

STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: July 18, 2022

FROM: Krista Leigh, Examiner
Enforcement Division, New Hampshire Department of Energy

SUBJECT: Public Service of New Hampshire (PSNH) d/b/a Eversource Energy
DE 22-031 Major Storms 2020 – 2021
FINAL REPORT

TO: Thomas Frantz, Director Regulatory Programs, Department of Energy
Elizabeth Nixon, Director Electric, Regulatory Programs, Department of Energy
Stephen Eckberg, Utility Analyst, Regulatory Programs, Department of Energy
Mary Schwarzer, Attorney, Department of Energy

INTRODUCTION

On April 29, 2022 Eversource (PSNH, the Company) filed a petition to recover costs of eight storm and pre-staging events that occurred between August 2020 and June 2021. The filing was docketed as DE 22-031 and is consistent with the February 2, 2019 recommendation of the Commission Staff in Docket No. DE 18-058, as well as the March 26, 2019 secretarial letter which stated that the Commission, “*agreed to Eversource's request for a May 1 deadline for filing its future annual reports of the storm costs incurred for the prior year, which would be subject to audit by Audit Staff.*” The Company is not seeking a rate adjustment of any kind, rather requests Commission approval to recover the costs from the Major Storm Cost Reserve (MSCR), which was specifically designed for that purpose.

Qualifying Criteria for Recovery of Authorized Storm-Related Costs

Order 25,465 issued on 2/26/2013 in docket DE 12-320, defines a major storm and pre-staging event as the following: “*Under the MSCR, a qualifying major storm is defined as a storm that results in either (1) 10% or more of PSNH’s retail customers being without power in conjunction with more than 200 reported troubles, or (2) more than 300 reported troubles during the event ... For weather events having a “high” probability, that is, greater than 60% of reaching [Energy Event Index] EEI Level 3, pre-staging costs would be charged to the MCSR.*” Using the EEI from the Data Transmission Network (DTN), the Company reviews the forecasted data which ranks the potential strength of a storm from 1 to 5, with 5 being the most severe.

Audit requested clarification regarding the definition of a reported “trouble” and what distinguishes it from retail customers’ reported power outages. The Company explained that, “A ‘trouble’ is any event on the system that requires a response by Eversource crews. These are typically for outage events, where one trouble could affect a varying number of customers based on the trouble location; but ‘trouble’ also refers to non-outage events where crews are taking action to prevent a potential customer outage from occurring (for example, a customer reports a tree hanging low over wires).”

Audit understands that Order #25,465 allows for the recovery of costs incurred during a major storm, as defined by “...more than 300 reported troubles during the [weather] event.” Audit also recognizes that there is no concurrency requirement for reported troubles, unless there are fewer than 300 reported. In that instance, *recovery of costs incurred during a major storm is defined by “...10% or more of PSNH’s retail customers being without power in conjunction with more than 200 reported troubles.”*

If a weather event reported less than 300 troubles and for the purpose of verifying whether or not the major storms audited had at least 10% or more of retail customers, Audit reviewed the monthly Customer Count by Revenue Services report which depicted the Company’s monthly customer count, as well as the twelve-month average customer count for both 2020 and 2021. The twelve-month average customer count for both December 2020 and December 2021 was 525,933 and 529,986, respectively. If applicable, Audit would compare the 10% of retail customers without power, to the Outage Management Troubles Report provided by the Company. If there were less than 300 reported troubles, Audit verified compliance with Order 25,465, by confirming that at least 10% of retail customers were without power “in conjunction” with more than 200 reported troubles.

Review of Prior Storm Audits: Docket DE 19-050 and DE 19-105

As part of the Settlement Agreement within docket DE 19-057, PSNH was authorized to “...begin amortizing the unrecovered storm costs, currently estimated at \$68,474,355 as of December 31, 2018, over a five-year period beginning August 1, 2019.” Audit reviewed the 2018 GL and verified the following balances on the MSCR accounts, as of 12/31/18:

| <u>Account</u> | <u>Balance</u> | <u>Description</u> |
|----------------|---------------------|--|
| 186430 | \$ 114,987,268 | Storm costs through 12/31/18 |
| 228430 | <u>(46,512,913)</u> | Monthly revenue of \$1M recovered from customers plus carrying charges |
| | \$ 68,474,355 | Unrecovered Storm Costs Approved for 5 year Amortization |

The 2019 general ledger summary for account #186430, as well as detailed journal entries were reviewed. Audit verified the July 2019 credit on the account, in the amount of \$68,474,355 for the transfer of approved 2016 – 2018 storm costs from the major storm deferred

account. Audit confirmed that \$68.5M was offset to the Approved Storm Costs account #182SQ0, to be amortized over 5 years, as part of DE 19-057 Temp Settlement Agreement. The monthly amortization of \$1,268,079 was verified as a debit to account 407300, with the offsetting credit to account #182SQ0. Audit confirmed the straight-line basis for the amortization amount with no exceptions noted.

In a Secretarial Letter dated 9/21/20, the final storm costs filed within docket DE 19-050 were approved. The letter stated that, *“Eversource shall notify Staff when the Company has determined the amount of appropriate carrying charges, and it shall confirm the amount of the recovery and balance of the MSCR fund.”* In a follow-up letter to the Commission, dated 2/18/21, Eversource notified the Staff that, *“[...]the total amount of recovered costs is \$50,343,061 which reflects the balance of costs noted in the Commission’s letter as updated with the application of the appropriate carrying charges through September 2020.”*

In a Secretarial Letter dated 5/18/21, the final storm costs filed within docket DE 19-105 were approved and *“...the total amount of recovered costs is \$18,321,869 which reflects the balance of costs noted in the Commission’s letter as updated with the application of the appropriate carrying charges through March 2021.”* Audit reviewed the revised carrying charges through March 2021 and confirmed the RoR calculations were in compliance with the Settlement Agreement DE 19-057, which authorizes a carrying charge equal to its embedded cost of long-term debt. No exceptions were noted.

General Ledger

Audit reviewed the 2022 GL and verified the following balances on the MSCR accounts, as of 03/31/22:

| <u>Account</u> | <u>Balance</u> | <u>Description</u> |
|----------------|--------------------|--|
| 186430 | \$ 39,115,236 | Includes the storm costs incurred between 10/16/2019 – 3/8/2022 |
| 228430 | <u>(3,021,419)</u> | Monthly revenue of \$1M recovered from customers plus carrying charges |
| | \$ 36,093,817 | Unrecovered Storm Costs a/o 3/31/22 |

Audit noted that the storm cost roll forward is not in balance with the monthly revenue, resulting in unrecovered storm costs totaling \$36,093,817, as of March 31, 2022. The Company stated that, *“In compliance with Section 5 of the Settlement, the Company is not able to seek a recovery amount in excess of the \$12 million annual amount through a rate surcharge as the cost of no single event included in the \$45.4 million exceeded the \$25 million threshold established in Section 5.2. Any proposed change to the \$12 million annual amount recovered in base rates will be addressed in the Company’s next base distribution rate case filing.”*

Audit confirmed the terms of the terms of the Settlement Agreement, approved by Commission Order No. 26,433 of Docket No. DE 19-057, which states the following:

“Section 5, Major Storm Cost Reserve, provides that Eversource will include \$12 million annually in rates for the major storm reserve. Rather than implement a reconciling mechanism for storm costs, the Company would be permitted to file for a separate, temporary amortization of storm costs for storm events that exceed \$25 million per event, which may include a request to recover costs for repair of damage due to such storm events through a surcharge (Storm Cost Adjustment Mechanism).”

Audit understands that \$12M collected for the annual funding level in the MSCR—as authorized in Commission Order #25,534 of Docket No. DE 13-127—authorized the Company to maintain a \$12M annual funding level in the MSCR that cannot be adjusted until the next rate case. Audit reviewed the general ledger and detailed journal entry report, confirming the December 2021 storm balance transfer of \$12,293,102 from the storm funding deferral account #228430 to the storm cost reserve account #186430.

As of March 31, 2022, the storm fund reserve account reported a general ledger (GL) balance of \$3,021,419. The funding, which is posted to GL account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. Audit verified the statutory tax rate and RoR calculations on the funding account #228430 and recalculated the ending balance with return.

For October 2021, Audit noted that the monthly return of \$33,934 was calculated incorrectly. The correct monthly return for October 2021 should be \$37,695, creating a variance of \$3,761 between the calculated amount and the GL. Audit also noted that the months of February – March of 2022 did not contain the correct calculation for the monthly average net of tax balance. The overall resulting variance—as of March 31, 2022—between the calculated ending balance with return amount of \$3,021,340 and the GL balance of \$3,021,419, totaled \$(79). The Company provided an updated spreadsheet with the correct formulas and stated that, *“The journal entry adjustment to zero out the variance in account 228430 will be booked upon completion of the storm audit process.”*

The storm cost reserve is GL account #186430. Audit verified the GL and Trial Balance to the Storm Cost Summary calculation spreadsheet that was provided by the Company. Audit noted that the March 31, 2022 GL balance for account #186430 was \$39,115,236, compared to the \$41,935,527 total on the Company’s Storm Cost Summary calculation spreadsheet—which includes the 2019 through 2020 storm events subject to Docket No. DE 21-089, as well as the 2022 storm costs that are not yet finalized by the Company. The Company explained the variance of \$2,820,291, between the Trial Balance and the storm costs reported, in the following

statement: “*The GL account 186430 balance of \$39,115,236 is the balance as of March 31, 2022 and was not updated to reflect the April 30, 2022 balances. The April 2022 GL account 186430 balance was \$41,929,849[.]*”

Audit reviewed the GL detail as of April 30, 2022 and confirmed the \$41,929,849 balance. There was a \$5,678 variance between the April 30, 2022 GL balance of \$41,929,849 and the total reported on the storm cost summary, for account #186430, of \$41,935,527. The Company stated that, “*The variance of \$5,678 was due to a variance in accumulated deferred return between the deferred return amounts booked to the GL account 186430 on a monthly basis and the deferred return calculated for cost recovery purposes by the revenue requirements team. The regulatory accounting team may have differences to the general ledger balance, as compared to the cost recovery calculation, due to timing. In this case, the deferred return has a timing lag and regulatory accounting will provide the adjusting journal entry when it is booked. The Company plans to record a journal entry once the audit process is complete.*”

The DE 22-031 Summary of Requested Storm and Pre-Staging Cost Recovery

The following costs are subject to this audit and summarized in Docket No. DE 22-031:

| <u>Storm Event</u> | <u>Costs</u> | <u>Carry Costs 3/31/22</u> | <u>Total Cost 3/31/22</u> |
|----------------------|----------------------|----------------------------|---------------------------|
| 08/04/20 Major Storm | \$ 5,578,646 | \$ 466,394 | \$ 6,045,040 |
| 12/05/20 Major Storm | 20,735,332 | 1,266,351 | 22,001,683 |
| 12/16/20 Pre-Staging | 181,625 | 11,497 | 193,122 |
| 02/01/21 Pre-Staging | 1,578,743 | 85,442 | 1,664,185 |
| 02/15/21 Pre-Staging | 1,026,075 | 52,128 | 1,078,203 |
| 03/01/21 Major Storm | 6,597,139 | 344,824 | 6,941,963 |
| 03/29/21 Major Storm | 5,240,129 | 264,729 | 5,504,858 |
| 06/30/21 Major Storm | 1,869,864 | 62,480 | 1,932,344 |
| Total (rounded) | <u>\$ 42,807,552</u> | <u>\$ 2,553,845</u> | <u>\$ 45,361,397</u> |

Audit recalculated the filed storm costs and noted an immaterial variance of \$1 in the total costs before carrying costs, as well as a \$1 variance in the total costs after carrying costs. Audit acknowledges that occasional variances of \$1 are likely to occur due to rounding.

The Company provided Audit with the work order summaries—consisting of the storm costs for each major storm or pre-staged event—that were subject to the filing and listed on Bates page 000014 of the joint testimony of Marisa B. Paruta, Director of New Hampshire Revenue Requirements, and Dean C. Desautels, Manager of Emergency Preparedness. The Company provided summaries for the storm costs which were categorized by work order and expense type; itemizations were provided for contractor and procurement card charges. The payroll cost summary and detailed charges for overheads, vehicles, materials, and employee

expenses, were also included. The following, categorized by major storm or pre-stage event, was compiled by Audit to depict the summary of storm costs provided by the Company as support for the filing DE 22-031:

| Event Date | 08/04/20 | 12/05/20 | 12/16/20 | 02/01/21 | 02/15/21 | 03/01/21 | 03/29/21 | 06/30/21 | Totals |
|-----------------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Event Type | Major Storm | Major Storm | Pre-Stage | Pre-Stage | Pre-Stage | Major Storm | Major Storm | Major Storm | By |
| Workorder | <u>MS20G006</u> | <u>MS20N006</u> | <u>EXPSTGE0</u> | <u>EXPSTGA1</u> | <u>EXPSTGB1</u> | <u>MS21A006</u> | <u>MS21B006</u> | <u>MS21C006</u> | Increment |
| Contractor/Vendor | \$ 2,859,241 | \$ 17,108,450 | \$ 128,811 | \$ 1,444,069 | \$ 848,841 | \$ 4,702,785 | \$ 3,724,200 | \$ 1,193,536 | \$32,009,933 |
| Direct Labor | 2,211,845 | 2,702,976 | 37,537 | 79,389 | 100,797 | 1,290,439 | 1,078,445 | 497,885 | 7,999,313 |
| Payroll OH/Tax | 104,133 | 435,005 | 3,352 | 5,892 | 3,333 | 91,691 | 82,293 | 25,618 | 751,317 |
| Vehicle Expenses | 334,859 | 383,338 | 11,228 | 39,335 | 71,406 | 426,515 | 315,367 | 139,265 | 1,721,313 |
| Other Employee Expenses | 37,815 | 55,586 | 696 | 10,058 | 1,698 | 23,970 | 18,717 | 7,578 | 156,118 |
| Materials | <u>30,753</u> | <u>49,976</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>61,739</u> | <u>21,107</u> | <u>5,982</u> | <u>169,557</u> |
| Total Costs (Rounded) | \$ 5,578,646 | \$ 20,735,332 | \$ 181,625 | \$ 1,578,743 | \$ 1,026,075 | \$ 6,597,139 | \$ 5,240,129 | \$ 1,869,864 | \$42,807,553 |
| Carrying Charge a/o 3/31/22 | <u>466,394</u> | <u>1,266,351</u> | <u>11,497</u> | <u>85,442</u> | <u>52,128</u> | <u>344,824</u> | <u>264,729</u> | <u>62,480</u> | <u>2,553,845</u> |
| TOTAL (Rounded) | \$ 6,045,040 | \$ 22,001,683 | \$ 193,122 | \$ 1,664,185 | \$ 1,078,203 | \$ 6,941,963 | \$ 5,504,858 | \$ 1,932,344 | <u>\$45,361,397</u> |

