the project code and associated AWOs.

If the Company circumvented this highly sophisticated PowerPlan process and booked a manual journal entry to credit the entire \$163,000 to FERC Account 106 without the ability to use the project code identifier, which links the write-off to the Welch and Locks Island cable replacement project, the manual \$163,000 would have remained as a manual credit to FERC Account 106 in perpetuity, as an "orphan" accounting transaction not associated with any specific capital project. In doing so, the Welch and Locks Island cable replacement project would have remained at its original investment cost, without consideration for Order 26,504 and the write-off. Any future data queries pulled from the PowerPlan system using the Welch and Locks Island cable replacement project code, A16N01 and its associated work orders, would not have recognized the \$163,000 write-off.

In following the accounting process and procedures, as performed by the Company, the Company was able to properly reduce both the net asset value and rate base for the Welch and Locks Island cable replacement project capital investment value by \$163,000, and reduce the PSNH Net Capital Plant Asset value, holding Eversource New Hampshire customers harmless of both cost recovery and return on rate base on the total disallowance of \$163,000.

**Public Service Company of New Hampshire d/b/a Eversource Energy**  
**Docket No. DE 22-030**

**Date Request Received: June 28, 2022**  
**Data Request No. TS 1-008**

**Date of Response: July 14, 2022**  
**Page 1 of 2**

**Request from: Department of Energy**

**Witness: Devereaux, James J**

**Request:**

Reference DOE 1-23, Replace Submarine Cable. Please explain why there is a negative balance of -\$148,110 booked to plant-in-service for 2021. If this amount is related to the Commission’s ordered disallowance of \$163,000 in Eversource’s second step adjustment, why does the plant-in-service amount for 2021 not equal negative \$163,000?

**Response:**

The \$148,109.89 negative balance is the combination of the disallowance write off amount that hit Account 106010 and loader activity. It is less than \$163,000 due to the FERC mapping during the derivation process. Please see the table below for calculation of the \$148,109.89 booked to plant in service for 2021.

Sum of amount			year	
ferc_account	accounting_work_order	gl_journal_category	2021	Grand Total
106010	9L620643	NON-UNITIZATION	\$ (65,794.89)	\$ (65,794.89)
	9L620642	NON-UNITIZATION	\$ (82,315.00)	\$ (82,315.00)
<b>106010 Total</b>			<b>\$ (148,109.89)</b>	<b>\$ (148,109.89)</b>
<b>Grand Total</b>			<b>\$ (148,109.89)</b>	<b>\$ (148,109.89)</b>
		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)	

In addition, during the Step 2 Audit performed by the Department of Energy Enforcement Division Audit Staff, the Company worked closely with the Audit team on the accounting for the \$163,000. Please refer to Attachment TS 1-008 for a copy of the DE 19-057 Second Step Adjustment Final

**Public Service Company of New Hampshire d/b/a Eversource Energy**  
**Docket No. DE 22-030**

**Date Request Received: June 28, 2022**  
**Data Request No. TS 1-008**

**Date of Response: July 14, 2022**  
**Page 2 of 2**

Audit Report, dated July 8, 2022, at pages 23 – 25 for the complete evaluation of the Welch and Locks Island cable replacement project disallowance of \$163,000.

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

**DATE: July 8, 2022**

**FROM:** Enforcement Division Audit Staff  
NH Department of Energy

**SUBJECT:** Public Service Company of New Hampshire d/b/a Eversource Energy  
DE 19-057 Second Step Adjustment  
*Revised FINAL* Audit Report

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

**Introduction**

On May 3, 2021, Eversource filed a petition for a second step adjustment, as contemplated by the Settlement Agreement filed in the DE 19-057 docket. The step was specifically summarized on Attachment LGL/DLP/JJD-1 page 1 of 6:

Step 2-Calendar Yr 2020			
<u>Line</u>	<u>Category Description</u>	<u>Plant Additions</u>	<u>Reference</u>
	Col. A	Col. B	Col. C
1	Specific Projects	\$ 70,630,376	Pages 2-3
2	Annual Blanket Projects and Programs	\$ 53,275,173	Pages 5-6
3	Specific Carryover Projects	<u>\$ 309,513</u>	Page 4
4	Total Plant Additions	\$ 124,215,062	

Order 26,504 in docket DE 19-057, issued 7/30/2021, approved the annual revenue requirement associated with \$123,141,062 of plant additions placed in service. The Commission concluded that the \$123 million was used, useful and in service, subject to the Business Process Audit. The disallowance of \$1,074,000 is the sum of:

Pemigewasset transformer project	\$911,000
Welch and Locks Island cable replacement project	\$163,000

Eversource filed a motion for reconsideration of Order 26,504, and the disallowance of \$911,000, which was denied by Order 26,528 on 9/27/2021.

On 10/27/2021, Eversource filed an appeal with the New Hampshire Supreme Court. The case was accepted by the Court and is unresolved as of the date of this report.

**Review of Reported Projects**

The Regulatory Staff at the NH Department of Energy reviewed projects within each category, for compliance with the Company's capitalization policies. A Business Process Audit related to capitalization procedures is also underway. As a result, *a limited audit of the representation of the step assets posting to the continuing property records (CPR) and general ledger (GL) was conducted by the NH Department of Energy Enforcement Division Audit Staff (Audit)*. Audit requested the Continuing Property Record detail for the overall \$124,215,060.32, which was provided in August 2021. The pivot table of the 70,432 line items was summarized by Audit to be:

<b><u>FERC #</u></b>	<b><u>Additions</u></b>	<b><u>RETIREMENTS</u></b>	<b><u>Grand Total</u></b>
361	\$ 2,661,160.34	\$ (13,083.80)	\$ 2,648,076.54
362	\$ 23,083,644.55	\$ (429,714.19)	\$ 22,653,930.36
364	\$ 17,934,569.99	\$ (1,712,434.00)	\$ 16,222,135.99
365	\$ 39,427,573.18	\$ (5,800,439.17)	\$ 33,627,134.01
366	\$ 2,061,055.07	\$ (18,739.75)	\$ 2,042,315.32
367	\$ 5,480,739.78	\$ (572,066.26)	\$ 4,908,673.52
368	\$ 12,810,472.45	\$ (16,528,106.14)	\$ (3,717,633.69)
369	\$ 2,371,015.47	\$ (361,737.32)	\$ 2,009,278.15
370	\$ 1,975,774.75	\$ (2,729,457.92)	\$ (753,683.17)
371	\$ 252,268.99	\$ (138,793.43)	\$ 113,475.56
373	\$ 89,530.78	\$ (30,115.69)	\$ 59,415.09
390	\$ 1,291,597.93	\$ -	\$ 1,291,597.93
391	\$ 489,151.09	\$ -	\$ 489,151.09
392	\$ 11,626,679.69	\$ (213,207.48)	\$ 11,413,472.21
393	\$ 96,076.50	\$ -	\$ 96,076.50
394	\$ 2,320,889.30		\$ 2,320,889.30
396	\$ 25,811.96	\$ -	\$ 25,811.96
397	\$ 204,806.84	\$ (5,642.65)	\$ 199,164.19
398	\$ 12,241.66	\$ -	\$ 12,241.66
<b>TOTAL</b>	<b>\$ 124,215,060.32</b>	<b>\$ (28,553,537.80)</b>	<b>\$ 95,661,522.52</b>

The above \$124,215,062 additions represent projects reported to have been placed in service in 2020. The additions were reported to exclude new business projects. In January 2022, Audit requested clarification of the "in-service" dates, which ranged from 2009 through 2021. In February 2022, the Company provided an updated CPR listing, along with an explanation that the in-service dates in the original CPR file were not correct. However, the updated CPR listing included revised in-service dates and general ledger posting dates demonstrating the calendar year 2020. Audit reviewed the updated details and saw that work orders were noted to have been completed in the years 2013 through June 2021. Related journal postings were noted to be in 2020.



