

Public Service Company of New Hampshire d/b/a Eversource Energy
Docket No. DE 24-035

Date Request Received: May 31, 2024
Record Request No. PUC 1-001

Date of Response: June 10, 2024
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Request from: New Hampshire Public Utilities Commission

Witness: CHEN, YI-AN

Request:

Explain why RRA rates should be set for storm costs that will be audited and reconciled in the future;

Response:

In accordance with the DE 19-057 Settlement Agreement Section 9.1(e) and Order No. 26,433, it is appropriate to include this RRA rate element in the RRA revenue requirement calculation as described below. The RRA rate element "Storm Cost Amortization" included in the RRA revenue requirement, as filed in this docket for calendar year 2023, is not based on storm costs that will be audited and reconciled in the future. In particular, the storm expenses currently under review in Docket No. DE 24-041 will not be recovered through the RRA mechanism as proposed in this docket.

As noted on Bates 27 and 28 (shown below), the storm cost amortization in this docket relates to the unrecovered storm costs as of December 31, 2018.

Storm cost amortization final reconciliation and annual reconciliation updated for actual cost of long-term debt. The RRA shall be used to reconcile the recovery amount of the storm costs through December 31, 2018, which are included for recovery as part of the temporary rate increase. Consistent with the temporary rate settlement, the \$68.5 million currently being recovered over five years shall be reconciled based on final actual costs, including any audit adjustments, and to reflect the actual cost of debt over time. As part of the temporary rate settlement agreement, PSNH began amortizing the unrecovered storm costs as of December 31, 2018, which were estimated to be \$68,474,355, over a five-year period beginning August 1, 2019. As of August 1, 2019, PSNH began applying a carrying charge on these storms equal to its embedded cost of long-term debt. On an annual basis through July 31, 2024, the RRA shall reconcile the amortization amount to adjust for the Company's actual cost of long-term debt interest rate as filed in the Company's Form F-1 on a quarterly basis.

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The storm costs through December 31, 2018, as are relevant to this RRA filing, were audited in prior storm expense dockets, such as Docket No. DE 18-058 (storm costs for December 2013 to April 2016), Docket No. DE 19-050 (storm costs for July 2016 to December 2017), and Docket No. DE 19-105 (storm costs for January 2018 to December 2018). Accordingly, there should be no need for an audit of any storm-related costs covered by the filing in this docket, as those audits have already occurred.

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Date Request Received: May 31, 2024
Record Request No. PUC 1-002

Date of Response: June 10, 2024
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Request from: New Hampshire Public Utilities Commission

Witness: CHEN, YI-AN

Request:

Would “audit sampling,”² in which a representative sample of data is used to ensure that the data used to calculate these four rate elements is accurate, by the DOE Audit Division of relevant RRA rate elements be sufficient instead of a full audit? How much time would be required for the Audit Division to complete such an audit?

Response:

Eversource understands that Department of Energy audits generally are based on sampling of relevant costs, expenses, payments, revenues, and accounting entries, and do not involve a comprehensive review of every invoice, check, payment, receipt, or other back-up documentation related to the matter at issue. Eversource also is uncertain whether there is sufficient time for the DOE to complete an audit of any scope or scale prior to the date by which Commission approval of the new RRA rate is required.

The Company does not believe it should be necessary to have an audit performed prior to Commission approval of rate adjustments, in particular with respect to reconciling rate mechanisms such as the RRA. Reconciling rates by their nature are subject to further adjustment when forecasted or estimated cost components are finally known, and therefore such rates may be further modified when appropriate based on completion of the appropriate level of review by the DOE or the Commission itself. In addition, the Company has controls in place and validation takes place prior to submission of the RRA filing. Please see the Company’s response to PUC 1-003 for the details regarding that process.

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Date Request Received: May 31, 2024
Record Request No. PUC 1-003

Date of Response: June 10, 2024
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Request from: New Hampshire Public Utilities Commission

Witness: CHEN, YI-AN

Request:

If the DOE Audit Division is unable to perform the required audit or audit sampling in a particular docket, should independent third-party auditors under the direction of the Company be retained to do this audit?

Response:

Each year the financial statements and internal controls of Public Service Company of New Hampshire (the "Company") are subject to audit procedures performed by an external audit firm, Deloitte & Touche LLP ("Deloitte"). These audit procedures are required for Eversource's SEC and FERC financial statements and incorporate a comprehensive risk assessment and corresponding evaluation of the completeness and accuracy of the Company's financial information, including its regulatory deferral mechanisms, deferred storm costs, operating expenses, etc. The audit procedures performed by Deloitte include a series of audit sampling and substantive analytical procedures among other procedures which are all performed in accordance with the auditing standards of the Public Company Accounting Oversight Board ("PCAOB"). In addition, Deloitte performs an assessment of the design, implementation, and operating effectiveness of all Company internal controls over financial reporting. No issues or concerns were identified during the 2023 financial statement audits.

As a result of these robust financial statement audit procedures performed each year, the Company does not believe an audit or audit sampling of a particular deferral should be conducted by a third-party auditor. Any audit, even one with select or minimal audit procedures, will result in expected significant additional costs to be recovered from customers and will take time to be completed, especially if the third-party audit firm engaged does not have familiarity or experience with the Company.

In addition, each month the New Hampshire Revenue Requirements team independently prepares the workpapers for filing attachments that are sourced from data downloads of the Company's accounting system. The actual information contained in the NH Revenue Requirements workpapers which are included as part of the overall RRA filing is then validated against the monthly deferral analysis prepared by the Company's Regulatory Accounting team.

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As noted in the Company's response to PUC 1-002, the Company does not believe it should be necessary to have an audit performed prior to Commission approval of rate adjustments, particularly in connection with reconciling rate mechanisms with the controls and validation stated above. The Company is open to consideration of alternative approaches to improving the process, but engaging an outside firm to perform a full audit of each rate filing would be time-consuming and expensive, as noted above, and also may be potentially duplicative of the DOE's efforts. Although the Company recognizes and appreciates the Commission's objectives in this regard, engaging a third-party auditor would not be the most efficient or effective use of limited resources, especially in view of the extensive internal review and verification process followed by the Company prior to filing for proposed rate adjustments, as described above.

Please note that the Company's response to this question is limited to this docket and does not address any other "particular docket."