08/04/20 Major Storm Event MS20G006 \$6,045,040

The August 4th major storm included the issuance of a Public Advisory from the National Weather Service (NWS) National Hurricane Center, with detailed warnings of a hurricane and tropical storm. Bates page 000031 of the filing indicated that there were 1,224 reported troubles, including 1,034 outages-at-peak, that occurred during the storm event. Audit reviewed the supporting Outage Management Troubles Report, provided by the Company. The first outage trouble was dispatched on August 4th at 4:02 AM and the final restoration time was reported on August 8th at 1:43 PM. Audit sampled additional trouble events from the report and verified the onsite date, the cause and location, and the restoration date. Audit read the notes that detailed the cause of the power outage, verifying that the reported troubles were predominantly due to tree and/or limb interference with the power lines. No exceptions were noted.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The provided Attachment Exhibit 1 depicts a summary of the 08/04/20 major storm costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

| | |
|---|---------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 2,859,241 |
| Direct Labor (PSNH and Other Eversource Companies) | 2,211,845 |
| Payroll Related Overheads and Taxes | 104,133 |
| Vehicles | 334,859 |
| Other Employee Related Expenses | 37,815 |
| Material (including Stores Loading and Lobby Stock) | 30,753 |
| Carrying Charge through March 31, 2022 | <u>466,394</u> |
| Actual Storm Reserve Balance March 31, 2022 (rounded) | <u>\$ 6,045,040</u> |

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,859,241

Documentation from the August 4, 2020 major storm, totaling \$2,859,241 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected forty invoices to review, totaling \$1,173,982 or 41% of the total amount in external contractors, vendors, mutual aid expenses, and procurement card charges. The following describes a summary of the expenses incurred, per expense category:

| | |
|---|---------------------|
| Contractor | \$ 2,002,262 |
| Vegetation | 581,790 |
| Mutual Aid | - |
| Procurement Card | 140,754 |
| Environmental | 57,033 |
| Traffic Control / Police Services | 69,775 |
| Food and Lodging | 7,305 |
| Material | 322 |
| Other | - |
| Total Ext Contractors/Vendors, Mutual Aid, and Procurement Cards (rounded) | <u>\$ 2,859,241</u> |

Contractor

A total of \$2,002,262 in Contractor charges was recorded on the storm reserve account. Audit selected nine invoices, totaling \$942,617 or 47% of the contractor expense, to review in detail. Of the invoices reviewed, services were provided from the following companies: Cianbro Corp., Green Mountain Power, Harlan Electric, IC Reed, JCR Construction, Levasseur Electric, Michels Power, Par Electric, and Phillips Brothers Electric. Charges were for labor, equipment, and meals needed for the restoration of power. The Company submitted corresponding Labor Billing Reports, including the employee name, date and hourly rate for the working hours. Audit verified the dates of the invoices and the totals were confirmed.

Vegetation

Charges totaling \$581,790 were recorded to the storm cost reserve for Vegetation services provided during the August 4th major storm. Twelve invoices were reviewed by Audit, totaling \$135,197 or 23% percent of the total Vegetation invoices charged to the storm. All sampled vegetation services invoices were provided by Asplundh Tree, John Brown & Sons, Lewis Tree, and Northern Tree. Audit reviewed the weekly operations reports, including the dates of service and the work order numbers. No exceptions were noted.

Procurement Card

The August 4th major storm reported Procurement Card expenses totaling \$140,754 and consisting of two categories: Food and Lodging and Material. The following depicts the Procurement Card Summary of Expenditures by Description:

| | |
|-----------------------------------|-------------------|
| Food and Lodging | \$ 138,539 |
| Material | <u>2,216</u> |
| Total Procurement Cards (rounded) | <u>\$ 140,754</u> |

Audit selected eleven charges for review, totaling \$36,432 or 26% of the Procurement Card transactions. The Company provided copies of receipts and/or invoices in support of the selected charges. Reviewed invoices included expenses for lodging, meals, and materials purchased during the 08/04/2020 major storm. Audit verified the dates of the receipts, as well as the total charged. Two exceptions were noted:

Holiday Inn – Audit reviewed an invoice from the Holiday Inn, as support for a \$3,769 charge to the storm cost reserve. The arrival and departure dates on the invoice were recorded as 10/17/2020 and 10/18/2020, respectively; thereby, post-dating the August 4th major storm.

AUDIT ISSUE #1

Super 8 Motels – Audit reviewed room accommodation invoices from the Super 8 Tilton Motel, as support for a \$3,089 charge to the storm cost reserve. The arrival and departure dates on the invoices were recorded as 10/17/2020 and 10/18/2020, respectively; thereby, post-dating the August 4th major storm. **AUDIT ISSUE #1**

Environmental

Ten invoices, totaling \$57,033, were charged to the storm reserve under the category of Environmental services. Audit reviewed two invoices from Clean Harbors, totaling \$29,440 or 52% of the Environmental expenses. Services provided included bulk disposal and disposal to ESMI. Audit verified the dates of the services provided, as well as the total cost of the invoice. No exceptions were noted.

Traffic Control / Police Services

Charges for traffic control and police services totaled \$69,775 during the August 4th major storm. Audit reviewed three invoices, from New England Traffic Control and ADA Traffic Control, totaling \$26,851 or 38% of the traffic control and police services rendered. Services provided included flaggers for traffic. Audit noted the date of the invoice and the amount charged. No exceptions were noted.

Food and Lodging

There was \$7,305 in food and lodging expenses recorded to the storm cost reserve for the August 4th major storm. Audit reviewed three invoices, totaling \$3,446 or 47% of the food and lodging expenses, where charges incurred were for meals. Audit verified the date of the invoice, as well as the total amount charged. One exception was noted:

T-Bones of Derry – Audit reviewed an invoice from T-Bones Restaurant, totaling \$1,314 in meals charges. The Company stated that, “Upon review of the invoices for the selections in the MS20G006 storm event on 08/04/2020, one invoice (TBONESRE-000 – \$1,313.50) was identified as having \$161.78 of charges for storm event SCMN006. The Company is reclassifying this \$161.78 cost out of MS20G006 and to SCMN006 and is not seeking recovery. The Company will recalculate the carrying charge for MS20G006 to reflect the adjustment.”

AUDIT ISSUE #1

Direct Labor (PSNH and other Eversource Companies) \$2,211,845

| | |
|-----------------------|---------------------|
| PSNH | \$ 2,119,176 |
| PSNH Transmission | 216,214 |
| EESCO | 86,408 |
| Capitalization | <u>(209,953)</u> |
| Storm-Related Payroll | <u>\$ 2,211,845</u> |

The Company provided the Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit noted the method of capturing exempt employee time—as reported on Bates page 000023 of the filed joint testimony of Marisa B. Paruta, Director of New Hampshire Revenue Requirements, and Dean C. Desautels, Manager of Emergency Preparedness—was described in the following statement:

“Exempt employee time is captured and tracked in the same storm account. Since exempt employees are not routinely paid for overtime, this time entry is for tracking purposes only. During the most severe weather events, exempt employees are required to work an extensive number of hours over their typical work week. Depending on the severity of the event, exempt operations supervisory employees are paid for overtime worked during a storm event,

consistent with the Eversource storm pay policy. For exempt employees who do not fall into the operations supervision category or if the ERP level of the event is not met, employees at the level of manager and below may be awarded fixed compensation, referred to as emergency response stipends.”

Audit reviewed thirteen individual employee direct labor charges from the Itemization of Direct Labor spreadsheet. Selections were made for the PSNH, PSNH Transmission, and EESCO companies and represented twelve individual job descriptions. Audit reviewed the confidential supporting timesheets for sampled selections, including the employee ID, title, time code, and week-ending date. An Excel detail report of the employee timesheets was also provided in support of the direct labor charges. Audit noted that there were four employees who had week-ending dates on the Excel detail report that did not correspond to the week-ending date listed on their timesheets; specifically, three employees had a week-ending date of 8/22/20 and one employee with a week-ending date of 2/26/21. The Company explained that, *“In cases where the employee week-end dates provided in the Excel detail file do not match the corresponding timesheet dates, the difference was due to amended timesheets made in the payroll system by the employee when submitting their storm event worked hours.”* Audit verified that the work performed on the sampled employee time sheets was recorded on dates related to the August 4th major storm.

Audit noted that the timesheet for employee ID #003002 reflected pay that totaled \$97 but with no corresponding hours recorded to support the payment. Additional information was requested, as Audit was not able to verify the calculation used in determining the \$97 payment made with 0 hours recorded. The Company explained that, *“[...]employee #003002, a bargaining unit employee, received a 3% pay increase on October 24, 2020, which was effective retroactive to June 1, 2020. Accordingly, the Company paid [employee #003002] the difference between what he was paid at the time of the storm response (August 2020) and what he should have received in pay (3% more, or \$1.17/hour). The differential was paid in [the employee’s] month-end October 2020 paycheck.”* Audit reviewed support from the HR information system that recorded the pay increase for employee #003002, including the effective date of the increase and the due date. Audit recalculated the retroactive salary adjustment of \$97 for employee #003002 and determined that the amount was appropriately charged to the storm work order as the actual cost of his labor during the August 4th major storm.

Audit identified a capitalization adjustment of (\$209,953) listed on the itemization of direct labor report. The following statement—from the joint testimony on Bates page 000016 of the filing—explains the capitalized storm costs that are excluded from the request for recovery of storm restoration costs:

“[...]initially all material and labor are charged to the expense work order established for the event to track costs for the storm event. After the storm, all material charges are reviewed and any units of property are moved to a capital work order, along with the associated labor costs. As a result, the costs submitted in this filing for recovery through rates are exclusive of any capitalized costs incurred to make storm-related repairs. All capital costs are simply reflected within utility plant subject to the ordinary distribution ratemaking process.”

The supporting documentation for the capitalization adjustment of (\$209,953) was requested. The Company provided a Capitalization of Restoration Costs report, detailing their capitalization adjustment calculation. Audit tied the adjustment amount of (\$209,953) to the report and reviewed the accompanying journal entry with no exceptions noted.

Payroll-Related Overheads and Taxes \$104,133

The Company provided the itemized payroll-related overhead amount, totaling \$104,133 for the August 4th major storm event that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR).

Audit requested the calculation for determining the NPT and the PBR. In response, the Company provided the 2020-2021 Loader Rates for the NPT and PBR, as well as an Excel spreadsheet detailing the payroll-related overhead calculations and bases used for each of the 2020-2021 filed major storm and pre-stage weather events.

For all filed major storm and pre-stage events, Audit reviewed the NPT overhead and the PBR, noting that they were calculated based on the direct labor amounts for the companies utilized. For the non-productive time overhead, the individual direct labor amounts were multiplied by the corresponding 2020 overhead rate. The payroll benefits for each division were calculated by taking the Company’s corresponding 2020 overhead rate and multiplying it by the direct labor amount for the specific division. The product is then added to the division’s direct labor amount and then multiplied by the Company’s corresponding 2020 payroll benefit rate. The calculated NPT is then added to the calculated payroll benefits for the total benefits per filed storm. Audit confirmed the NPT overhead and payroll benefits calculations using the 2020 overhead rate.

The following is derived from the NPT overhead and PBR calculation spreadsheet that was submitted by the Company:

| | | |
|---------------------------------|----|----------------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 32,021 |
| Payroll Benefits | | 72,112 |
| Total PSNH Transmission | \$ | 104,133 |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | \$ | - |
| Total EESCO | \$ | - |
| Total Payroll-Related Overheads | \$ | <u>104,133</u> |

The NPT and PBR were confirmed to the 2020 Loader Rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations. No exceptions were noted.

Although Exhibit 4 of the Summary of Storm Costs identified PSNH and EESCO as having Direct Labor amounts totaling \$2,119,176 and \$86,408 respectively, they had no payroll-related overheads or taxes reported. The Company stated that, “*PSNH and EESCO overheads have historically not been transferred to the major storm reserve for cost recovery purposes, only direct labor amounts are transferred to the major storm reserve for cost recovery purposes.*”

Vehicles \$334,859

The total vehicle expense for the August 4th major storm was \$334,859. The following depicts the vehicle charges for the corresponding companies:

| | | |
|--------------------------|----|----------------|
| PSNH | \$ | 303,439 |
| PSNH Transmission | | 30,583 |
| EESCO | | 836 |
| Total Vehicles (rounded) | \$ | <u>334,859</u> |

Vehicle usage amounts were based on allocation. The allocated amounts were charged to PSNH, PSNH Transmission, and EESCO companies for the August 4th major storm. To verify the vehicle cost allocation, Audit requested the calculation of the vehicle allocation amount for each storm event filed. The Company provided an Excel workbook with calculations made by department and vehicle—where the current annual cost of each vehicle in a cluster was applied

in the vehicle allocation calculation—for both the storm or pre-stage monthly vehicle cost, that was allocated to PSNH and its subsidiaries. All of the vehicles were charged based on the vehicle rates and vehicle types, the current annual cost of each vehicle compared with the percentage of the total cost of the fleet, and the sum of the dollars of productive labor including overtime (OT).