- 8 work order lines with in-service dates of 5/29/2013 had related retirements amounting to \$(2,529.32) booked 5/1/2020. The Company explained that the work order closed in 2017, but the retirements in 2020 were the result of Plant Accounting having to create a property unit called “Pole Top Framing”. Because the property unit did not exist in 2013, the CPR had to be updated. **Audit Issue #1**
- 37 work order lines with in-service dates 3/2015 had unitization and retirement entries 1/2020, 2/2020, and 3/2020. The net of all of the entries is \$-0-. Unitization of assets and related retirements should be posted in a more timely manner. **Audit Issue #2**
- 50 lines related to Pre-capitalized Overhead Equipment Purchases- transformers and regulators, with in-service dates 10/27/2015 reflected additions posted during 2020 totaling \$9,066,004.00. Eversource noted that Pre-capitalized work orders are “placed in service at the time they are initiated...the work order will remain in an in-service status and never move to posted status.” This IT based activity is the result of stock codes within PowerPlan and Maximo, the supply chain system. Activity is an automated interface that moves charges from account 107 (CWIP) to 101 (Utility Plant in Service).
- 714 specific work order lines noted as (blank), indicating the work order remained open or was cancelled. Related journal entries of those (blank) lines summed to \$(3,344,313.62).

A Business Process Audit (BPA) is currently in progress, as agreed by all parties to the Settlement Agreement in the rate case in DE 19-057. The Company, in response to data request BPA 1-008, provided a listing of 2020 additions that sums to \$153,877,388:

Docket DE 19-057  
Data Request BPA 1-008  
Dated 10/01/2021  
Attachment BPA 1-008  
Page 1 of 1

**Public Service Company of New Hampshire  
Distribution Capital Spending 2015-2020**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

	Dec 2015 YTD Actual	Dec 2016 YTD Actual	Dec 2017 YTD Actual	Dec 2018 YTD Actual	Dec 2019 YTD Actual	Dec 2020 YTD Actual
Electric Distribution Total	\$ 117,078,536	\$ 159,753,109	\$ 166,579,653	\$ 152,243,142	\$ 151,939,016	\$ 143,443,158
Basic Business-ED	28,730,513	42,569,433	54,015,375	49,216,413	44,627,868	41,910,590
New Customer-ED	7,589,501	6,007,836	10,089,766	11,750,111	13,661,197	13,942,909
Peak Load / Capacity-ED	17,602,486	8,058,362	3,096,630	3,879,609	3,133,850	7,351,497
Regulatory Commitments-ED	9,656,201	61,002,658	38,109,896	6,830,458	436,396	2,501,227
Reliability-ED	53,499,835	42,114,820	61,267,985	80,566,551	90,079,704	77,736,935
Transmission	66,691	-	-	-	-	-
Facilities	1,409,710	7,735,649	1,476,272	4,311,859	2,319,042	9,934,582
Information Technology	2,615,908	496,224	42,918	1,201,917	430,499	92,642
Corporate Other	20,430,730	3,985,183	61,831	49,325	211,999	407,005
Expense Only	1,749	521	3,749	34,348	797	-
<b>Total PSNH Distribution</b>	<b>\$ 141,603,324</b>	<b>\$ 171,970,685</b>	<b>\$ 168,164,423</b>	<b>\$ 157,840,590</b>	<b>\$ 154,901,352</b>	<b>\$ 153,877,388</b>

Audit requested clarification of the specific line items in the BPA 1-008 detail that are not included in the 2020 step 2 details. The Company indicated that the \$153,877,388 is not comparable to the step figure of \$124,215,060 because the BPA data response includes spending on additions, the cost of removal, and includes spending on new customer projects. The BPA response also represents capital spending related to accounts 107, Construction Work in Progress and 108, Accumulated Depreciation. The step assets reflect amounts in account 106, Completed not Classified and 101, Plant in Service. A request for clarification regarding how much of the Step 2 total was included within the \$153 million was provided, indicating approximately \$97 million was included in both figures.

The **2020 Specific Projects** reviewed by the NH PUC Staff (now the Department of Energy Regulatory Staff), based on the Step 2 filing, were, with the documentation provided in response to Staff 19-001, as follows:

			<u>GL #</u>
#A16N01	11W1 Replace Submarine Cable	\$ 1,575,238.28	106010
#A17N18	Laconia SS Equipment Replacement	\$ 3,922,199.42	106010
#A18N05	Pemi SS Upgrade	\$ 6,538,622.15	106010
#A19S06	Replace Conductor Route 13 Amherst	\$ 1,604,670.76	106010
#A19X58	Replace Lattice Steel Towers	\$ 3,089,033.25	101010
#A20S22	Range RD Windham Conversion	\$ 342,208.87	106010
#A20W08	3155X6 Feed from 3155X9	<u>\$ 550,764.36</u>	106010
		<u>\$17,622,737.09</u>	

The Regulatory Staff's review represents 25% of the filed \$70,630,376 Specific projects. Audit reviewed each project to identify in what General Ledger (GL) account the assets were posted as of 12/31/2020 and identified those above. Account 106010 is the Completed Construction not Classified account inclusive of plant which is in service but has not been specifically "unitized" to the exact plant in service account. Account 101010 is the Utility Plant in Service account.

The **2020 Annual Blanket Projects and Programs** reviewed by Regulatory Staff, per response to Staff data request 19-001 were:

		<u>GL#</u>
#C03TEL Telephone Projects Annual-non-unitized	\$ 231,749.66	106010
#C03TEL Telephone Projects Annual-unitized	\$ 276,044.99	101010
#INS9R Insurance Claims	<u>\$2,642,149.00</u>	106010 and 101010
	<u>\$3,149,943.65</u>	

Regulatory Staff's review of the three blanket projects above represents 6% of the overall reported \$53,275,173.

Audit verified the reported totals for the C03TEL projects to accounts 106010 and 101010.