Audit requested further explanation of the calculation for vehicle charges to the storm reserve. The Company replied with the following explanation: *“The actual vehicle costs for each subsidiary are accumulated and allocated to departments based on their vehicle complement. The vehicle cost assigned to each department is then allocated at the work order level based on productive labor.”* Audit also confirmed through the Company that, *“Chevin or FleetWave (used interchangeably) is the Fleet software used by the Fleet group to house all information regarding each vehicle (ex. who the vehicle is assigned to, what maintenance is performed, what materials/parts are used etc.). Data is extracted from this system to use in refreshing the clusters twice per year.”*

Audit requested the specific details regarding the vehicle current annual cost. The Company stated that, *“The rates listed in the Excel attachment[...] are set to recoup the annual budget for the Fleet Clearing. These rates are set two times per year, once in January and the second time mid-year. The clearing must be made whole at the end of the year (i.e., cleared to zero); therefore, the actual costs must be allocated in full to those operational areas that are assigned vehicles. The vehicles are assigned to a CCC [Cost Control Center], we develop vehicle clusters to group ‘like’ areas together[...] and the] clusters are weighted by percent, using the estimated annual cost to maintain the vehicles. The clusters are then assigned a percentage of the whole and depending upon the ‘actuals’ charged to the clearing each month, determines the portion of costs assigned to that cluster. The distribution of the costs then looks at source labor and is loaded to the actual labor costs and follows the employees using those vehicles as they charge work orders.”*

Audit reviewed the vehicle allocation calculations and supporting Excel worksheets submitted by the Company. The calculation method for the vehicle charges includes the following steps: the Cost Centers are assigned vehicles and then Source Cost Center clusters are developed, which are groupings of Cost Centers with a like complement of vehicles (e.g. OH/UG lines, engineering, constructions, meters, etc.). Then, the total cost of the fleet for each cluster grouping is determined, based upon the current annual cost of each vehicle in that cluster. Each cluster’s percentage of the total cost of the fleet for that entity is determined. The cost center’s allocation percentage of the total cluster is then driven by the sum of the dollars of productive labor, including OT, but excluding non-productive and premium pay. The Cost Center’s labor

was used to allocate costs, using eligible work orders charged by each Source Cost Center to determine the number of labor dollars as a percentage of the total labor dollars in that cluster.

The vehicle costs are accumulated in FERC account 184010 by entity and will be cleared monthly according to the percentage applied to each cluster. The Company explained that the vehicle allocation process will run the 2nd workday of the month after all payroll charges have been recorded and the process allocates the current month's expenses. Furthermore, the Company stated that, *"Due to the nature of the allocation process, minimal vehicle charges may remain in the clearing account and will be added to the following month."*

Audit noted that the vehicle allocation calculation spreadsheet included a column showing the variance between the total vehicle amount manually calculated and the system calculated vehicle amount. The Company explained that, *"The manual calculation gets you close [to the actual allocation] and proves out the process behind the system allocation calculation, but there is a slight variance because there are some true-ups for previous months that happen as part of the system process."*

Audit examined the Excel worksheets provided by the Company, detailing the 2020 and 2021 labor and vehicle allocation, based on vehicle percentage of usage within the specific company, as well as the annual cost of each vehicle within the cluster grouping. Companies used throughout the filed storm events' vehicle allocation process include PSNH, PSNH Transmission, CL&P, EESCO, NSTAR Electric, and WMECO Distribution. For the vehicle allocation process, Audit requested the vehicle types for each fleet within the cluster groupings indicated on the vehicle allocation spreadsheets, as well as details regarding the vehicle rates. The Company stated that, *"The current vehicle list price rates are refreshed coincident with the vehicle cluster refresh. The Company revises the annual estimated rate using the forecasted budget as a marker for how much the Fleet will cost annually[.] The composition of the inventory of vehicles and their assigned CCCs change twice per year when the Company extracts revised data (maintenance performed, who is assigned to the vehicle, the vehicles sold, bought, auctioned etc.); therefore, each vehicle price is revised accordingly."* The Company also provided a spreadsheet with the listing of vehicles, as well as the 2020 and 2021 vehicle rates by type and class, with the calculation of the cluster percentages. Audit tested samples of the vehicle cluster grouping amounts—that comprised the total vehicle expense of \$334,859—from PSNH and its subsidiaries and then confirmed the total vehicle cost charged to the storm reserve account for the August 4th major storm.

Other Employee-Related Expenses \$37,815

The Employee-Related Expenses for the 8/4/20 major storm totaled \$37,815. The following represents the Summary of Expenditures by Company:

| | |
|---------------------------------------|------------------|
| PSNH | \$ 27,017 |
| PSNH Transmission | 6,002 |
| EESCO | <u>4,796</u> |
| Total Other Employee-Related Expenses | <u>\$ 37,815</u> |

The Company provided a spreadsheet showing the amount of employee-related expenses by expense description and sorted by company. Audit selected five items from the journal, meals, mileage, miscellaneous, and transportation expense categories within PSNH, PSNH Transmission, and EESCO. The per diem policy for contractual meals compensated to employees was reviewed, stating that, *“For a day worker, [a minor] meal...shall be subject to a \$10.00 maximum payment/reimbursement limitation. For a day worker, [a major] meal...shall be subject to a \$25.00 maximum payment/reimbursement limitation.”* Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Audit requested the calculation for milage charges. The Company explained that, *“Mileage is reimbursed at the applicable IRS rate. For 2021, the IRS rate was 56 cents per mile. For 2020, the IRS rate was 57.5 cents per mile.”*

In support of the charges, the Company provided scanned copies of receipts for meals, as well as the mileage calculation with mileage reimbursement rate. One exception was noted:

PSNH Transportation Expense – Audit requested documentation in support of the \$586 transportation expense that was charged to the storm cost reserve account. The Company replied, stating that, *“Upon reviewing the selected employee expense transactions, the Company is removing the 8/4/2020 MS20G006 – [...] \$586 from the storm cost recovery filing.”* **AUDIT ISSUE #2**

Materials \$30,753

The Company provided a listing of all materials utilized during the August 4th major storm, in the amount of \$30,753, which included their quantities and total cost. Audit selected four materials charges, totaling \$28,976, that were charged to the storm cost reserve account. Documentation was requested in support of the items that were removed from inventory, including the storeroom location of the items removed. A spreadsheet detailing the materials’ description, their quantities, cost, issue date, and corresponding storeroom locations was provided.

Regarding the costs associated with capitalized materials, Audit reviewed the Storm Capitalization Model including the calculation of the capital adjustment, which is the O&M portion of the costs associated with work orders where adjustments were made to the storm costs to include those O&M amounts as they were attributable to the storm event. Audit reviewed the

detailed journal entry and verified that the recorded capitalization adjustment calculation of (\$50,288) was appropriately removed from the materials expense.

12/05/2020 Major Storm Event MS20N006 \$22,001,683

The December 5th major storm included the issuance of a Winter Storm Warning for all of New Hampshire, including a forecast of snow accumulations greater than eight inches. Bates page 000034 of the filing depicted a table that identified a total of 2,044 reported troubles during the storm event, including 1,175 outages-at-peak. Audit reviewed the supporting Outage Management Troubles Report, provided by the Company. The first outage trouble was dispatched on December 5th at 8:02 AM and the final restoration time was reported on December 8th at 1:27 PM. Audit sampled additional trouble events from the report and verified the onsite date and time, the cause and location, and the restoration date and time. Audit read the notes that detailed the cause of the power outage, verifying that much of the reported troubles were due to tree and/or limb interference with the power lines. No exceptions were noted.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and thereby subject to the recovery of the storm restoration costs through the MSCR. Refer to the *Qualifying Criteria for Recovery of Authorized Storm-Related Costs* section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The provided Attachment Exhibit 1 depicts a summary of the 12/05/20 major storm costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

| | |
|---|----------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 17,108,450 |
| Direct Labor (PSNH and other Eversource Companies) | 2,702,976 |
| Payroll Related Overheads and Taxes | 435,005 |
| Vehicles | 383,338 |
| Other Employee Related Expenses | 55,586 |
| Material | <u>49,976</u> |
| Total Storm Cost Transferred to Reserve (rounded) | <u>\$ 20,735,332</u> |
| Carrying Charge through March 31, 2022 | <u>\$ 1,266,351</u> |
| Actual Storm Reserve Balance March 31, 2022 | <u>\$ 22,001,683</u> |

External Contractors, Mutual Aid and Procurement Cards \$17,108,450

Documentation from the December 5, 2020 major storm was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 40 invoices,

totaling \$5,090,411 or 30%, of the contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

| | |
|--|----------------------|
| Contractor | \$ 15,267,251 |
| Vegetation | 968,689 |
| Mutual Aid | - |
| Procurement Card | 640,591 |
| Environmental | 22,229 |
| Traffic Control / Police Services | 61,638 |
| Food and Lodging | 141,857 |
| Material | 652 |
| Other | <u>5,542</u> |
| Total Contractors, Mutual Aid, and Procurement Cards (rounded) | <u>\$ 17,108,450</u> |

Contractor

A total of \$15,267,251 in Contractor expenses was recorded on the storm reserve account. Audit selected six invoices, totaling \$3,578,581 or 23% of the total contractor expenses, to review in detail. Charges were for the labor needed to preform power restoration services. Invoices, timesheets, and the Contractor Daily Work Reports were reviewed. Services were rendered from Asplundh Construction, E Holland Contracting, EJ Electric T & D, and Haugland Energy Group. Audit reviewed the invoice date and total with no exceptions noted.

Vegetation

There was \$968,689 in Vegetation services charged to the storm cost reserve for the December 5th major storm. Twenty percent of the total vegetation invoices—totaling \$192,429—was reviewed by Audit, including invoices with the date and amount charged, as well as the accompanying Weekly Operations Reports. No exceptions were noted.

Environmental

Audit reviewed two invoices from Clean Harbors Environmental Services, totaling \$11,843 or 53% of the environmental services expenses. The description on the invoices stated that the amount charged was for general and drum disposal. Audit verified the invoice totals and the dates of services rendered with one exception noted:

Clean Harbors – Audit reviewed an invoice from Clean Harbors, totaling \$6,125 in charges. The Company stated that, “Upon review of the invoices for the selections in the MS20N006 storm event on 12/05/2020, one invoice (CLEANHAEN-003-02 - \$6,125.26) was identified as having \$2,964.31 of charges for storm SCMN0006. The Company is reclassifying

the \$2,964.31 charge out of MS20N006 and to SCMN0006 and is not seeking recovery. The Company will recalculate the carrying charge for MS20N006 to reflect the adjustment.”

AUDIT ISSUE #1

Traffic Control / Police Services

A total expense of \$61,638 in traffic control/police services was recorded during the December 5th major storm. Audit reviewed two invoices, totaling \$21,082 or 34% of the total traffic control/police services charges. Services provided included flaggers and wire guards needed between the dates of 12/6/20 – 12/8/20. One exception was noted:

New England Traffic Control Services – Audit requested the documentation in support of a \$7,889 charge for traffic control services. In response, the Company provided an invoice totaling \$15,778 and explained the amount in the following statement: *“In the MS20N006 storm event on 12/05/2020, one invoice (NEW ENGLAND TRAFFIC CONTR SVCS – \$15,778.14) was erroneously split between two storm events as two separate charges for \$7,889.07. The detail of charges provided in the invoice identify all of the services were provided in storm MS20N006. Fifty percent of the charges were incorrectly booked to storm event MS20M006, which was a wind storm that occurred on 11/2/2020. The Company will reclassify \$7,889.07 out of MS20M006 and to MS20N006 and will recalculate the carrying charge for MS20N006 to reflect the adjustment.”* Audit verified that the additional \$7,889 in charges on the invoice were for flagger and wire guard services provided during the 12/5/20 major storm, between the dates of 12/6/20 – 12/8/20. Audit concurs with the Company to reclass the remaining \$7,889 of the \$15,778 invoice total to the December 5th major storm, work order number MS20N006. **AUDIT ISSUE #1**

Food and Lodging

There was \$141,857 in food and lodging expenses recorded to the storm cost reserve. Audit reviewed four invoices, totaling \$33,440 or 24% of the expense. The dates of the invoices, as well as the total charge, was verified by Audit with no exceptions noted.

Material

There was a \$652 charge made for material that was recorded to the storm cost reserve. Audit reviewed the invoice for the charge and noted one exception:

Standard Register Company – Audit reviewed the invoice provided, in the amount of \$647, and the Company explained the charge in the following statement: *“In the MS20N006 storm event on 12/5/2020, one invoice (STANDARD REGISTER COMPANY – \$651.60) was charged to storm event MS20N006 for an amount that was erroneously overstated. The invoice totaled \$647.39; however, \$651.60 was charged to MS20N006 for a difference of \$4.21. The*

Company will reclassify \$4.21 out of MS20N006 and into a non-storm operating expense work order and will recalculate the carrying charge for MS20N006 to reflect the adjustment.”

AUDIT ISSUE #3

Other

Expenditures categorized as “other” and totaling \$5,542 were charged to the storm cost reserve for services provided during the December 5th major storm. Audit requested the documentation in support of the \$5,542 charge to the storm cost reserve that was described as, “MISC CR Adjustment”. An invoice totaling \$9,313 was provided from Alorica, as well as the outage calls received on 12/6/20 – 12/7/20 and 12/25/20. Audit recalculated the percentage and costs of the calls received in NH between 12/6/20 – 12/7/20, and verified that the calls received on 12/25/20 were excluded from the \$5,542 amount that was charged to the storm cost reserve. No exceptions were noted.

Procurement Card

The total Procurement Card expenses were comprised from the Food and Lodging, Contractor, Material and Miscellaneous categories. The following is the Summary of Expenditures by Description:

| | |
|----------------------------------|-------------------|
| Food and Lodging | \$ 96,885 |
| Contractor | 539,453 |
| Material | 3,154 |
| Miscellaneous | <u>1,100</u> |
| Total Procurement Card (rounded) | <u>\$ 640,591</u> |

Audit selected thirteen invoices to review in detail, totaling \$178,094 or 28% of the total Procurement Card Charges. Invoices reviewed were for meals and lodging provided during the December 5th major storm event. Four exceptions were noted:

American Blue Ribbon – Audit requested documentation in support of a \$3,213 food and lodging expense. The Company provided two credit card receipts, both dated on 7/16/21 and totaling \$3,213, for payment made to American Blue Ribbon Holdings; however, no detailed receipts or invoices were provided to verify the purpose or date of the charges. **AUDIT ISSUE #2**

Courtyard By Marriott – Audit requested documentation in support of a \$25,034 contractor expense. The Company provided a credit card receipt—depicting payments made for room charges between the dates of 12/6/2020 and 12/8/2020—in the amount of \$25,034, as well as the accompanying detailed invoices for room charges. Audit reviewed the itemization for ninety room charges, each in the amount of \$259.42, and recalculated the total expense of

\$23,348. There was no invoice detail provided for the remaining \$1,686 in room charges paid to the Courtyard By Marriott. **AUDIT ISSUE #2**

Hampton Inn – Audit requested documentation in support of a \$14,408 contractor expense. The Company provided the hotel invoices, depicting room charges between the dates of 12/6/2020 and 12/8/2020. Audit recalculated the expense, for a total of \$18,025, and noted that forty-two of the room charges that were made on 12/7/2020—in the amount of \$3,617—were excluded from the \$14,408 expense that was charged to the storm cost reserve. **AUDIT ISSUE #3**

Holiday Inn – Audit requested documentation in support of a \$25,092 contractor expense. The Company provided the hotel invoices, depicting room charges between the dates of 12/6/2020 and 12/8/2020. Audit recalculated the invoices for the total amount of \$25,419, and noted that 108 of the room charges—totaling \$9,535—appeared to be duplicate charges. Audit identified the \$9,535 as duplicate charges, based on review of the room number and the “Folio. No.,” as well as the date and price of the accommodations itemized on the invoice. Audit’s recalculated amount for the invoices, excluding the \$9,535 in duplicate room charges, totaled \$15,884 with a variance of \$9,208 from the \$25,092 charged to the storm cost reserve. **AUDIT ISSUE #3**

Direct Labor (PSNH and other Eversource Companies) \$2,702,976

| | | |
|---------------------------------|----|-------------------------|
| PSNH | \$ | 1,682,942 |
| PSNH Transmission | | 182,291 |
| EESCO | | 222,062 |
| CL&P | | 133,128 |
| CL&P Transmission | | 71,765 |
| NSTAR East | | 629,772 |
| NSTAR West | | 76,451 |
| Capital Adjustment | | <u>(295,434)</u> |
| Storm-Related Payroll (rounded) | \$ | <u><u>2,702,976</u></u> |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected twenty-three individual employee direct labor charges—from all seven of the companies listed—with seventeen individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. No exceptions were noted.

A capitalization adjustment of (\$295,434) was listed on the itemization of direct labor report. Audit reviewed the Capitalization of Restoration Costs report that was provided by the Company, detailing their capitalization adjustment calculation for the 12/05/2020 major storm. The accompanying journal entry was also reviewed with no exceptions noted. Refer to the *Direct Labor* section of the report, for the *08/04/20 Major Storm Event*, for details regarding the capitalized storm costs excluded from recovery.

Payroll-Related Overheads and Taxes \$435,005

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$435,005 for the December 5th major storm event that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company's calculation of overhead charges, refer to the *Payroll-Related Overheads and Taxes* section of this report within the 08/04/2020 major storm event.

The following totals (rounded) are derived from the NPT overhead and PBR calculation spreadsheet, submitted by the Company:

| | | |
|---------------------------------|----|-----------------------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | <u>-</u> |
| Total PSNH | \$ | <u>-</u> |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 26,935 |
| Payroll Benefits | | <u>53,381</u> |
| Total PSNH Transmission | \$ | <u>80,314</u> |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | <u>-</u> |
| Total EESCO | \$ | <u>-</u> |
| CL&P | | |
| Non-Productive Time Overhead | \$ | 20,036 |
| Payroll Benefits | | <u>58,508</u> |
| Total CL&P | \$ | <u>78,544</u> |
| CL&P Transmission | | |
| Non-Productive Time Overhead | \$ | 10,799 |
| Payroll Benefits | | <u>31,552</u> |
| Total CL&P Transmission | \$ | <u>42,351</u> |
| NSTAR East | | |
| Non-Productive Time Overhead | \$ | 117,487 |
| Payroll Benefits | | <u>90,987</u> |
| Total NSTAR East | \$ | <u>208,474</u> |
| NSTAR West | | |
| Non-Productive Time Overhead | \$ | 14,272 |
| Payroll Benefits | | <u>11,050</u> |
| Total NSTAR West | \$ | <u>25,322</u> |
| Total Payroll-Related Overheads | \$ | <u><u>435,005</u></u> |

Audit confirmed the NPT and PBR to the 2020 and 2021 Loader Rates provided by the Company, as well as the calculations made for the payroll-related overheads. A \$(15) variance between total benefits amount filed of \$435,005 and the calculation of \$435,020 was noted and Audit deemed the amount as immaterial.

Refer to the 08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Audit noted that the direct labor amounts for PSNH Transmission and NSTAR East, for the 12/5/2020 major storm event, also included January 2021 totals. Audit questioned the inclusion of the January 2021 direct labor amounts for the December 5th major storm. The Company explained with the following statement: *“Generally, the payroll related overheads for all storms in this filing fall within a one-month timeframe surrounding the storm event. Anytime up to a three-month window is appropriate because there is continuing work after the actual storm event concludes to make permanent repairs to damage that occurred during the actual storm event. In addition, there are times when payroll adjustments are made to reflect timesheet revisions that result in adjustments to payroll related overheads in months after the actual storm event.”*

Vehicles \$383,338

The vehicle expense for the December 5th major storm totaled \$383,338. The following vehicle charges were identified by company:

| | | |
|--------------------------|----|----------------|
| PSNH | \$ | 245,185 |
| PSNH Transmission | | 32,518 |
| EESCO | | 3,486 |
| CL&P | | 16,007 |
| CL&P Transmission | | 9,252 |
| NSTAR East | | 62,021 |
| NSTAR West | | 14,870 |
| Total Vehicles (rounded) | \$ | <u>383,338</u> |

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, EESCO, CL&P, CL&P Transmission, NSTAR East, and NSTAR West. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary. Audit then verified the total vehicle cost of \$383,338 that was charged to the storm reserve account for the December 5th major storm. Refer to the Vehicles section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding details in the calculation process of the vehicle usage amounts.

Audit noted a (\$102,859) variance between the calculated vehicle expense of \$486,197 and the filed vehicle expense of \$383,338. The Company explained that, *“For storm event MS20N006 on 12-5-2020, the capitalized vehicle amount in the month of March for \$(102,859.38) was not included in the spreadsheet provided in the original response AR-004 as the query used to generate the original response was for a time period through February 2022[...]However, the Company appropriately included the capitalized vehicle amount as a reduction to the storm costs requested for recovery, reducing the total vehicle expense included in MS20N006 from \$486,197 to \$383,338.”* Audit reviewed the Vehicle Allocation Detail

spreadsheet, provided by the Company, and confirmed the vehicle cost allocations that were moved out of the work order MS20N006 for the December 5th major storm.

Other Employee-Related Expenses \$55,586

The Employee-Related Expenses for the 12/5/2020 major storm totaled \$55,586. The following represents the Summary of Expenditures by Company:

| | |
|---------------------------------------|------------------|
| PSNH | \$ 21,516 |
| PSNH Transmission | 5,522 |
| EESCO | 10,192 |
| CL&P | 4,618 |
| CL&P Transmission | 1,570 |
| NSTAR East | 9,992 |
| NSTAR West | <u>2,176</u> |
| Total Other Employee-Related Expenses | <u>\$ 55,586</u> |

The Company provided a spreadsheet detailing the amount of employee-related expenses by expense description and sorted by company. Audit selected eight items from the meals, mileage, and miscellaneous expense categories within PSNH, PSNH Transmission, EESCO, CL&P, CL&P Transmission, NSTAR East and NSTAR West. Invoices and receipts were reviewed, including the dates and total amount charged. Purchases were for materials and meals. Each of Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Refer to the *Other Employee-Related Expenses* section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding the contractual meals policy.

Materials \$49,976

The Company provided a listing of all materials utilized during the December 5th major storm, in the amount of \$49,976, which included their quantities and total cost. Audit selected three materials charges, totaling \$11,255, that were charged to the storm cost reserve account. Documentation was requested in support of the items that were removed from inventory, including the storeroom location of the items removed. A spreadsheet detailing the materials’ description, their quantities, cost, issue date, and corresponding storeroom locations was provided. No exceptions were noted.

Audit reviewed the Storm Capitalization Model, as well as the detailed journal entry, and verified that the recorded capitalization adjustment calculation of (\$71,025) was appropriately removed from the materials expense. Refer to the *Materials* section within the 8/4/20 Major Storm Event MS20G006 for details regarding the capitalization of restoration material costs.

12/16/20 Pre-Stage Event EXPSTGE0 \$193,122

Order No. 25,465, issued on February 26, 2013, of Docket No. DE 12-320 states that, “For weather events having a ‘high’ probability, that is, greater than 60% of reaching EEI Level 3, pre-staging costs would be charged to the MSCR.” Bates page 000035 of the filing included the weather forecast from December 15th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast for 12/15/20 was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation greater than 8 inches, in the Eastern and Southern regions of the state. The forecast for 12/16/20 was updated to include a “high” probability (i.e. greater than 60%) of reaching EEI Level 4—as determined by snow accumulation greater than 12 inches for the Central, Eastern, and Southern, regions of the state—with an EEI Level 3 for snow accumulation in the Western region of the state.

Audit confirmed that the December 16th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The provided Attachment Exhibit 1 depicts a summary of the 12/16/20 pre-staging costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

| | | |
|---|----|-----------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ | 128,811 |
| Direct Labor (PSNH and other Companies) | | 37,537 |
| Payroll Related Overheads and Taxes | | 3,352 |
| Vehicles | | 11,228 |
| Other Employee-Related Expenses | | 696 |
| Materials | | - |
| Total Storm Cost Transferred to Reserve | \$ | <u>181,625</u> |
| Carrying Charge through March 31, 2022 | \$ | <u>11,497</u> |
| Actual Storm Reserve Balance March 31, 2022 (rounded) | \$ | <u><u>193,122</u></u> |

External Contractors/Vendors, Mutual Aid and Procurement Cards \$128,811

Documentation from the December 16th pre-stage weather event, totaling \$128,811 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected six invoices for review from the total contractors/vendors, mutual aid and procurement card charges.

Summary of Expenditures by Description:

| | |
|--|------------|
| Contractor | \$ 128,013 |
| Vegetation | - |
| Mutual Aid | - |
| Procurement Card | 221 |
| Environmental | - |
| Traffic Control / Police Services | 578 |
| Food and Lodging | - |
| Material | - |
| Other | - |
| Total External Contractors / Vendors, Mutual Aid, and Procurement Cards (rounded) | \$ 128,811 |

Contractor

A total of \$128,013 in contractor expenses was recorded on the storm reserve account. Audit selected four amounts, totaling \$40,078 or 31% of the contractor expense, to review in detail. Charges were for the labor needed for storm restoration services. The invoice, the Contractor Daily Work Report and time sheet were reviewed by Audit, including the date of the work performed and/or the work order number, as well as the billable hours. No exceptions were noted.

Procurement Card

The total Procurement Card expense of \$221 was for Food and Lodging charges. The following is the Summary of Expenditures by Description:

| | |
|-------------------------|--------|
| Food and Lodging | \$ 221 |
| Contractor | - |
| Material | - |
| Miscellaneous | - |
| Total Procurement Cards | \$ 211 |

Audit selected one invoice from the food and lodging category, totaling \$157 or 71% of the procurement card expenses, to review in detail. Audit confirmed the date of the invoice, as well as the total, with no exceptions noted.

Traffic Control / Police Services

Expenditures were made for traffic control and police services that totaled \$578 and consisted of two invoices. Audit reviewed one invoice, in the amount of \$358 or 62% percent of the total expense. Charges incurred were from the New England Traffic Control Services for two officers needed on standby.

Direct Labor (PSNH and other Eversource Companies) \$37,537

| | | |
|---------------------------------|----|--------|
| PSNH | \$ | 28,645 |
| PSNH Transmission | | 7,597 |
| EESCO | | 1,294 |
| Storm-Related Payroll (rounded) | \$ | 37,537 |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected thirteen individual employee direct labor charges—from all three of the companies listed—with nine individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. No exceptions were noted.

Payroll-Related Overheads and Taxes \$3,352

The Company provided the itemized payroll-related overhead amount, totaling \$3,352 for the December 16th pre-stage weather event, that was charged to the storm cost reserve and reported within the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR). Refer to the 08/04/2020 major storm’s *Payroll-Related Overheads and Taxes* section of this report for details on how the Company calculated the overhead charges.

The following is derived from the NPT overhead and PBR calculations that were submitted by the Company:

| | | |
|---------------------------------|----|-------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 1,125 |
| Payroll Benefits | | 2,227 |
| Total PSNH Transmission | \$ | 3,352 |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total EESCO | \$ | - |
| Total Payroll-Related Overheads | \$ | 3,352 |

Audit confirmed the NPT and PBR to the 2020 Loader rates provided by the Company. Audit verified the accuracy of the payroll-related overhead calculations with no exceptions noted. Refer to the 08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$11,228

The total vehicle expense for the December 16th pre-stage weather event was \$11,228. The following vehicle charges were broken down by entity:

| | |
|-------------------|-------------------------|
| PSNH | \$ 9,280 |
| PSNH Transmission | <u>1,948</u> |
| Total Vehicles | <u><u>\$ 11,228</u></u> |

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit tested a sample of the vehicle cluster grouping amounts—that comprised the total vehicle expense of \$11,228—and then confirmed the total vehicle cost charged to the storm reserve account for the December 16th pre-stage weather event. No exceptions were noted. Refer to the *Vehicles* section of the report, for the *08/04/20 Major Storm Event MS20G006*, regarding details in the calculation process of the vehicle expense.

Other Employee-Related Expenses \$696

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the December 16th pre-stage weather event:

| | |
|---------------------------------------|----------------------|
| PSNH | \$ 696 |
| PSNH Transmission | - |
| EESCO | <u>-</u> |
| Total Other Employee-Related Expenses | <u><u>\$ 696</u></u> |

The Company provided a spreadsheet showing the amount of employee-related expenses by expense description and sorted by company. There were forty-nine individual charges, totaling \$696 for the other employee-related expense that was charged to the storm cost reserve. Of the forty-nine items, only one of them was for an amount that was greater than \$25. Audit selected the one item, totaling \$42 from the Meals expense category, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The meals receipt for the \$42 was reviewed, including the date and total amount charged. Audit noted that there were forty-two contractual meals for amounts of either \$10, \$20, or \$25. Audit confirmed the individual employee to the number of contractual meals provided and calculated the total amount

expensed. Refer to the *Other Employee-Related Expenses* section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding the contractual meals policy.