The reported total for the INS9R Insurance claims was also verified to both accounts. Details of the 300 level sub-accounts to which the assets are assigned are noted for each of the three Insurance project codes:

<u>Utility Account to which Aligned</u>	Account 101010		Account 106010		Total	Total
	<u>Addition</u>	<u>Retirement</u>	<u>Addition</u>	<u>Retirement</u>	<u>Additions</u>	<u>Retirements</u>
364310 Poles and Appurtenance	\$ 4,870.49	\$ -	\$ 7,872.63	\$ -	\$ 12,743.12	\$ -
365000 Overhead Conductors, Device	\$ 13,466.98	\$ (324.07)	\$ 23,032.24	\$ -	\$ 36,499.22	\$ (324.07)
366700 DB/UG Conduits and Vaults	\$ 24,162.43	\$ (1,098.93)	\$ 27,242.53	\$ -	\$ 51,404.96	\$ (1,098.93)
367720 DB/UG Conductors and devices	\$ 21,518.96	\$ (13,024.76)	\$ 245,017.51	\$ -	\$ 266,536.47	\$ (13,024.76)
369320 Cond&Devices-Overhead	\$ 2,923.16	\$ (54.14)	\$ (9,321.61)	\$ -	\$ (6,398.45)	\$ (54.14)
369720 DB/UG Conductors and Devices	\$ 34,683.43	\$ (6,650.73)	\$ (2,278.85)	\$ -	\$ 32,404.58	\$ (6,650.73)
370470 Meters - Devices	\$ 79.55	\$ (11.05)	\$ (79.56)	\$ -	\$ (0.01)	\$ (11.05)
371400 Inst.Cust.-Area Lighting	\$ 1,457.78	\$ -	\$ -	\$ -	\$ 1,457.78	\$ -
373790 DB/UG Fixtures	\$ -	\$ -	\$ (67.72)	\$ -	\$ (67.72)	\$ -
<b>INSDB9 - 10 Projects</b>	<b>\$ 103,162.78</b>	<b>\$ (21,163.68)</b>	<b>\$ 291,417.17</b>	<b>\$ -</b>	<b>\$ 394,579.95</b>	<b>\$ (21,163.68)</b>

<u>Utility Account to which Aligned</u>	Account 101010		Account 106010		Total	Total
	<u>Addition</u>	<u>Retirement</u>	<u>Addition</u>	<u>Retirement</u>	<u>Additions</u>	<u>Retirements</u>
364310 Poles and Appurtenance	\$ 938,604.12	\$ (222,434.44)	\$ 500,943.78	\$ -	\$ 1,439,547.90	\$ (222,434.44)
365000 Overhead Conductors, Device	\$ 360,893.62	\$ (156,702.17)	\$ 234,506.54	\$ -	\$ 595,400.16	\$ (156,702.17)
366700 DB/UG Conduits and Vaults	\$ 22,555.94	\$ (2,505.97)	\$ 17,378.74	\$ -	\$ 39,934.68	\$ (2,505.97)
367720 DB/UG Conductors and devices	\$ 34,827.88	\$ (4,256.48)	\$ (26,446.18)	\$ -	\$ 8,381.70	\$ (4,256.48)
368330 Equipment Overhead	\$ 3,624.88	\$ -	\$ (3,640.32)	\$ -	\$ (15.44)	\$ -
369320 Cond&Devices-Overhead	\$ 90,466.28	\$ (23,346.86)	\$ 20,745.70	\$ -	\$ 111,211.98	\$ (23,346.86)
369720 DB/UG Conductors and Devices	\$ 12,306.86	\$ (7,200.98)	\$ 954.66	\$ -	\$ 13,261.52	\$ (7,200.98)
370470 Meters - Devices	\$ 2.38	\$ -	\$ -	\$ -	\$ 2.38	\$ -
371400 Inst.Cust.-Area Lighting	\$ 12,498.88	\$ (2,660.66)	\$ (986.25)	\$ -	\$ 11,512.63	\$ (2,660.66)
373320 SL-Conductors & Device OH	\$ 547.77	\$ -	\$ 1,156.38	\$ -	\$ 1,704.15	\$ -
373380 SL- Poles - Overhead	\$ 880.68	\$ -	\$ -	\$ -	\$ 880.68	\$ -
373390 SL- Fixtures - Overhead	\$ 5,113.06	\$ (949.47)	\$ (1,278.99)	\$ -	\$ 3,834.07	\$ (949.47)
373780 DB/UG Poles	\$ 7,975.06	\$ (8,253.21)	\$ (1,278.99)	\$ -	\$ 6,696.07	\$ (8,253.21)
373790 DB/UG Fixtures	\$ 3,452.58	\$ (103.62)	\$ 1,173.80	\$ -	\$ 4,626.38	\$ (103.62)
<b>INSOH9- 13 Projects</b>	<b>\$ 1,493,749.99</b>	<b>\$ (428,413.86)</b>	<b>\$ 743,228.87</b>	<b>\$ -</b>	<b>\$ 2,236,978.86</b>	<b>\$ (428,413.86)</b>

<u>Utility Account to which Aligned</u>	Account 101010		Account 106010		Total	Total
	<u>Addition</u>	<u>Retirement</u>	<u>Addition</u>	<u>Retirement</u>	<u>Additions</u>	<u>Retirements</u>
366700 DB/UG Conduits and Vaults	\$ -	\$ -	\$ 428.04	\$ -	\$ 428.04	\$ -
369320 Cond&Devices-Overhead	\$ -	\$ (114.17)	\$ -	\$ -	\$ -	\$ (114.17)
369720 DB/UG Conductors and Devices	\$ -	\$ -	\$ 9,941.47	\$ -	\$ 9,941.47	\$ -
<b>INSUG9 - 2 Projects</b>	<b>\$ -</b>	<b>\$ (114.17)</b>	<b>\$ 10,369.51</b>	<b>\$ -</b>	<b>\$ 10,369.51</b>	<b>\$ (114.17)</b>
<b>TOTAL INS9</b>	<b>1,596,912.77</b>	<b>(449,691.71)</b>	<b>1,045,015.55</b>	<b>0.00</b>	<b>2,641,928.32</b>	<b>(449,691.71)</b>

Audit requested and was provided with the general ledger detail which reflects the additions, retirements, and reimbursements for 2020:

	<u>FERC Account</u>			Total
	101 Utility Plant in Service	106 Completed not Classified	108 Accumulated Depreciation	
Plant Additions (Gross)	\$1,596,913	\$ 1,045,016	\$ -	<b>\$ 2,641,928</b>
Retirements	\$ (449,692)	\$ -	\$ 449,692	\$ -
Reimbursements	\$ -	\$ -	\$ (2,096,528)	\$(2,096,528)
Net	\$1,147,221	\$ 1,045,016	\$ (1,646,836)	\$ 545,400

Audit understands that use of FERC 108 Accumulated Depreciation for reimbursements, is authorized under FERC 108 C (e), “*Other items, including recoveries from insurance*”.

The Specific **2020 Carryover Project** reviewed by Regulatory Staff was:

		<u>GL#</u>
#A15SDA Southern Region 2015 DA	\$173,762.65	101010

The Regulatory Staff selection of the Southern Region 2015 DA project represents 56% of the reported 2020 additions of \$309,513.

This job had retirements related to the new assets. The total retirements per the continuing property record pivot table were noted to be \$(7,233.19).

### **Regarding the IT Systems Used by Eversource**

As noted in the Audit report for the first step adjustment, 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.
- 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 charges on capital work orders when the work order estimate/FERC accounts are updated.

Also reflected within the first step adjustment Audit report were activity codes that may have been included in the Continuing Property Record pivot table detail:

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.