02/01/21 Pre-Stage Event EXPSTGA1 \$1,664,185

Bates page 000039 of the filing included the weather forecast from February 1st, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation greater than 8 inches, in the Central, Eastern, Southern, and Western regions of the state. Audit confirmed that this weather event qualified for the recovery of pre-staging costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320. A summary of the pre-stage cost recovery qualifications is located within the *Qualifying Criteria for Recovery of Authorized Storm-Related Costs* section of this report.

Audit was provided with Exhibit 1, which summarized the costs for the February 1, 2021 pre-stage event as follows:

| | |
|---|----------------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 1,444,069 |
| Direct Labor (PSNH and other Eversource Companies) | 79,389 |
| Payroll Related Overheads and Taxes | 5,892 |
| Vehicles | 39,335 |
| Other Employee Related Expenses | <u>10,058</u> |
| Total Storm Cost Transferred to Reserve | <u>\$ 1,578,743</u> |
| Carrying Charge through March 31, 2022 | <u>85,442</u> |
| Actual Storm Reserve Balance March 31, 2022 | <u><u>\$ 1,664,185</u></u> |

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,444,069

Documentation from the February 1st pre-stage weather event, totaling \$1,444,069 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. The following represents the summary of expenditures by description:

| | | |
|---|----|--------------|
| Contractor | \$ | 1,322,759 |
| Vegetation | | 105,497 |
| Mutual Aid | | - |
| Procurement Card | | 6,440 |
| Environmental | | - |
| Traffic Control / Police Services | | 1,100 |
| Food and Lodging | | 8,274 |
| Material | | - |
| Other | | - |
| Rounded Total Contractors / Vendors, Mutual Aid, and Procurement Cards (rounded) | | \$ 1,444,069 |

Audit selected seventeen invoices for review, totaling \$907,590 or 63% of the total contractors/vendors, mutual aid and procurement card charges. Invoices and copies of receipts supporting the charges were provided by the company.

Contractor

A total of \$1,322,759 in contractor expenses was recorded on the storm cost reserve account. Audit selected three invoices, totaling \$868,154 or 66% of total contractor expenses, to review in detail. Invoices and the accompanying Contractor Daily Work Report were reviewed by Audit, including the invoice total, the date of the work performed and/or the work order number.

Vegetation

There was \$105,497 in Vegetation services charged to the storm cost reserve for the February 1st pre-stage weather event. Twenty-five percent of the vegetation expense, totaling \$26,513, was reviewed by Audit, including the invoices and accompanying Weekly Operations Reports. The vegetation services reviewed were provided by Asplundh Tree, Lewis Tree, Norther Tree, and Urban Tree. No exceptions were noted.

Procurement Card

The 2/1/21 pre-stage event procurement card expenses totaled \$6,440 and were categorized as Food and Lodging charges, as well as material charges. The following depicts the Procurement Card Summary of Expenditures by description:

| | | |
|-------------------------|----|----------|
| Food and Lodging | \$ | 6,407 |
| Contractor | | - |
| Material | | 33 |
| Miscellaneous | | - |
| Total Procurement Cards | | \$ 6,440 |

Audit selected three amounts, totaling \$4,338 or 67% of the total procurement expense, to review in detail. An invoice and accompanying receipts were reviewed for meals provided during the February 1st pre-stage storm event. Two exceptions were noted:

Subway – Audit requested documentation in support of two food and lodging charges, both from Subway, in the amounts of \$1,978 and \$1,319. No documentation was provided to support either charge. **AUDIT ISSUE #2**

Traffic Control / Police Services

Charges for traffic control and police services totaled \$1,100 and consisted of one invoice. Audit reviewed the invoice from the New England Traffic Control, as well as the accompanying Daily Time Sheets. Services provided on 2/2/2021 included ten officers for “storm duty”.

Food and Lodging

A total of \$8,274 in food and lodging charges was expensed to the storm cost reserve. Audit reviewed one invoice from E. Holland Contracting, totaling \$7,484 or 90% of the food and lodging expense. Charges were for meals at a per diem rate of \$20 per employee/per meal. No exceptions were noted.

Direct Labor (PSNH and other Eversource Companies) \$79,389

| | | |
|------------------------------|----|----------------------|
| PSNH | \$ | 61,784 |
| PSNH Transmission | | 14,269 |
| EESCO | | 3,253 |
| Eversource Gas Company of MA | | <u>83</u> |
| Total Direct Labor | \$ | <u><u>79,389</u></u> |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected nineteen individual employee direct labor charges—from all four of the companies listed—with sixteen individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. No exceptions were noted.

Payroll-Related Overheads and Taxes \$5,892

The Company provided the itemized payroll-related overhead amount, totaling \$5,892 for the 02/01/2021 pre-stage weather event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR). Refer to the 08/04/2020

major storm’s *Payroll-Related Overheads and Taxes* section of this report for the details regarding the Company’s calculation of overhead charges. The following totals (rounded) are derived from the NPT overhead and PBR calculations that were submitted by the Company:

| | | |
|------------------------------------|----|-------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 1,859 |
| Payroll Benefits | | 3,980 |
| Total PSNH Transmission (rounded) | \$ | 5,840 |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total EESCO | \$ | - |
| Eversource Gas Company of MA | | |
| Non-Productive Time Overhead | \$ | 15 |
| Payroll Benefits | | 38 |
| Total Eversource Gas Company of MA | \$ | 53 |
| Total Payroll-Related Overheads | \$ | 5,892 |

The NPT and PBR were confirmed to the 2021 Loader Rates. Audit verified the accuracy of the payroll-related overhead calculations with no exceptions noted. Refer to the 08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$39,335

The total vehicle expense for the February 1st pre-stage weather event totaled \$39,335. The following vehicle charges were identified by company:

| | | |
|-------------------|----|--------|
| PSNH | \$ | 36,869 |
| PSNH Transmission | | 2,466 |
| Total Vehicles | \$ | 39,335 |

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit tested samples of the vehicle cluster grouping amounts—that comprised the total vehicle expense of \$39,335—from PSNH and PSNH Transmission and then confirmed the total vehicle cost charged to the storm reserve account for the February 1st pre-stage weather event. Refer to the

Vehicles section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding details in the calculation process of the vehicle usage amounts.

Other Employee-Related Expenses \$10,058

The Company provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total of Other Employee-Related Expenses for the February 1st pre-stage storm event:

| | |
|---|-------------------------|
| PSNH | \$ 9,831 |
| PSNH Transmission | 186 |
| EESCO | <u>40</u> |
| Total Other Employee-Related Expenses (rounded) | <u><u>\$ 10,058</u></u> |

Audit selected one item, totaling \$8,642, from the meals expense category within PSNH. The Company provided a copy of the invoice from City Moose Café and Catering for 275 breakfasts, plus a service fee and gratuity. Audit verified the date and amount of the invoice with no exceptions noted.

02/15/2021 Pre-Stage Event EXPSTGB1 \$1,078,203

Bates page 000042 of the filing included the weather forecast from February 13th, as outlined in summaries provided by the DTN. According to the Schneider Electric Event Index Definition, the weather forecast was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation greater than 8 inches, in the Northern and Western regions of the state. Bates page 000043 of the filing included a forecast for 2/15/21, which identified only the Northern region as having a “high” probability (i.e. greater than 60%) of reaching EEI Level 3 for snow accumulation. Audit confirmed that the February 15th pre-stage weather event met the required criteria, as identified in Order No. 25,465, to qualify for the recovery of “pre-staging” costs. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The provided Attachment Exhibit 1 depicts a summary of the 2/15/21 pre-stage event costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

| | |
|---|---------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 848,841 |
| Direct Labor (PSNH and other Eversource Companies) | 100,797 |
| Payroll Related Overheads and Taxes | 3,333 |
| Vehicles | 71,406 |
| Other Employee Related Expenses | 1,698 |
| Material | - |
| Total Storm Cost Transferred to Reserve | <u>\$ 1,026,075</u> |
| Carrying Charge through March 31, 2022 | <u>\$ 52,128</u> |
| Actual Storm Reserve Balance March 31, 2022 | <u>\$ 1,078,203</u> |

External Contractors, Mutual Aid and Procurement Cards \$848,841

Documentation from the February 15, 2021 pre-stage event, totaling \$848,841 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit reviewed ten invoices, totaling \$262,584, or 31% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

| | |
|--|-------------------|
| Contractor | \$ 821,087 |
| Vegetation | 606 |
| Mutual Aid | - |
| Procurement Card | 16,785 |
| Environmental | - |
| Traffic Control / Police Services | - |
| Food and Lodging | 10,163 |
| Material | - |
| Other | 200 |
| Total Contractors, Mutual Aid, and Procurement Cards | <u>\$ 848,841</u> |

Contractor

A total of \$821,087 in Contractor amounts was recorded on the storm reserve account. Audit selected five invoices, totaling \$247,078, or 30% of total contractor expenses, to review in detail. Audit reviewed the individual invoices and accompanying Contractor Daily Work Reports and/or timesheets, noting the total amount and date.

Vegetation

Expenditures totaling \$606 were charged to the storm reserve for vegetation services provided during the February 15th pre-stage event. Audit reviewed one invoice, totaling \$412 or 68% of the vegetation expense. Charges were from Lewis Tree for labor needed as standby for possible power restoration. The work order number and date on the Weekly Operations Reports, as well as the total amount charged was verified.

Procurement Card

The Procurement Card expenses for the 02/15/21 pre-stage event totaled \$16,785. The following depicts the summary of expenditures by description:

| | | |
|-------------------------|-----------|---------------|
| Food and Lodging | \$ | 430 |
| Contractor | | - |
| Material | | 16,355 |
| Miscellaneous | | - |
| Total Procurement Cards | <u>\$</u> | <u>16,785</u> |

Audit selected two invoices to review in detail, totaling \$15,506 or 92% of the entire procurement card expense. Invoices reviewed were for meals provided from City Moose Café and Catering, as well as Tuckers Restaurant in Hooksett. Audit verified the total amount and date of the invoices. No exceptions were noted.

Food and Lodging

Audit selected two expenses to review in detail, totaling \$5,941 or 58% of the entire Food and Lodging expense. Charges were for employees’ meals, including meals at a per diem rate of \$20 per person/per meal. No exceptions were noted.

Other

Expenditures categorized as “other” and totaling \$200 were charged to the storm reserve for services provided during the February 15th pre-stage event. Audit reviewed the only invoice, from Grattan Line Construction. Charges were for five employees’ meals at a per diem rate of \$20 per person/per meal. The Company noted that the charges “*should be [for] the Meals/Lodging cost element*”. Audit understands that classifying the meals charge of \$200 under the “other” cost element will not impact the amount that was charged to the storm cost reserve for the February 15th pre-stage event.

Direct Labor (PSNH and other Eversource Companies) \$100,797

The direct labor expenses totaled \$100,797 for the 02/15/2021 pre-stage weather event. The following depicts the summary of direct labor costs by company:

| | | |
|--------------------|-----------|----------------|
| PSNH | \$ | 89,712 |
| PSNH Transmission | | 8,144 |
| EESCO | | 2,941 |
| Total Direct Labor | <u>\$</u> | <u>100,797</u> |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected fifteen individual employee direct labor charges—from all three of the companies

listed—with eleven individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. No exceptions were noted.

Audit noted a \$30 variance between the direct labor charges for employee ID #104264, in the amount of \$1,031, and Audit’s re-calculation total of \$1,001. The Company provided an updated salary and stated that the salary originally provided as support for this employee’s direct labor charge “*was not the updated salary as of the storm event on 2/16/2021.*” Audit reviewed the pay change history on the compensation report for employee ID #104264 and recalculated the direct labor charge to reflect the updated salary with no exceptions noted.

Payroll-Related Overheads and Taxes \$3,333

The Company provided the itemized payroll-related overhead amount, totaling \$3,333 for the 02/15/2021 pre-stage weather event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR). Refer to the Payroll-Related Overheads and Taxes section, of the 08/04/2020 major storm event, for detail regarding the Company’s calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

| | | |
|---------------------------------|----|--------------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 1,061 |
| Payroll Benefits | | 2,272 |
| Total PSNH Transmission | \$ | 3,333 |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total EESCO | \$ | - |
| Total Payroll-Related Overheads | \$ | <u>3,333</u> |

The NPT and PBR were confirmed to the 2021 Loader Rates. Audit verified the accuracy of the payroll-related overhead calculations with no exceptions noted. Refer to the

08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$71,406

The vehicle expense for the February 15th major storm totaled \$71,406. The following vehicle charges were identified by company:

| | |
|--------------------------|-------------------------|
| PSNH | \$ 69,865 |
| PSNH Transmission | <u>1,541</u> |
| Total Vehicles (rounded) | <u><u>\$ 71,406</u></u> |

Vehicle usage amounts were recorded for PSNH and PSNH Transmission. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary. Audit tested a sample of the vehicle cluster grouping amounts from both PSNH and PSNH Transmission. Audit then verified the total vehicle cost of \$71,406 that was transferred to the storm reserve account for the February 15th pre-stage weather event. Refer to the *Vehicles* section of the report—for the *08/04/20 Major Storm Event MS20G006*—regarding details in the calculation process of the vehicle usage expense.

Other Employee-Related Expenses \$1,698

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the February 15th pre-stage weather event:

| | |
|---------------------------------------|------------------------|
| PSNH | \$ 1,109 |
| PSNH Transmission | 286 |
| EESCO | <u>303</u> |
| Total Other Employee-Related Expenses | <u><u>\$ 1,698</u></u> |

Audit selected two charges from the meals and transportation categories within PSNH and EESCO. Documentation was requested in support of the charges. Audit’s selection had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. The Company provided scanned copies of a \$110 receipt for meals, as well as two invoices for hotel reservations made between the dates of 2/15/21 – 2/16/21, in the amount of \$149 and \$155, respectively. No exceptions were noted.

03/01/2021 Major Storm MS21A006 \$6,941,963

The March 1st major storm included the forecast of wind speeds greater than 30 mph and wind gusts greater than 35 mph. Bates page 000048 of the filing indicated that there was a total of 959 outage events, with 488 outages-at-peak, reported during the March 1st storm. Audit reviewed the supporting Outage Management Troubles Report, provided by the Company. The

first outage trouble was dispatched on March 1st at 6:46 AM and the final restoration time was reported on March 5th at 12:21 AM. Audit sampled additional trouble events from the report and verified the onsite date, the cause and location, and the restoration date. Audit read the notes that detailed the cause of the power outage, verifying that the reported troubles were predominantly due to tree and/or limb interference with the power lines. No exceptions were noted.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

Audit was provided with Exhibit 1, which summarized the costs for the March 1, 2021 major storm event as follows:

| | |
|---|---------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 4,702,785 |
| Direct Labor (PSNH and Other Eversource Companies) | 1,290,439 |
| Payroll Related Overheads and Taxes | 91,691 |
| Vehicles | 426,515 |
| Other Employee Related Expenses | 23,970 |
| Material | <u>61,739</u> |
| Total Storm Cost Transferred to Reserve | <u>\$ 6,597,139</u> |
| Carrying Charge through March 31, 2022 | <u>344,824</u> |
| Actual Storm Reserve Balance March 31, 2022 | <u>\$ 6,941,963</u> |

External Contractors/Vendors, Mutual Aid and Procurement Cards \$4,702,785

Documentation from the March 1st major storm, totaling \$4,702,785 in expenses, was submitted from contractors, vendors, and procurement card charges. Audit selected fifty-six invoices, totaling \$1,190,618 or 25% of the total contractors/vendors, mutual aid, and procurement card expenses to review. The following is the summary of expenditures by description:

| | |
|---|--------------|
| Contractor | \$ 3,796,034 |
| Vegetation | 617,281 |
| Mutual Aid | - |
| Procurement Card | 131,444 |
| Environmental | 42,606 |
| Traffic Control / Police Services | 89,281 |
| Food and Lodging | 26,139 |
| Material | - |
| Other | - |
| Total External Contractors / Vendors and Procurement Cards | \$ 4,702,785 |

Contractor

A total of \$3,796,034 in contractor expenses was recorded to the storm cost reserve account. Audit selected six invoices, in the amount of \$917,770 to review in detail. The contractor services were provided by Cianbro, Evergreen Electric, JCR Construction, Michels Power, MTV Solutions, Sparks Energy, and Tri Wire Line Construction. Audit reviewed the individual invoices and the accompanying Contractor Daily Work Reports, noting the work order number and/or date, as well as the total amount for the service.

Vegetation

Expenditures totaling \$617,281 were charged to the storm reserve for vegetation services provided during the March 1st major storm. Audit reviewed twenty-eight invoices, totaling \$146,732 or 24% of the vegetation expense. Charges were from Asplundh and Lewis Tree for labor and equipment services needed for power restoration. The work order number and/or date on the Weekly Operations Reports, as well as the total amount charged was verified. No exceptions were noted.

Procurement Card

The Procurement Card expenses totaled \$131,444 for the March 1st major storm and consisted of charges in the Food and Lodging, Contractor, Material, and Miscellaneous categories. The following depicts the procurement card summary of expenditures by description:

| | |
|-------------------------|------------|
| Food and Lodging | \$ 89,611 |
| Contractor | 39,842 |
| Material | 1,964 |
| Miscellaneous | 27 |
| Total Procurement Cards | \$ 131,444 |

Audit selected ten invoices, totaling \$41,500 or 32% of the procurement card expense, for further review. The Company provided invoices and receipts in support of charges made for food, lodging, and materials purchased during the March 1st major storm event. One exception was noted:

Red Arrow 24 Hour Diner – Audit requested documentation in support of a \$1,926 food and lodging expense. No detailed receipts or invoices were provided. **AUDIT ISSUE #2**

Environmental

A total of \$42,606 in environmental expenses was charged to the storm reserve for the March 1st major storm. Audit reviewed five invoices from Clean Harbors, totaling \$23,968 or 56% of the Environmental expenses. Services provided included drum disposal and disposal to ESMI. Audit verified the dates of the services provided, as well as the total cost of the invoice. One exception was noted:

Clean Harbors – Audit reviewed an invoice totaling \$4,744 for services described as “general” and disposal to ESMI. Dates for the services were recorded after the March 1st major storm. Specific dates of service were identified as occurring after the storm event, on May 5th and May 10th. In lieu of a “spill report”, the Company provided email documentation stating that, “*The spill report we have on file indicates that the incident happened during the March 1st & 2nd wind storm. The response from Clean Harbors was delayed based on posted weight limits to the road and the need for an excavator to be brought on site to perform the work appropriately and safely. The final clean-up did not take place until May 5th because of these issues.*” Audit understands that the environmental cost was related to a spill caused during the March 1st storm; however, Audit does not agree that the spill cleanup in May directly relates to the restoration of power for the March 1st major storm. **AUDIT ISSUE #1**

Traffic Control / Police Services

Charges for traffic control and police services totaled \$89,281 for the March 1st major storm. Audit selected three invoices for review, totaling \$43,505 or 49% of the traffic control/police expense, from New England Traffic Control and the City of Portsmouth. Audit reviewed invoices, including the dates of service and the amount charged, as well as the accompanying Daily Time Sheets.

Food and Lodging

Audit selected four expenses to review in detail, totaling \$17,144 or 66% of the entire Food and Lodging expense. Charges were for employees’ meals, including some meals at the per diem rate of \$60/day per employee. Audit reviewed the date and amounts of the charges with no exceptions noted.

Direct Labor (PSNH and other Companies) \$1,290,439

| | | |
|---------------------------------|----|-------------------------|
| PSNH | \$ | 1,345,894 |
| PSNH Transmission | | 149,060 |
| EESCO | | 62,137 |
| CL&P | | 869 |
| NSTAR East | | 96,321 |
| NSTAR West | | 481 |
| Capitalization | | <u>(364,322)</u> |
| Storm-Related Payroll (rounded) | \$ | <u><u>1,290,439</u></u> |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected twenty-nine individual employee direct labor charges—from all six of the companies listed—with twenty-six individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. No exceptions were noted.

A capitalization adjustment of (\$364,322) was listed on the itemization of direct labor report. Audit reviewed the Capitalization of Restoration Costs report that was provided by the Company, detailing their capitalization adjustment calculation for the 03/01/2021 major storm. The accompanying journal entry was also reviewed. Refer to the *Direct Labor* section of the report, for the *08/04/20 Major Storm Event*, for details regarding the capitalized storm costs excluded from recovery.

Payroll-Related Overheads and Taxes \$91,691

The Company provided the itemized payroll-related overheads and taxes amount, totaling \$91,691 for the March 1st pre-stage weather event that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time (NPT) overhead and the payroll benefits rate (PBR). For details regarding the Company’s calculation of overhead charges, refer to the *Payroll-Related Overheads and Taxes* section of this report within the 08/04/2020 major storm event.

The following totals (rounded) are derived from the NPT overhead and PBR calculation spreadsheet, submitted by the Company:

| | | |
|---------------------------------|----|--------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 19,423 |
| Payroll Benefits | | 41,582 |
| Total PSNH Transmission | \$ | 61,004 |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total EESCO | \$ | - |
| CL&P | | |
| Non-Productive Time Overhead | \$ | 126 |
| Payroll Benefits | | 426 |
| Total CL&P | \$ | 552 |
| NSTAR East | | |
| Non-Productive Time Overhead | \$ | 16,654 |
| Payroll Benefits | | 13,331 |
| Total NSTAR East | \$ | 29,985 |
| NSTAR West | | |
| Non-Productive Time Overhead | \$ | 83 |
| Payroll Benefits | | 67 |
| Total NSTAR West | \$ | 150 |
| Total Payroll-Related Overheads | \$ | 91,691 |

Audit confirmed the NPT and PBR to the 2021 Loader Rates provided by the Company, as well as the calculations made for the payroll-related overheads, with no exceptions noted. Refer to the 08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$426,515

The vehicle expense for the March 1st major storm totaled \$426,515. The vehicle charges were for the following companies:

| | |
|--------------------------|-------------------|
| PSNH | \$ 326,135 |
| PSNH Transmission | 20,548 |
| EESCO | 58,294 |
| NSTAR East | <u>21,537</u> |
| Total Vehicles (rounded) | <u>\$ 426,515</u> |

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, EESCO, and NSTAR East. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary. Audit verified the total vehicle cost of \$426,515 that was transferred to the storm reserve account for the March 1st major storm. Refer to the Vehicles section of the report—for the 08/04/20 Major Storm Event MS20G006—regarding details in the calculation process of the vehicle usage expense.

Other Employee-Related Expenses \$23,970

PSNH provided a spreadsheet showing the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the March 1st major storm:

| | |
|---|------------------|
| PSNH | \$ 16,229 |
| PSNH Transmission | 2,703 |
| EESCO | 3,561 |
| NSTAR East | <u>1,478</u> |
| Total Other Employee-Related Expenses (rounded) | <u>\$ 23,970</u> |

Audit selected six expenses from the meals, mileage, and miscellaneous categories. Expenses reviewed were from PSNH, PSNH Transmission, EESCO, and NSTAR East. Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Audit confirmed the individual employee to the number of contractual meals provided and re-calculated the total amount expensed with no exceptions. Refer to the Other Employee-Related Expenses section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding the contractual meals policy.

For non-contractual meals, the Company provided a journal entry and a scanned copy of a receipt in support of a meals charge, as well as the mileage reimbursement rate spreadsheet. Audit verified the date and amount of the meals receipt and recalculated the miles charges.

Materials \$61,739

The Company provided a listing of all materials utilized during the March 1st major storm, in the amount of \$61,739, which included their quantities and total cost. Audit selected five materials charges, totaling \$36,025, that were charged to the storm cost reserve account. Documentation was requested in support of the items that were removed from inventory, including the storeroom location of the items removed. A spreadsheet detailing the materials' description, their quantities, cost, issue date, and corresponding storeroom locations was provided. Audit noted that a \$2,094 cost incurred for Stock Code #513335, Cables/Bares, included \$716 worth of Cables/Bares that were issued on 5/20/21; thereby, post-dating the March 1st storm event. Audit reviewed the storm capitalization model, as well as the detailed journal entry, and verified that the amount reviewed was included in the capitalized adjustment of (\$174,109). Audit confirmed that the recorded capitalization adjustment calculation of (\$174,109) was removed from the materials expense. Refer to the *Materials* section within the *8/4/20 Major Storm Event MS20G006* for details regarding the capitalization of restoration material costs.

03/29/2021 Major Storm MS21B006 \$5,504,858

The March 29th major storm included the forecast of wind speeds greater than 30 mph and wind gusts greater than 35 mph. Bates page 000051 of the filing indicated that there was a total of 535 outage events, with 354 outages-at-peak, reported during the March 29th major storm. Audit reviewed the supporting Outage Management Troubles Report, provided by the Company. The first outage trouble was dispatched on March 28th at 11:28 AM and the final restoration time was reported on March 30th at 11:45 PM. Audit sampled additional trouble events from the report and verified the onsite date, the cause and location, and the restoration date. Audit read the notes that detailed the cause of the power outage, verifying that the reported troubles were predominantly due to tree and/or limb interference with the power lines. No exceptions were noted.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the *Qualifying Criteria for Recovery of Authorized Storm-Related Costs* section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The provided Attachment Exhibit 1 depicts a summary of the 3/29/21 major storm costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

| | |
|---|---------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 3,724,200 |
| Direct Labor (PSNH and other Eversource companies) | 1,078,445 |
| Payroll Related Overheads and Taxes | 82,293 |
| Vehicles | 315,367 |
| Other Employee Related Expenses | 18,717 |
| Material | <u>21,107</u> |
| Total Storm Cost Transferred to Reserve | <u>\$ 5,240,129</u> |
| | |
| Carrying Charge through March 31, 2022 | <u>264,729</u> |
| Actual Storm Reserve Balance March 31, 2022 | <u>\$ 5,504,858</u> |

External Contractors/Vendors, Mutual Aid and Procurement Cards \$3,724,200

Documentation was submitted from the March 29, 2021 major storm, totaling \$3,724,200 in expenses charged to the MSCR, from contractors, vendors, and mutual aid invoices, plus procurement card charges. Audit selected twenty-nine invoices to review, totaling \$1,307,573 or 35% of the total amount in contractor, vendor, mutual aid, and procurement card expenses. The following depicts a summary of the expenses incurred by description:

| | |
|--|---------------------|
| Contractor | \$ 3,101,114 |
| Vegetation | 363,158 |
| Mutual Aid | - |
| Procurement Card | 140,102 |
| Environmental | 39,816 |
| Traffic Control / Police Services | 54,287 |
| Food and Lodging | 25,722 |
| Material | - |
| Other | <u>-</u> |
| Total External Contractors / Vendors, Mutual Aid, and Procurement Cards (rounded) | <u>\$ 3,724,200</u> |

Contractor

A total of \$3,101,114 in contractor expenses was recorded on the storm reserve account. Audit selected three invoices, in the amount of \$1,160,227 or 37% of the total contractor expense, to review in detail. Audit reviewed the invoices and accompanying Daily Work Reports, verifying the amount charged and the date that the charges were incurred. Services included line crews used for the purpose of power restoration. No exceptions were noted.

Vegetation

Expenditures totaling \$363,158 were charged to the storm reserve for vegetation services provided during the March 29th major storm. Audit reviewed twelve charges, totaling \$76,320 in vegetation expenses. The supporting documentation reviewed was from Asplundh Tree, Lewis

Tree, Northern Tree, and Urban Tree. Charges were for labor and equipment services needed for power restoration. Audit reviewed the work order number and/or date on the invoices, as well as the total amount charged.