### **Regarding the Second Step Adjustment for 2020 Assets**

A hearing on the proposed Step Two (for assets placed in service during calendar year 2020) was held July 19, 2021, with **Order 26,504 issued on July 30, 2021.**

From Order 26,504:

*“As noted in the record, both Energy and the Company view the majority of projects requested for recovery within the step adjustment to be used and useful, as well as prudently incurred, and that the requested rates are just and reasonable... Concerning the subset of costs associated with the Pemigewasset transformer project related to the engineering contractor’s error, we agree with Energy that some of the costs were not prudently incurred... Based on the testimony, we do not find that Eversource has met its burden to show that these consequential costs were prudently incurred, and disallow \$911,000 in investment costs associated this project... Concerning the Welch and Locks Island cable replacement project, the Commission notes that testimony established that the underlying analysis and estimate regarding this project in 2016 was insufficient... We conclude that the costs incurred prior to the supplemental authorization approval were imprudently incurred, and disallow \$163,000 in investment costs associated with this project... Subject to the determinations above, we find the expenditures which are the subject of Eversource’s petition to be prudent, used, and useful, and we find the resulting*

rates to be just and reasonable, pursuant to RSA 374:1, RSA 374:2, RSA 378:7 and RSA 378:28.”

Therefore, the Order reduced the overall request as follows:

Original 2020 Step Two	\$124,215,062
Pemigewasset Transformer Project	\$ (911,000) Exhibit 64 pg 55-56
Welch and Locks Island Cable Replacement Project	\$ (163,000) Exhibit 64 pg 1-7
Approved total investment as of Order 26,504	<b>\$123,141,062</b>

On August 2, 2021, Audit requested the adjusting entries related to plant in service and related accumulated depreciation for the above disallowed projects. Audit also requested the Company’s understanding of the Order directing minor units of property (such as LTC) be expensed going forward (in compliance with 18 C.F.R 367.59(c)(3), FERC Uniform System of Accounts for Electric Utilities). Eversource agrees with the Commission’s directive that the LTC would be expensed going forward, not retroactively, and thus had no adjusting entry to provide for that portion of the Order.

Audit requested clarification of the specific LTC or other minor units of property included in the 2020 step figure, and was provided with the details below of the \$498,977.67 LTC Controls:

utility_account associated with #106	wo_status	In_service date	fp	fp desc	gl_je_code	activity_cost
362100 Dist Station Equip	completed	12/9/2020	DS9RD	DIST. S/S ANNUAL - DM	NON-UNITIZATION	\$ 35,653.45
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 2,442.87
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 27,003.03
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 16,669.09
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 410,855.11
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 2,517.32
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 707.70
362890 Dist Station Equipment	posted to CPR	6/19/2020	A19E41	REPLACE LTC CONTROLS AT MADBURY SS	NON-UNITIZATION	\$ 3,129.10
						<u>\$ 498,977.67</u>

The detail in which the above information was provided indicates that the LTC Controllers were posted to account 106010, Completed Construction not Classified. The LTC replacement of \$35,653.45 was done at the Notre Dame substation. While Audit again notes that the combined total of \$498,977.67 should have been expensed as maintenance, as was identified in the first step audit, the Commission Order 26,504 issued 7/30/2021, acknowledged that the posting of minor units of property would be expensed on a “going forward” basis.

Regarding the two disallowances above, the Company indicated on August 11, 2021, that they were reviewing the Order and would provide any journal entries once the evaluation was complete.

**Regarding the \$163,000 Write-down of the Welch and Lockes Island**

On January 11, 2022, Audit asked for an update. In response, Eversource provided the following 12/2021 journal entry:

Debit 06.11100.594030 UG Corrective+emergent Maint	\$163,000.00	
Credit 06.11100.107010 Construction Work in Progress		\$(81,500.00)
Credit 06.11100.186950 Cycle Error Suspense-Accts Payable		\$(81,500.00)

Subsequent system generated entries cleared the above entry to:  
Work order 9L620642

Debit 06.11100.594030 UG Corrective+emergent Maint	\$81,500.00	
Credit 06.11100.106010 Completed Construction not Classified		\$(81,500.00)

Work order 9L620643

Debit 06.11100.594030 UG Corrective+emergent Maint	\$81,500.00	
Credit 06.11100.106010 Completed Construction not Classified		\$(66,001.14)
Credit 06.11100.108030 Accumulated Provision for Depre		\$(15,280.44)
Credit 06.11100.593000 Distrib Main of Overhead Lines		\$ (218.42)

The description of the entry was “*per DE 19-057 Order No. 26,504, \$163,000 was disallowed for project A16N01 as these costs incurred prior to the supplemental authorization approval. The dollars are to be transferred to expense. Backup is on page 7 of the order.*” Audit understood that the original credit entries to accounts 107 and 186 should have posted to account 106010. Audit requested additional clarification of the entry, and subsequent system generated clearing entries, and was provided with 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...”*

The total Submarine Cable project, \$1,575,238.28 was reportedly used, useful and in service as of 12/31/2020 (refer to the filing, Bates page 000025, Specific Projects, line

7). Audit verified that figure to account 106010, with attached FERC accounts identified:

Work order 9L620642	
106010 – 346310 Poles and Appurtenance	\$110,426.52
106010 – 365000 Overhead Conductors, Devices	\$ 87,700.25
106010 – 367720 DB UG Conductors and devices	<u>\$164,125.45</u>
Total work order 9L620642 as of 12/31/2020	\$367,219.08

Work order 9L620643	
106010 – 346310 Poles and Appurtenance	\$232,623.04
106010 – 365000 Overhead Conductors, Devices	\$230,081.67
106010 – 367720 DB UG Conductors and devices	<u>\$750,281.35</u>
Total work order 9L620643 as of 12/31/2020	<u>\$1,212,965.21</u>
TOTAL A16N01 Undersea Cable	\$1,575,184.29

Additional clarification, of the write-down of \$163,000, from Eversource indicated that because the Order did not explicitly require that the Plant in Service account 106 (or 101) be reduced, the Company interpreted the Order as writing down the \$163,000 to both work orders in the manner in which the original costs had been posted. Audit understands the Order to have meant to write down the Plant in Service account. As a result, based on the 2021 adjusting entries' explanation provided by Eversource, it appears that Plant in Service is overstated as of the date of this report, by \$15,498.86.

**Audit Issue #3**

**Regarding the Pemigewasset Substation**

Regarding the disallowance of \$(911,000) for the Pemigewasset Transformer Project, the Company appealed the PUC decision to the Supreme Court. A decision has not yet been made. The Company has not made any adjusting entries, pending the final outcome.

The filing included \$6,538,622.15 as a plant in service total for the Pemigewasset Substation. Audit was provided with "Continuing Property Record" spreadsheets for "A18N05 Pemi SS Charges" that reflected:

<b>Summary in Service tab</b>	<b>\$6,538,622 reported plant in service</b>
Summary	\$7,514,634 includes cost of removal and salvage
Summary by Month	\$7,514,634
Summary by Cost Element	\$7,514,634
Source Data (General Ledger)	\$7,487,112 includes incorrect charge of \$27,521

The reported summary in service \$6,538,622 tab "*shows the amounts in service...in FERC 106010 only.*" The difference between that figure and \$7,514,634,



\$976,011.83 is related to cost of removal and salvage in FERC accounts 108030 and 108040.

The difference between the \$7,514,634 and \$7,487,112 of \$27,521 was noted by Eversource to be: *“The ‘Source Data from GL Ref Only’ tab contains all charges through the end of the project (October 2021) totaling \$7,487,112.29. There is an additional credit totaling \$27,521.69 in 2021 that is not included in the Step 2 filing, as the Step 2 filing only included capital projects and related costs that were placed in service through December 31, 2020. The additional credit of \$27,521.69 will be included in the Step 3 filing as a carryover amount for this project.”* The highlight of October 2021 was done by Audit, and appears to be a typographical error for the assets reported in service as of 12/31/2020. The Company clarified that the credit was the result of the *“costs charged to the Pemi work order in 2020 that were later moved to a different work order in early 2021 as these costs were incorrectly charged to the Pemi work order. This credit does flow through the 2021 Step 3 filing.”*

The specifics of the posted amounts, per the pivot table provided are:

Accounting	Cost		FERC Account	FERC Account	FERC Account	FERC Account	
Work Order	Element	Cost Element Description	106010-Completed not Classified	107010 CWIP	108030-Accum Prov-CoR	108040-Accum Prov-Salvage	GRAND TOTAL
A18N0501	A39	Property Taxes		\$135,983.71	\$24,407.35		\$160,391.06
A18N0501	A66	AFUDC Debt		\$92,141.89			\$92,141.89
A18N0501	A67	AFUDC Equity		\$164,039.65			\$164,039.65
A18N0501	A85	Miscellaneous Accounting Adjustments	\$6,477,349.81	(\$6,477,349.81)			\$0.00
A18N0501	B19	Freight		\$15.47			\$15.47
A18N0501	B22	Printing-Copying-Records		\$1,030.85			\$1,030.85
A18N0501	E11	Employee Expense Other		\$30.56	\$5.44		\$36.00
A18N0501	E13	Meals		\$6,336.71	\$1,137.27		\$7,473.98
A18N0501	E14	Mileage		\$2,320.10	\$416.42		\$2,736.52
A18N0501	L11	Labor Straight Time Exempt		\$194,249.65	\$34,865.39		\$229,115.04
A18N0501	L12	Labor Straight Time Non-Exempt		\$206,630.16	\$37,087.53		\$243,717.69
A18N0501	L22	Labor Overtime Non-Exempt		\$115,185.74	\$20,674.26		\$135,860.00
A18N0501	M11	Materials- Purchased		\$1,079,174.53			\$1,079,174.53
A18N0501	M12	Materials- Stores		\$125,079.73			\$125,079.73
A18N0501	M14	Contractor Materials		\$506,483.23	\$103,829.04		\$610,312.27
A18N0501	M15	Material Salvage				(\$900.00)	(\$900.00)
A18N0501	MAX	Stores over 25K		\$135,108.00			\$135,108.00
A18N0501	MAX	Stores Loader Cap		\$0.00			\$0.00
A18N0501	S14	Contractor Services		\$1,094,854.13	\$224,455.40		\$1,319,309.53
A18N0501	S16	Engineering Design Services		\$693,028.08	\$142,070.79		\$835,098.87
A18N0501	S22	Other Outside Services		\$53,939.88	\$11,057.67		\$64,997.55
A18N0501	S46	Contractor Services- Other		\$4,044.13	\$829.05		\$4,873.18
A18N0501	S49	Contractor Labor		\$24,618.65	\$5,046.78		\$29,665.43
A18N0501	S50	Environmental Outside Services		\$30,268.56	\$5,432.84		\$35,701.40
A18N0501	S51	Licensing and Permitting		\$7,864.45	\$1,411.58		\$9,276.03
A18N0501	S68	Other Outside Services- Other		\$13,209.26	\$2,707.90		\$15,917.16
A18N0501	S73	Maintain Buildings		\$231.54	\$47.46		\$279.00
A18N0501	U01	UVL- Materials Purchased		\$0.00			\$0.00
A18N0501	U08	UVL-Contractor Labor		\$172,048.54	\$35,269.95		\$207,318.49
A18N0501	ZAS	Admin and Eng OH- Acct Use Only		\$59,606.76	\$10,006.30		\$69,613.06
A18N0501	ZEB	Alloc- E+S OH Subst- Acct Use Only		\$1,074,312.28	\$212,462.78		\$1,286,775.06
A18N0501	ZES	Engin and Super OH- Acct Use Only		\$3,817.06	\$721.18		\$4,538.24
A18N0501	ZGS	Gen Ser Co Benefit Loader- Acct Use Only		\$25,576.16	\$4,590.50		\$30,166.66
A18N0501	ZMI	Misc Dist Exp Capitalized OH-Acct Use Only		\$85,642.64	\$16,941.29		\$102,583.93
A18N0501	ZNP	Non Productive Time Loader- Acct Use Only		\$76,362.59	\$13,706.01		\$90,068.60
A18N0501	ZPB	Payroll Benefit Loader- Acct Use Only		\$173,539.69	\$31,148.17		\$204,687.86
A18N0501	ZST	Stores Loader- Acct Use Only		\$25,228.28			\$25,228.28
A18N0501	ZVE	Vehicle Costs Clearing- Acct Use Only		\$95,347.15	\$17,113.52		\$112,460.67
<b>A18N0501 Total</b>			<b>\$6,477,349.81</b>	<b>(\$0.00)</b>	<b>\$957,441.87</b>	<b>(\$900.00)</b>	<b>\$7,433,891.68</b>

Accounting Work Order	Cost Element	Cost Element Description	FERC Account 106010-Completed not Classified	FERC Account 107010 CWIP	FERC Account 108030-Accum Prov-CoR	FERC Account 108040-Accum Prov-Salvage	GRAND TOTAL
A18N0502	A66	AFUDC Debt		\$506.75			\$506.75
A18N0502	A67	AFUDC Equity		\$993.41			\$993.41
A18N0502	A85	Miscellaneous Accounting Adjustments	\$61,272.34	(\$61,272.34)			\$0.00
A18N0502	E13	Meals		\$168.00	\$72.00		\$240.00
A18N0502	L11	Labor Straight Time Exempt		\$2,102.55	\$901.08		\$3,003.63
A18N0502	L12	Labor Straight Time Non-Exempt		\$7,080.73	\$3,034.54		\$10,115.27
A18N0502	L22	Labor Overtime Non-Exempt		\$3,192.14	\$1,368.07		\$4,560.21
A18N0502	L41	Labor Premium and Special Exempt		\$87.50	\$37.50		\$125.00
A18N0502	M11	Materials- Purchased		\$149.16			\$149.16
A18N0502	M12	Materials- Stores		\$932.73			\$932.73
A18N0502	M14	Contractor Materials		\$25,735.30	\$5,514.70		\$31,250.00
A18N0502	S68	Other Outside Services- Other		\$224.67	\$48.14		\$272.81
A18N0502	ZAS	Admin and Eng OH- Acct Use Only		\$608.45	\$204.86		\$813.31
A18N0502	ZEB	Alloc- E+S OH Subst- Acct Use Only		\$9,289.91	\$3,962.13		\$13,252.04
A18N0502	ZGS	Gen Ser Co Benefit Loader- Acct Use Only		\$143.39	\$61.47		\$204.86
A18N0502	ZMI	Misc Dist Exp Capitalized OH-Acct Use Only		\$858.96	\$366.40		\$1,225.36
A18N0502	ZNP	Non Productive Time Loader- Acct Use Only		\$1,837.76	\$787.61		\$2,625.37
A18N0502	ZPB	Payroll Benefit Loader- Acct Use Only		\$4,278.89	\$1,833.81		\$6,112.70
A18N0502	ZST	Stores Loader- Acct Use Only		\$100.85			\$100.85
A18N0502	ZVE	Vehicle Costs Clearing- Acct Use Only		\$2,981.19	\$1,277.65		\$4,258.84
<b>A18N0502 Total</b>			<b>\$61,272.34</b>	<b>\$0.00</b>	<b>\$19,469.96</b>		<b>\$80,742.30</b>
<b>Grand Total</b>			<b>\$6,538,622.15</b>	<b>(\$0.00)</b>	<b>\$976,911.83</b>	<b>(\$900.00)</b>	<b>\$7,514,633.98</b>

Additional specific Audit work related to the Pemigewasset Transformer project has been halted based on the appeal to the Supreme Court.