Procurement Card

The Procurement Card expenses totaled \$140,102 and consisted of two categories: Food and Lodging and Material. The following depicts the procurement card summary of expenditures by description:

| | |
|-----------------------------------|-------------------|
| Food and Lodging | \$ 139,659 |
| Contractor | - |
| Material | <u>444</u> |
| Total Procurement Cards (rounded) | <u>\$ 140,102</u> |

Audit selected nine invoices for review, totaling \$41,421 or 30% of the procurement card expenses. The Company provided copies of invoices and receipts in support of the food and lodging charges, as well as one materials charge. Audit requested the supporting documentation for a \$4,027 charge to the storm cost reserve. An invoice from Granite Steak and Grill was provided and Audit verified that \$1,320 of the charges were incurred between the dates of 3/29/21 – 3/31/21. Audit noted that \$2,707 of the charges on the invoice were dated prior to the March 29th major storm, with specific dates listed as 2/16/21 and 3/2/21 – 3/4/21. The Company explained that these were storm costs that were charged to the wrong work order: *“Upon review of the invoices for the selections from the MS21B006 storm event on 3/29/2021, one invoice (JPM – GRANITESTEAKANDGRILL; STACY, SUSAN - \$4,027) was identified as having charges for storm events EXPSTGB1 and MS21A006 as well as MS21B006. The Company seeks recovery of the total invoice amount of \$4,027.26 as all costs relate to storms that met the minimum requirement for cost recovery. The Company plans to reclassify the EXPSTGB1 and MS21A006 storm costs through a manual journal entry in order to properly reflect these storm costs in the appropriate storm work order (\$1,019.45 to EXPSTGB1 and \$1,687.99 to MS21A006). The Company will adjust the carrying charges to reflect the reclassification.”* Audit understands that these costs do not impact the total amount requested for recovery and should remain in the storm filing, due to the fact that the work orders/storms that the \$2,707 total relates to—EXPSTGB1 (2/15/21 Storm) and MS21A006 (3/1/21 Storm)—are valid storm restoration costs. Audit acknowledges that the Company has confirmed that they will move the \$2,707 total amount to the appropriate storms, once they *“complete all of the audit issues and reclassifications post-FINAL audit report, [and] recalibrate/recalculate the carrying charges by storm work order to ensure [the] appropriate final costs in the actual work orders/storms they apply to.”*

Audit reviewed other invoices in support of the sampled procurement card charges. One exception was noted:

Salt Hill Pub – Audit requested the supporting documentation for a \$911 charge to the storm cost reserve. Receipts from Salt Hill Pub were provided and Audit verified that \$497 of the charges were incurred between the dates of 3/29/21 – 3/30/21. Audit noted that \$414 of the charges on the invoice were dated on 3/26/21, which was prior to the 3/27/21 recorded DTN forecast to the March 29th major storm. **AUDIT ISSUE #1**

Traffic Control / Police Services

Expenses totaling \$54,287, were charged to the storm reserve under the category of traffic control / police services. Audit reviewed two of the invoices and their accompanying time sheets, in the amount of \$18,174 or 33% of the total traffic control / police service expense. Services were provided from New England Traffic Control for flaggers needed during the dates of 3/29/21 – 3/30/21. The dates and totals of the invoices was reviewed with no exceptions noted.

Food and Lodging

A total of \$25,722 was charged to the storm cost reserve for meals and lodging provided during the March 29th major storm. Audit reviewed three expenses, totaling \$11,431 or 44% of the food and lodging expense. Charges were employees’ meals, including meals at the per diem rate of \$20 each and the remaining sixty-four employees had a per diem rate of \$20 per meal/per employee.

Direct Labor (PSNH and other Eversource Companies) \$1,078,445

| | |
|------------------------------|---------------------|
| PSNH | \$ 1,012,379 |
| PSNH Transmission | 111,467 |
| EESCO | 47,802 |
| CL&P | 499 |
| NSTAR East | 113,781 |
| NSTAR West | 2,947 |
| Eversource Gas Company of MA | 31 |
| Capital Adjustment | <u>(210,462)</u> |
| Total Direct Labor (rounded) | <u>\$ 1,078,445</u> |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected twenty-six individual employee direct labor charges—from all seven of the companies listed—with nineteen individual job descriptions represented. Audit reviewed a confidential

report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected. No exceptions were noted.

A capitalization adjustment of (\$210,462) was listed on the itemization of direct labor report. Audit reviewed the Capitalization of Restoration Costs report that was provided by the Company, detailing their capitalization adjustment calculation for the 03/29/2021 major storm. The accompanying journal entry was also reviewed. Refer to the *Direct Labor* section of the report, for the *08/04/20 Major Storm Event*, for details regarding the capitalized storm costs excluded from recovery.

Payroll-Related Overheads and Taxes \$82,293

The Company provided the itemized payroll-related overhead amount, totaling \$82,293 for the 3/29/2021 major storm, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. For details regarding the Company's calculation of overhead charges, refer to the *Payroll-Related Overheads and Taxes* section of this report within the 08/04/2020 major storm event.

The following totals (rounded) are derived from the NPT overhead and PBR calculation spreadsheet, submitted by the Company:

| | | |
|------------------------------------|----|--------|
| PSNH | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |
| PSNH Transmission | | |
| Non-Productive Time Overhead | \$ | 14,524 |
| Payroll Benefits | | 31,095 |
| Total PSNH Transmission | \$ | 45,619 |
| EESCO | | |
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | \$ | - |
| Total EESCO | \$ | - |
| NSTAR East | | |
| Non-Productive Time Overhead | \$ | 19,673 |
| Payroll Benefits | | 15,748 |
| Total NSTAR East | \$ | 35,420 |
| NSTAR West | | |
| Non-Productive Time Overhead | \$ | 509 |
| Payroll Benefits | | 408 |
| Total NSTAR West | \$ | 917 |
| CL&P | | |
| Non-Productive Time Overhead | \$ | 72 |
| Payroll Benefits | | 245 |
| Total CL&P | \$ | 317 |
| Eversource Gas Company of MA | | |
| Non-Productive Time Overhead | \$ | 5 |
| Payroll Benefits | | 14 |
| Total Eversource Gas Company of MA | \$ | 19 |
| Total Payroll-Related Overheads | \$ | 82,293 |

The NPT and PBR were confirmed to the 2021 Loader Rates with no exceptions. Audit verified the accuracy of the payroll-related overhead calculations with no exceptions noted. Refer to the 08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$315,367

The vehicle expense for the March 29th major storm totaled \$315,367. The vehicle charges were identified by company in the following depiction:

| | | |
|-------------------|----|-----------------------|
| PSNH | \$ | 203,785 |
| PSNH Transmission | | 18,326 |
| EESCO | | 55,346 |
| NSTAR East | | 37,542 |
| NSTAR West | | <u>368</u> |
| Total Vehicles | \$ | <u><u>315,367</u></u> |

Vehicle usage amounts were recorded for five companies. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary. Audit then verified the total vehicle cost of \$315,367 that was transferred to the storm cost reserve account for the March 29th major storm event.

A capitalized amount of (\$73,275) in March 2022 was noted on the Vehicle Allocation Detail Query spreadsheet. The Company confirmed that, “[We] appropriately included the capitalized vehicle amount as a reduction to the storm costs requested for recovery, totaling \$315,367.” Audit verified that the capitalized vehicle cost was not included in the March 29th major storm recovery request of the vehicle expense, as calculated through the Vehicle Allocation Detail Query spreadsheet. Refer to the Vehicles section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding details in the calculation process of the vehicle usage amounts.

Other Employee-Related Expenses \$18,717

The Company provided Exhibit 4d, which detailed the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Employee-Related Expenses for the March 29th major storm:

| | | |
|---------------------------------------|----|----------------------|
| PSNH | \$ | 12,904 |
| PSNH Transmission | | 2,093 |
| NSTAR East | | 1,565 |
| NSTAR West | | 237 |
| EESCO | | <u>1,918</u> |
| Total Other Employee-Related Expenses | \$ | <u><u>18,717</u></u> |

Expenses reviewed were from PSNH, PSNH Transmission, NSTAR East, NSTAR West, and EESCO. Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Audit confirmed the individual employee to the number of contractual meals provided and re-calculated the total amount expensed with no exceptions. Refer to the Other Employee-Related Expenses section of the report, for the 08/04/20 Major Storm Event MS20G006, regarding the contractual meals policy.

For non-contractual meals, the Company provided a journal entry and a scanned copy of a receipt in support of a meals charge, as well as the mileage reimbursement rate spreadsheet. Audit verified the date and amount of the meals receipt and recalculated the miles charges. Copies of receipts for miscellaneous items were also provided. Two exceptions were noted:

Bobcat of NH – Audit reviewed a \$150 employee related expenditure made to the storm cost reserve that was described as “miscellaneous”. The Company provided the receipt detailing the rental charge for equipment “covering from 3/26/21 to 3/28/21.” Audit noted that the rental period pre-dated the March 29th major storm. **AUDIT ISSUE #1**

CapWorld.com – Audit noted a \$310 employee related expenditure made to the storm cost reserve that was described as “miscellaneous”. The Company provided the receipt for the purchase of MacNeil Floor Mats for the front and rear of a Ford F150, as well MacNeil Side Visors that were also for a Ford F150. Audit was not able to determine how this expenditure related to the restoration of power to customers during the storm event. **AUDIT ISSUE #4**

Materials \$21,107

The Company provided a listing of all materials utilized during the March 29th major storm, as Exhibit 5 and in the amount of \$21,107, which included their quantities and total cost. Audit selected three materials charges, totaling \$19,281, that were charged to the storm cost reserve account. Documentation was requested in support of the items that were removed from inventory, including the storeroom location of the items removed. A spreadsheet detailing the materials’ description, their quantities, cost, issue date, and corresponding storeroom locations was provided. No exceptions were noted.

Audit reviewed the Storm Capitalization Model, as well as the detailed journal entry, and verified that the recorded capitalization adjustment calculation of (\$115,867) was removed from the materials expense. Refer to the Materials section within the 8/4/20 Major Storm Event MS20G006 for details regarding the capitalization of restoration material costs.

06/30/21 Major Storm MS21C006 \$1,932,344

The June 30th major storm included the forecast of wind speeds greater than 50 mph and gusts greater than 55 mph for all regions of the state. Bates page 000055 of the filing indicated that there was a total of 320 outage events, with 185 outages-at-peak, reported during the June 30th major storm. Audit reviewed the supporting Outage Management Troubles Report, provided by the Company. The first outage trouble was dispatched on June 28th at 2:14 AM and the final restoration time was reported on July 2nd at 1:10 AM. Audit sampled additional trouble events from the report and verified the onsite date, the cause and location, and the restoration date. Audit read the notes that detailed the cause of the power outage, verifying that the reported

troubles were predominantly due to tree and/or limb interference with the power lines. No exceptions were noted.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and subject to recovery of storm costs through the MSCR. Refer to the Qualifying Criteria for Recovery of Authorized Storm-Related Costs section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the MSCR is authorized.

The provided Attachment Exhibit 1 depicts a summary of the 6/30/21 major storm costs as they tie to the filing. The following is a representation of these costs, which were reviewed by Audit:

| | |
|---|---------------------|
| External Contractors/Vendors, Mutual Aid, Procurement Cards | \$ 1,193,536 |
| Direct Labor (PSNH and other Eversource Companies) | 497,885 |
| Payroll Related Overheads and Taxes | 25,618 |
| Vehicles | 139,265 |
| Other Employee Related Expenses | 7,578 |
| Material | <u>5,982</u> |
| Total Storm Cost Transferred to Reserve | <u>\$ 1,869,864</u> |
| Carrying Charge through March 31, 2022 | <u>62,480</u> |
| Actual Storm Reserve Balance March 31, 2022 | <u>\$ 1,932,344</u> |

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,193,536

Documentation was submitted from the June 30, 2021 major storm, totaling \$1,193,536 in expenses charged to the MSCR from contractors, vendors, and mutual aid invoices, plus procurement card charges. Audit selected twenty-six invoices to review, totaling \$324,041 or 27% of the total amount in contractor, vendor, mutual aid expenses, and procurement card charges. The following depicts a summary of the expenses incurred, per expense category:

| | |
|--|--------------|
| Contractor | \$ 1,064,590 |
| Vegetation | 91,515 |
| Mutual Aid | - |
| Procurement Card | 16,718 |
| Environmental | 1,449 |
| Traffic Control / Police Services | 11,827 |
| Food and Lodging | 7,437 |
| Material | - |
| Other | - |
| Total External Contractors / Vendors, Mutual Aid, and Procurement Cards | \$ 1,193,536 |

Contractor

A total of \$1,064,590 in contractor charges was recorded on the storm reserve account. Audit selected five invoices, totaling \$285,400 or 27% of the contractor expense, to review in detail. Of the invoices reviewed, services provided were for line crews, equipment, vehicles, and meals needed during the restoration of power. Audit reviewed copies of the invoices, as well as the corresponding Daily Work Reports, and verified the dates and amounts of the expenditures.

Vegetation

Expenditures totaling \$91,515 were charged to the storm reserve for vegetation services provided during the June 30th major storm. Audit reviewed nine charges, totaling \$22,387 or 24% of the total vegetation expense in vegetation expenses. The supporting documentation reviewed was from Asplundh Tree for labor and equipment services needed during power restoration. The work order number and/or date on the invoice, as well as the total amount charged was noted.

Procurement Card

The Procurement Card expenses totaled \$16,718 and consisted of two categories: Food and Lodging and Material. The following depicts the procurement card summary of expenditures by description:

| | |
|-------------------------|-----------|
| Food and Lodging | \$ 16,710 |
| Contractor | - |
| Material | 8 |
| Total Procurement Cards | \$ 16,718 |

Audit selected seven charges for review, totaling \$3,983 or 24% of the procurement card expenses. The supporting documentation reviewed included invoices and credit card receipts for meals provided during the June 30th major storm. One exception was noted:

Red Arrow 24 Hour Diner – Audit requested documentation in support of a \$246 food and lodging expense. No detailed receipts or invoices were provided. **AUDIT ISSUE #2**

Environmental

One invoice, totaling \$1,449, was charged to the storm reserve under the category of environmental services. Audit reviewed the invoice from Clean Harbors, noting that services provided included drum disposal. Audit verified the date of the service provided, as well as the total cost of the invoice.

Traffic Control / Police Services

A total of \$11,827 in traffic control/police services was recorded on the storm reserve account. Audit reviewed two invoices, as well as the corresponding Daily Time Sheets, from New England Traffic Control and in the amount of \$6,961 or 59% of the total expense. Services included traffic detail for twenty-one controllers between 6/29/21 – 7/3/21.

Food and Lodging

Audit reviewed two expenses, totaling \$3,860 or 52% of the food and lodging charges. The invoices provided were from Haugland Energy Group and MTV Solutions for meals provided at a per diem rate of \$20 per employee/per meal. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$497,885

| | | |
|------------------------------|----|-----------------------|
| PSNH | \$ | 501,003 |
| PSNH Transmission | | 61,169 |
| EESCO | | 15,494 |
| NSTAR East | | 1,407 |
| Eversource Gas Company of MA | | 237 |
| Capitalization | | <u>(81,425)</u> |
| Total Direct Labor Payroll | \$ | <u><u>497,885</u></u> |

The Company provided an Itemization of Direct Labor spreadsheet, listing each job class by company, along with the per-employee hours worked and corresponding pay amount. Audit selected eighteen individual employee direct labor charges—from all five of the companies listed—with sixteen individual job descriptions represented. Audit reviewed a confidential report that was provided by the Company, that detailed the employee ID, title, time code, and week-ending date for the sampled labor amounts selected.