Relating to the Insurance projects, the Order also addressed the Third Party Billing, indicating that the manner of posting costs to repair, and collection of reimbursements from parties who cause the damage, or their insurance company, will be reviewed as part of the pending Business Process Audit. The Third Party Billing in this current Step 2 request was identified as Project INS9R for \$2,642,149 (2020 Plant in Service column G on Attachment LGL/DLP/JJD-1, Step 2 page 4 of 6, Bates page 000027) in the Annual Project category of capital costs. As was included in the Audit report related to the Step 1 filing, Eversource summarized the Insurance/Third Party Billing as:

*The Insurance Claim/Keep Costs program includes overhead (INSOH9R), underground (INSUG9R) and direct buried (INSDB9R) costs associated with work ... with trouble call property damage that is eligible for reimbursement (9A billing), but cannot be billed out within the program year. Each area work center will have a separate project covering the insurance claim/keep costs projects in the individual work center.”*

The Regulatory Staff reviewed the project.

Included within the Audit report on the first Step, Audit had compiled the Project Authorization Forms for the INSOH9x for the years 2015 through 2020. The results are noted below:

**Project Authorization Forms and Supplemental Requests for INSOH9x**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Project Cost Summary</u>						
capital additions direct	\$ 701,000	\$ 128,800	\$ 695,600	\$ 669,000	\$ 688,100	\$ 688,000
less customer contribution	\$ (1,281,700)	\$ (12,800)	\$ (1,189,200)	\$ (1,080,000)	\$ (1,189,200)	\$ (1,189,000)
removals net of salvage	\$ 209,300	\$ 47,200	\$ 211,800	\$ 199,000	\$ 211,800	\$ 212,000
capital additions indirect	\$ 567,300	\$ 131,200	\$ 708,100	\$ 712,000	\$ 869,100	\$ 869,000
AFUDC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
<b>total Capital request</b>	<b>\$ 195,900</b>	<b>\$ 294,400</b>	<b>\$ 426,300</b>	<b>\$ 500,000</b>	<b>\$ 579,800</b>	<b>\$ 600,000</b>
O&M	\$ -	\$ -	\$ (218,800)	\$ -	\$ 20,400	\$ -
Total Request	\$ 195,900	\$ 294,400	\$ 207,500	\$ 500,000	\$ 600,200	\$ 600,000
<u>Supplemental Request</u>						
capital additions direct	\$ 162,600	\$ 768,700		\$ 213,300		\$ 470,000
less customer contribution	\$ (338,300)	\$ (1,714,400)		\$ (1,269,600)		\$ (1,003,000)
removals net of salvage	\$ 40,900	\$ 153,800		\$ 77,300		\$ 130,000
capital additions indirect	\$ 301,400	\$ 864,400		\$ 595,000		\$ 775,000
AFUDC	\$ 3,300	\$ 3,200		\$ 2,000		\$ -
<b>total Capital request</b>	<b>\$ 169,900</b>	<b>\$ 75,700</b>	<b>\$ -</b>	<b>\$ (382,000)</b>	<b>\$ -</b>	<b>\$ 372,000</b>
O&M	\$ -	\$ -				\$ -
Total Request	\$ 169,900	\$ 75,700	\$ -	\$ (382,000)	\$ -	\$ 372,000
<b>TOTAL</b>	<b>\$ 365,800</b>	<b>\$ 370,100</b>	<b>\$ 207,500</b>	<b>\$ 118,000</b>	<b>\$ 600,200</b>	<b>\$ 972,000</b>

Also within the first Step audit report was a reformatted presentation of the above information:

**Reformatted Project Authorization Forms and Supplemental Requests for INSOH9x**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Project Cost Summary</u></b>						
capital additions direct	\$ 701,000	\$ 128,800	\$ 695,600	\$ 669,000	\$ 688,100	\$ 688,000
removals net of salvage	\$ 209,300	\$ 47,200	\$ 211,800	\$ 199,000	\$ 211,800	\$ 212,000
capital additions indirect	\$ 567,300	\$ 131,200	\$ 708,100	\$ 712,000	\$ 869,100	\$ 869,000
AFUDC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
total Capital request	\$ 1,477,600	\$ 307,200	\$ 1,615,500	\$ 1,580,000	\$ 1,769,000	\$ 1,789,000
O&M	\$ -	\$ -	\$ (218,800)	\$ -	\$ 20,400	\$ -
<b>Request Excluding Cust. Contribution</b>	<b>\$ 1,477,600</b>	<b>\$ 307,200</b>	<b>\$ 1,396,700</b>	<b>\$ 1,580,000</b>	<b>\$ 1,789,400</b>	<b>\$ 1,789,000</b>
less customer contribution	\$ (1,281,700)	\$ (12,800)	\$ (1,189,200)	\$ (1,080,000)	\$ (1,189,200)	\$ (1,189,000)
<b>TOTAL REQUEST</b>	<b>\$ 195,900</b>	<b>\$ 294,400</b>	<b>\$ 207,500</b>	<b>\$ 500,000</b>	<b>\$ 600,200</b>	<b>\$ 600,000</b>
<b><u>Supplemental Request</u></b>						
capital additions direct	\$ 162,600	\$ 768,700		\$ 213,300		\$ 470,000
removals net of salvage	\$ 40,900	\$ 153,800		\$ 77,300		\$ 130,000
capital additions indirect	\$ 301,400	\$ 864,400		\$ 595,000		\$ 775,000
AFUDC	\$ 3,300	\$ 3,200		\$ 2,000		\$ -
total Capital request	\$ 508,200	\$ 1,790,100	\$ -	\$ 887,600	\$ -	\$ 1,375,000
O&M	\$ -	\$ -				
<b>Request Excluding Cust. Contribution</b>	<b>\$ 508,200</b>	<b>\$ 1,790,100</b>	<b>\$ -</b>	<b>\$ 887,600</b>	<b>\$ -</b>	<b>\$ 1,375,000</b>
less customer contribution	\$ (338,300)	\$ (1,714,400)		\$ (1,269,600)		\$ (1,003,000)
<b>TOTAL REQUEST</b>	<b>\$ 169,900</b>	<b>\$ 75,700</b>	<b>\$ -</b>	<b>\$ (382,000)</b>	<b>\$ -</b>	<b>\$ 372,000</b>
<b>TOTAL Expenses excluding contribtn</b>	<b>\$ 1,985,800</b>	<b>\$ 2,097,300</b>	<b>\$ 1,396,700</b>	<b>\$ 2,467,600</b>	<b>\$ 1,789,400</b>	<b>\$ 3,164,000</b>
<b>Total Contributions</b>	<b>\$ (1,620,000)</b>	<b>\$ (1,727,200)</b>	<b>\$ (1,189,200)</b>	<b>\$ (2,349,600)</b>	<b>\$ (1,189,200)</b>	<b>\$ (2,192,000)</b>
<b>NET TOTAL</b>	<b>\$ 365,800</b>	<b>\$ 370,100</b>	<b>\$ 207,500</b>	<b>\$ 118,000</b>	<b>\$ 600,200</b>	<b>\$ 972,000</b>

**General Ledger**

The filing reflected:

Additions	\$124,215,060.32
Retirements	<u>\$ (28,553,537.80)</u>
Net 2020	\$ 95,661,522.52

Audit requested a summary general ledger demonstrating the plant additions and retirements. The data was reflected in:

FERC account 101010, Utility Plant in Service	\$ 89,130,309.67	35,786 entries
FERC account 106010, Completed not Classified	<u>\$ 6,531,212.85</u>	34,645 entries
	\$ 95,661,522.52	

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

<b><u>101010 Utility Plant in Service:</u></b>		
Activity Code CFNU Addition Unitization	\$117,378,128.24	9,168 entries
Activity Code MADD Addition Unitization	\$ 245,595.88	5 entries
Activity Code UADD Addition Unitization	\$ 2,681.77	19 entries
Activity Code UTRT Addition SJCXFR	<u>\$ 57,441.58</u>	1 entry
<b>101010 Additions</b>	<b><u>\$117,683,847.47</u></b>	
Activity Code MRET Retirement	\$ (8,454,461.71)	24,696 entries
Activity Code URET Retirement	<u>\$ (20,099,076.09)</u>	1,897 entries
<b>101010 Retirements</b>	<b><u>\$ (28,553,537.80)</u></b>	
<b>NET Account 101010</b>	<b>\$ 89,130,309.67</b>	
<b><u>106010 Completed Construction not Classified</u></b>		
Activity Code UADD Addition Non-unitization	\$ 114,540,724.20	24,472 entries
Activity Code NURV Addition Unitization	<u>\$(108,009,511.35)</u>	10,173 entries
<b>NET Account 106010</b>	<b><u>\$ 6,531,212.85</u></b>	

The additions related to New Business were reportedly not included within the requested Step increase. Timing of unitizing projects appears to be an ongoing issue with which the Company is dealing. **Audit Issue #2.**

In the first step, the Company posted \$3,299,056.66 to account 106010 Completed not Classified. Audit requested the journal entries that moved any of those project dollars from 106010 to 101010, Utility Plant in Service. In response, the Company indicated that there had been additional invoices charged to work orders after 12/31/2019, but the amount in excess of \$3.9 million had been closed to 101. Further, the Company stated "the movement from 106 to 101 is not a journal entry in the Company's general ledger, but rather a progression of the work order charges through the life cycle of a work order." (underline added) Audit requested clarification of the statement, since the Company's FERC Form 1 and general ledger reflects:

2020 FERC Form 1 Account 101 Plant in Service Classified	\$3,405,123,711
Account 101.1 Property under Capital Leases	\$ 1,506,882
Account 106 Completed Const. not Classified	\$ 694,737,741

The Company indicated that it was responding specifically to Audit’s request for the journal entries. The Company went on to indicate that the *“movement of charges from 106 to 101 is a PowerPlan system generated transaction that occurs when work orders change status. There are no manual journal entries to provide, as the movement is a system generated transaction within the PowerPlan system.”* (underline added by Audit)

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

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

As documented in the Audit report dated 2/1/2021 for the first step in DE 19-057, Audit requested clarification of any depreciation expense and related accumulated depreciation impact that may result from assets being held in account 106 rather than account 101. The Company responded: *“When assets are in 106, they do have a 3XX utility account assigned to them based on the work order estimate. This 3XX utility account is tied to a depreciation group and the depreciation group is the basis on which depreciation expense is calculated. If the 3XX account is updated when the assets are moved from 106 to 101 the depreciation group may also be updated and any depreciation expense change would be recorded prospectively.”*

## **CONCLUSION**

The reported asset addition total of \$124,215,062 was verified to accounts 101010 and 106010. The testing of specific projects was done by the Electric staff within the Regulatory division of the Department of Energy. As a result of discovery and testimony, the reported addition was ordered to be reduced to \$123,141,062. However, as a result of the appeal of \$911,000 to the NH Supreme Court, only an adjusting entry of \$163,000 was booked. However, because of system mapping and Company interpretation of the Order, Plant in Service appears to be overstated by \$15,498.86, after posting of the adjusting entries in 2021. Refer to Audit Issue #3.

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. Refer to Audit Issues #1 and #2.



## **Audit Issue #1 Creation of a Property Unit to Retire**

### **Background**

Within an updated Continuing Property Record were 8 lines related to work order C03CTV, accounting work order 9A220260. The in-service date for each line item was 5/29/2013, and all reflected retirements that sum to \$(2,529.32), posted 5/1/2020.

### **Issue**

The Company explained that the work order closed in 2017, but the retirements in 2020 were the result of Plant Accounting having to create a property unit called “Pole Top Framing”. Because *the property unit did not exist in 2013*, the CPR had to be updated. It is unclear how a property unit that did not exist was subsequently created and retired years after the work order closed. (emphasis added)

### **Recommendation**

The retirements were noted as credits to account 101010, Utility Plant in Service, with associated utility accounts:

364310 Poles and Appurtenance	\$(2,352.05)
365000 Overhead Conductors, Device	\$ (177.27)

Audit recommends that as assets are put into service, the PowerPlan system must be updated to accurately reflect such assets.

### **Company Response**

Prior to 2016, pole top framing assets were capitalized as part of the pole installation. Effective in 2016, the Company adopted a new policy whereby the pole top framing assets became individual retirement units on their own. As a result of the new policy, the Company’s plant accounting organization initiated an effort whereby the Company’s historical plant asset records were adjusted to break out a percentage of the costs associated with each pole installed that were identified as pole top framing assets, in order to create a separate and distinct pole top framing asset in the company’s plant accounting records. That effort was completed in 2020. In cases where a pole top framing asset had retirements, those retirement costs were able to post successfully at the time of the successful completion of the team’s efforts, regardless of when the work order was closed (in these cases, in 2017 and prior).

### **Audit Conclusion**

It is unclear to Audit what initiated the accounting policy change in 2016, and as a result, Audit cannot conclude whether the policy change is appropriate or not.

## Audit Issue #2

### Timely Unitization and Retirement

#### Background

The Continuing Property Records provided to Audit include work order lines with in-service dates from 2013 through 2021. The general ledger NET was verified to reported additions and retirements:

FERC account 101010, Utility Plant in Service	\$ 89,130,309.67	35,786 entries
FERC account 106010, Completed not Classified	<u>\$ 6,531,212.85</u>	34,645 entries
	\$ 95,661,522.52	
The filing reflected:		
Additions	\$124,215,060.32	
Retirements	<u>\$ (28,553,537.80)</u>	
Net 2020	\$ 95,661,522.52	

#### Issue

The total \$124,215,062 additions represent projects reported to have been placed in service in 2020. In January 2022, Audit requested clarification of the “in-service” dates, which originally ranged from 2009 through 2021. In February 2022, the Company provided an updated CPR listing, along with an explanation that the in-service dates in the original CPR file were not correct. However, the updated spreadsheet included revised in-service dates from 2013 through June 2021 and general ledger posting dates demonstrating the calendar year 2020.