A capitalization adjustment of (\$81,425) was listed on the itemization of direct labor report. Audit reviewed the Capitalization of Restoration Costs report that was provided by the Company, detailing their capitalization adjustment calculation for the 06/30/2021 major storm.

The accompanying journal entry was also reviewed with no exceptions noted. Refer to the *Direct Labor* section of the report, for the *08/04/20 Major Storm Event*, for details regarding the capitalized storm costs excluded from recovery.

Payroll-Related Overheads and Taxes \$25,618

The Company provided the itemized payroll-related overhead amount, totaling \$25,618 for the 6/30/21 major storm, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the *Payroll-Related Overheads and Taxes* section, of the 8/4/20 major storm, for detail regarding the Company’s calculation of overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH

| | | |
|------------------------------|----|---|
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | | - |
| Total PSNH | \$ | - |

PSNH Transmission

| | | |
|------------------------------|----|--------|
| Non-Productive Time Overhead | \$ | 7,970 |
| Payroll Benefits | | 17,064 |
| Total PSNH Transmission | \$ | 25,034 |

EESCO

| | | |
|------------------------------|----|---|
| Non-Productive Time Overhead | \$ | - |
| Payroll Benefits | \$ | - |
| Total EESCO | \$ | - |

NSTAR East

| | | |
|------------------------------|----|-----|
| Non-Productive Time Overhead | \$ | 243 |
| Payroll Benefits | | 195 |
| Total NSTAR East | \$ | 438 |

Eversource Gas Company of MA

| | | |
|------------------------------------|----|-----|
| Non-Productive Time Overhead | \$ | 41 |
| Payroll Benefits | | 105 |
| Total Eversource Gas Company of MA | \$ | 146 |

| | | |
|---------------------------------|----|---------------|
| Total Payroll-Related Overheads | \$ | <u>25,618</u> |
|---------------------------------|----|---------------|

The NPT and PBR were confirmed to the 2021 Loader Rates. Audit then verified the accuracy of the payroll-related overhead calculations with no exceptions noted. Refer to the

08/04/2020 *Payroll-Related Overheads and Taxes* section of the report for details regarding the PSNH and EESCO overheads not transferred to the MSCR for recovery purposes.

Vehicles \$139,265

The vehicle expense for the June 30th major storm totaled \$139,265. The Company’s vehicle charges were identified as follows:

| | | |
|--------------------------|----|-----------------------|
| PSNH | \$ | 128,758 |
| PSNH Transmission | | 10,003 |
| EESCO | | 1 |
| NSTAR East | | <u>502</u> |
| Total Vehicles (rounded) | \$ | <u><u>139,265</u></u> |

Vehicle usage amounts were recorded for PSNH, PSNH Transmission, EESCO, and NSTAR East. Audit reviewed the vehicle allocation calculations and confirmed the reported vehicle cost totals for each subsidiary. Audit tested a sample of the vehicle cluster grouping amounts—that comprised the total vehicle expense of \$139,265—and then confirmed the total vehicle cost charged to the storm reserve account for the June 30th major storm. Refer to the *Vehicles* section of the report, for the *08/04/20 Major Storm Event MS20G006*, regarding details in the calculation process of the vehicle usage amounts.

Other Employee-Related Expenses \$7,578

The Company provided Exhibit 4d, which detailed the amount of employee-related expenditures by expense description and sorted by company. The following represents the total Other Employee-Related Expenses for the June 30th major storm:

| | | |
|---------------------------------------|----|---------------------|
| PSNH | \$ | 5,239 |
| PSNH Transmission | | 849 |
| EESCO | | 1,205 |
| NSTAR East | | <u>285</u> |
| Total Other Employee-Related Expenses | \$ | <u><u>7,578</u></u> |

Expenses reviewed were from PSNH, PSNH Transmission, EESCO, and NSTAR East. Audit’s selections had a purchase price over \$25, as the Company’s policy does not require an employee to submit a receipt if the purchase is under \$25. Audit reviewed copies of invoices for hotel accommodations during the dates of 6/30/21 – 7/1/21, as well as the mileage reimbursement rate spreadsheet. Audit verified the total amount of the invoices and recalculated the miles charges with no exceptions noted.

Materials \$5,982

The Company provided a listing of all materials utilized during the June 30th major storm, as Exhibit 5 and in the amount of \$5,982, which included their quantities and total cost. Audit selected two materials charges, totaling \$7,454, that were charged to the storm cost reserve account. Documentation was requested in support of the items that were removed from inventory, including the storeroom location of the items removed. A spreadsheet detailing the materials' description, their quantities, cost, issue date, and corresponding storeroom locations was provided. Audit noted that a cost incurred, totaling \$5,570 for materials used during the 6/30/2021 major storm, included 2 Cutout/Fuses—Stock Code #500810 and in the amount of \$125—that were issued on 8/13/21; thereby, post-dating the June 30th storm event. Audit reviewed the storm capitalization model, as well as the detailed journal entry, and verified that the amount was included in the capitalized adjustment of (\$17,761). Audit confirmed that the recorded capitalization adjustment calculation of (\$17,761) was removed from the materials expense. Refer to the *Materials* section within the *8/4/20 Major Storm Event MS20G006* for details regarding the capitalization of restoration material costs.

AUDIT SUMMARY

For the period of August 1, 2020 through June 30, 2021, a total of \$45,361,397 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430. As of March 31, 2022, the Storm Funding Deferral account had a balance of \$3,021,419. The funding, which is posted to account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. In December 2021, the Company applied the year end funding account #228430 (MSCR) balance of \$12,293,102 to offset the storm cost account #186430. Audit recommends removing the following costs from the storm reserve:

| | | |
|-------------------------------------|----|----------------------|
| Audit Issue #1 | \$ | 7,403 |
| Audit Issue #2 | | 10,954 |
| Audit Issue #3 | | 5,595 |
| Audit Issue #4 | | <u>310</u> |
| Total Costs Recommended for Removal | \$ | <u><u>24,262</u></u> |

| | Total Cost 03/31/22 | Less: Audit Adjustments | Adjusted Storm Balance |
|-------------------------------------|-----------------------------|----------------------------|-----------------------------|
| 08/04/20 Major Storm Costs | \$ 6,045,040 | \$ (7,606) | \$ 6,037,434 |
| 12/05/20 Major Storm Costs | 22,001,683 | (5,569) | 21,996,114 |
| 12/16/20 Pre-Staging Costs | 193,122 | -0- | 193,122 |
| 02/01/21 Pre-Staging Costs | 1,664,185 | (3,297) | 1,660,888 |
| 02/15/21 Pre-Staging Costs | 1,078,203 | -0- | 1,078,203 |
| 03/01/21 Major Storm Costs | 6,941,963 | (6,670) | 6,935,293 |
| 03/29/21 Major Storm Costs | 5,504,858 | (874) | 5,503,984 |
| 06/30/21 Major Storm Costs | <u>1,932,344</u> | <u>(246)</u> | <u>1,932,098</u> |
| Total Deferred MSCR Costs (Rounded) | \$ <u><u>45,361,397</u></u> | \$ <u><u>(24,262)</u></u> | \$ <u><u>45,337,135</u></u> |

Audit notes that the actual balances as of 03/31/22 include carrying charges. Once Audit's recommended adjustments are made, carrying charges will need to be recalculated.

Audit Issue #1
Supporting Documentation Not Concurrent with the Corresponding Storm Event

Background

Audit reviewed invoices, receipts, and timesheets in support of the sampled charges incurred for storm event related work.

Issue

The dates listed on the supporting documentation either pre-dated or post-dated the storm event for which they were applied.

Recommendation

Audit recommends removing the following total charge from the storm reserve:

| | | |
|-----------------------------|-----------------|----------------------|
| Holiday Inn | \$ 3,769 | 08/04/20 Major Storm |
| Super 8 Motels | 3,089 | 08/04/20 Major Storm |
| T-Bones | 162 | 08/04/20 Major Storm |
| Clean Harbors | 2,964 | 12/05/20 Major Storm |
| New England Traffic Control | (7,889) | 12/05/20 Major Storm |
| Clean Harbors | 4,744 | 03/01/21 Major Storm |
| Salt Hill Pub | 414 | 03/29/21 Major Storm |
| Bobcat of NH | 150 | 03/29/21 Major Storm |
| Total for Audit Issue #1 | <u>\$ 7,403</u> | |

Company Response

The Company agrees to remove the following from the storm cost recovery request:

| | | |
|-----------------------------|-----------------|----------------------|
| Holiday Inn | \$ 3,769 | 08/04/20 Major Storm |
| Super 8 Motels | 3,089 | 08/04/20 Major Storm |
| T-Bones | 162 | 08/04/20 Major Storm |
| Clean Harbors | 2,964 | 12/05/20 Major Storm |
| New England Traffic Control | (7,889) | 12/05/20 Major Storm |
| Clean Harbors | 4,744 | 03/01/21 Major Storm |
| Salt Hill Pub | 414 | 03/29/21 Major Storm |
| Bobcat of NH | 150 | 03/29/21 Major Storm |
| Total for Audit Issue #1 | <u>\$ 7,403</u> | |

Audit Conclusion

Audit agrees with the Company's response for the total disallowance of \$7,403 from the storm cost reserve. Supporting journal entries, which remove the disallowed expenses from the Storm Cost Reserve fund, are requested as soon as they are booked.

Audit Issue #2
No Supporting Documentation

Background

Audit reviewed spreadsheets provided by the Company, detailing the expenditures for the storms, and requested the supporting documentation for sampled amounts.

Issue

Supporting documentation was not provided, or did not support the amount charged to the storm cost reserve, for the selections made by Audit.

Recommendation

Audit recommends removing the following charges from the storm cost reserve:

| | | |
|--------------------------|------------------|----------------------|
| PSNH Transportation | \$ 586 | 08/04/20 Major Storm |
| American Blue Ribbon | 3,213 | 12/05/20 Major Storm |
| Courtyard by Marriott | 1,686 | 12/05/20 Major Storm |
| Subway | 1,978 | 02/01/21 Pre-Staging |
| Subway | 1,319 | 02/01/21 Pre-Staging |
| Red Arrow 24 Hour Diner | 1,926 | 03/01/21 Major Storm |
| Red Arrow 24 Hour Diner | 246 | 06/30/21 Major Storm |
| Total for Audit Issue #2 | <u>\$ 10,954</u> | |

Company Response

The Company agrees to remove the following from the storm cost recovery request:

| | | |
|--------------------------|------------------|----------------------|
| PSNH Transportation | 586 | 08/04/20 Major Storm |
| American Blue Ribbon | 3,213 | 12/05/20 Major Storm |
| Courtyard by Marriott | 1,686 | 12/05/20 Major Storm |
| Subway | 1,978 | 02/01/21 Pre-Staging |
| Subway | 1,319 | 02/01/21 Pre-Staging |
| Red Arrow | 1,926 | 03/01/21 Major Storm |
| Red Arrow 24 Hour Diner | 246 | 06/30/21 Major Storm |
| Total for Audit Issue #2 | <u>\$ 10,954</u> | |

Audit Conclusion

Audit agrees with the Company's response for the total disallowance of \$10,954 from the storm cost reserve. Supporting journal entries, which remove the disallowed expenses from the Storm Cost Reserve fund, are requested as soon as they are booked.

Audit Issue #3
Incorrect Amount Charged to Storm Reserve

Background

Audit reviewed invoices and spreadsheets, provided by the Company, detailing the expenditures for the pre-stage and storm events.

Issue

The amounts listed as due for payment on the invoices and/or timesheets did not match the amount charged to the storm cost reserve.

Recommendation

Audit recommends removing the following total charge from the storm cost reserve:

| | | | |
|---------------------------|----|---------------------|----------------------|
| Standard Register Company | \$ | 4 | 12/05/20 Major Storm |
| Hampton Inn | | (3,617) | 12/05/20 Major Storm |
| Holiday Inn | | <u>9,208</u> | 12/05/20 Major Storm |
| Total for Audit Issue #3 | \$ | <u><u>5,595</u></u> | |

Company Response

The Company agrees to remove the following from the storm cost recovery request:

| | | | |
|---------------------------|----|---------------------|----------------------|
| Standard Register Company | \$ | 4 | 12/05/20 Major Storm |
| Hampton Inn | | (3,617) | 12/05/20 Major Storm |
| Holiday Inn | | <u>9,208</u> | 12/05/20 Major Storm |
| Total for Audit Issue #3 | \$ | <u><u>5,595</u></u> | |

Audit Conclusion

Audit agrees with the Company's response for the total disallowance of \$5,595 from the storm cost reserve. Supporting journal entries, which remove the disallowed expenses from the Storm Cost Reserve fund, are requested as soon as they are booked.

Audit Issue #4
Charges Not Applicable for Storm-Related Recovery

Background

Audit reviewed invoices provided by the Company detailing the expenditures for the storms. Audit then selected specific items for review to source documentation.

Issue

During Audit’s review of the supporting documentation, it was determined that a specific charge should not be included in the storm fund. This expenditure was for items that were deemed not applicable for recovery from the storm fund, as they are believed to not be directly related to the restoration of power.

Recommendation

Audit recommends removing the following charge from the storm reserve:

| | | |
|--------------------------|---------------|----------------------|
| CapWorld.com | \$ 310 | 03/29/21 Major Storm |
| Total for Audit Issue #4 | <u>\$ 310</u> | |

Company Response

The Company agrees to remove the following from the storm cost recovery request:

| | | |
|--------------------------|---------------|----------------------|
| Capworld.com | \$ 310 | 03/29/21 Major Storm |
| Total for Audit Issue #4 | <u>\$ 310</u> | |

Audit Conclusion

Audit agrees with the Company’s response for the total disallowance of \$310 from the storm cost reserve. Supporting journal entries, which remove the disallowed expenses from the Storm Cost Reserve fund, are requested as soon as they are booked.