- 37 work order lines with in-service dates 3/2015 had unitization and retirement entries 1/2020, 2/2020, and 3/2020. The net of all of the entries is \$-0-. Unitization of assets and related retirements should be posted in a more timely manner.
- 714 specific work order lines noted as (blank), indicating the work order remained open or was cancelled. Related journal entries of those (blank) lines summed to \$(3,344,313.62). It is unclear why these work orders were included.

Of the reported \$124,215,062 Step 2 Adjustment, \$6,531,212.85 or 5%, was reflected within the Completed Construction not Classified account 106 at the end of 2020.

#### Recommendation

As recommended in the First 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. Any assets in account 106 prior to 2020 should have

been unitized in a timely manner. The assets in account 106 at the end of 2020 should have been unitized to account 101 not later than the end of 2021. The Business Process Audit may result in recommendations relating to timely closing of work orders.

In response to a similar issue in the First Step audit report, Eversource provided:  
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.

106 amounts [that] have not yet been unitized as not all work management requirements have been met or not all outstanding project documentation has been prepared, completed and received by Plant Accounting. As part of the work order close process, Plant Accounting works with Operations, Investment Planning and Engineering to gather the information required to unitize these work orders. Depending on the size of the project, this information takes time to be prepared, gathered and communicated to Plant Accounting. Once received by Plant Accounting additional time is required as significant reviews and analyses occur. When all criteria are met, the work order will be closed.

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

### **Company Response**

The amount reflected within the Completed Construction not Classified account 106 at the end of 2020 is the net activity for the year. 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 also like to note that there is no risk to the customers or rates billed to customers should unitization of account 106 projects be delayed beyond the FERC recommended 12-month period.

### **Audit Conclusion**

Audit agrees with the overall Company response, and continues to encourage the timely unitization of assets.

**Audit Issue #3**  
**Journal Entry Regarding Disallowance**

**Background**

PUC Order 26,504, dated 7/30/2021, disallowed \$163,000 in costs associated with the Welch and Locks Island cable replacement.

Audit verified the full asset value \$1,575,238.28, as of 12/31/2020, was posted to account 106010, with the following associated plant accounts:

364310 Poles and Appurtenance	\$ 343,049.56
365000 Overhead Conductors, Device	\$ 317,781.92
367720 DB/UG Conductors and devices	<u>\$ 914,406.80</u>
	<u>\$1,575,238.28</u>

**Issue**

Audit requested the 2021 journal entry that wrote-off the \$163,000, and was provided with the following 12/2021 entry:

Debit 06.11100.594030 UG Corrective+emergent Maint	\$163,000.00	
Credit 06.11100.107010 Construction Work in Progress		\$(81,500.00)
Credit 06.11100.186950 Cycle Error Suspense-Accts Payable		\$(81,500.00)

The description of the entry was “*per DE 19-057 Order No. 26,504, \$163,000 was disallowed for project A16N01 as these costs incurred prior to the supplemental authorization approval. The dollars are to be transferred to expense. Backup is on page 7 of the order.*” Audit understands that at month end 12/2021 the following clearing entries were then automatically posted to:

For work order 9L620642

Debit 06.11100.594030 UG Corrective+emergent Maint	\$81,500.00	
Credit 06.11100.106010 Completed Construction not classified		\$(81,500.00)

For work order 9L620643

Debit 06.11100.594030 UG Corrective+emergent Maint	\$81,500.00	
Credit 06.11100.106010 Completed Construction not classified		\$(66,001.14)
Credit 06.11100.108010 Accumulated Provision for Depre		\$(15,280.44)
Credit 06.11100.593000 Distrib Main of Overhead Lines		\$ (218.42)

The write-off related to work order 9L620642 was posted as contemplated by the Commission Order.

The write-off for work order 9L620643 was allocated among accounts as costs were initially incurred, rather than 100% to account 106010. Eversource understood the Order, which did not specifically state the write off should be to Plant in Service account 106010, as writing down the costs in the manner originally booked to the work order. Audit understood the Order to

require the write-off to Plant in Service. As a result, Audit believes that the total of the credits that posted to accounts 108010 and 593000, \$(15,598.86) should have been posted to account 106010.

### **Recommendation**

Audit understands the plain language of the Order. The Company should have credited the entire \$163,000 to account 106010 and associated plant account, rather than the mapped 108030 and 593000.

### **Company Response**

The Company appreciates the opportunity to respond to the Audit finding. Order 26,504 in Docket No. DE 19-057, issued 7/30/2021, stated [emphasis added], “*We conclude that the costs incurred prior to the supplemental authorization approval were imprudently incurred, and disallow \$163,000 in **investment costs** associated with this project.*” Because the Company’s PowerPlan capital project accounting system is driven by project code identification numbers and their related accounting work orders, the Company wrote off the \$163,000 disallowance using the Welch and Locks Island cable replacement project code (A16N01) and associated work orders in the same way the \$163,000 was originally invested. The PowerPlan system automatically “pushed” the write-off using the pre-coded FERC Accounts originally established and maintained in the project work orders, in accordance with the project code accounting and how funds are invested in the project. More importantly, using A16N01 appropriately links the project write-off of \$163,000 to the Welch and Locks Island cable replacement project in the accounting system.

Such highly sophisticated PowerPlan system functionality creates a no-risk accounting process that ensures costs and credits are reflected to the appropriate project and the original FERC Accounts where the investment costs were originally incurred/spent. This allows the net project value to be properly accounted for during the entire project useful life, until retirement/removal. At that time, once the project is permanently removed from the PowerPlan capital project accounting system, PowerPlan ensures all investment costs, credits, and write-offs are properly unwound through its automatic system functionality, so long as the project investment costs, credits, and write-offs were appropriately booked using the project code and associated work orders.

If the Company circumvented this highly sophisticated process and booked a manual journal entry to credit the entire \$163,000 to FERC Account 106 without the ability to use the project code identifier, which links the write-off to the Welch and Locks Island cable replacement project, the manual \$163,000 would have remained as a manual credit to FERC Account 106 in perpetuity, as an “orphan” accounting transaction not associated with any specific capital project. In doing so, the Welch and Locks Island cable replacement project would have remained at its original investment cost, without consideration for Order 26,504 and the write-off. Any future data queries pulled from the PowerPlan system using the Welch and Locks Island cable replacement project code, A16N01 and its associated work orders, would not have recognized the \$163,000 write-

off. In conclusion, in following the accounting process and procedures, as performed by the Company, the Company was able to properly reduce both the net asset value and rate base for the Welch and Locks Island cable replacement project capital investment value by \$163,000, and reduce the PSNH Net Capital Plant Asset value, holding Eversource New Hampshire customers harmless of both cost recovery and return on rate base on the total disallowance of \$163,000.

### **Audit Conclusion**

Audit appreciates the additional clarification provided in this Revised Final Audit report.

While the entries provided to Audit, on a rate base level, hold the customers harmless via the net Plant and Accumulated Depreciation entries, Audit reiterates its understanding of the Order.

However, as noted within the text of this report, Eversource indicated that because the Order did not explicitly require that the Plant in Service account 106 (or 101) be reduced, the Company interpreted the Order as writing down the \$163,000 to both work orders in the manner in which the original costs had been posted. Audit understands the Order to have meant to write down the Plant in Service account. As a result, based on the 2021 adjusting entries' explanation provided by Eversource, it appears that Plant in Service (account 106 or 101) is overstated as of the date of this report, by \$15,498.86.