THE STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 24-XXX

PETITION FOR REVIEW OF STORM EXPENSES

DIRECT TESTIMONY OF

YI-AN CHEN, LEANNE M. LANDRY, AND DENISE M. COSENTINO

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

March 8, 2024

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Docket No. DE 24-XXX

I. INTRODUCTION

Q. Ms. Chen, please state your name, position, and business address.

A. My name is Yi-An Chen. My business address is 780 North Commercial Street, Manchester, New Hampshire. I am employed by Eversource Energy Service Company ("ESC") as the Director of Revenue Requirements for New Hampshire. In that position, I support Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company") regarding revenue and rate-related matters.

Q. Please provide your educational and professional background.

A. I received a Bachelor of Business Administration in International Business from Soochow University in Taipei, Taiwan and Master of Business Administration from Clark University. I joined ESC earlier in 2023 with more than 15 years of experience at National Grid USA in various roles of increasing responsibility including Regulatory and Compliance, Finance and Performance Management, Program and Project Management, and Reporting and Analysis.

Q. Have you previously testified before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes. I have provided testimony in multiple dockets.

Q. What are your current responsibilities?

A. I am currently responsible for the coordination and implementation of revenue requirements calculations for Eversource to support the rate and regulatory filings associated with Eversource's default Energy Service ("ES"), Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), System Benefits Charge ("SBC"), Regulatory Reconciliation Adjustment mechanism ("RRA"), Pole Purchase Adjustment Mechanism ("PPAM"), and base distribution rates.

Q. Ms. Cosentino, please state your name, position, and business address.

A. My name is Denise M. Cosentino. My business address is 107 Selden Street, Berlin, Connecticut 06037.

Q. Please provide your educational and professional background.

A. I graduated from Quinnipiac College (now University) in 1992 with a Bachelor of Science degree in Accounting. I graduated from Western New England College (now University) in 2001 with a Master of Business Administration degree. I am a Certified Public Accountant in Connecticut. I joined Eversource Energy in 2003 as an internal auditor where I was responsible for implementing Sarbanes-Oxley and have held various positions in Accounting and Enterprise Risk Management. Prior to joining Eversource Energy, I held various positions in financial institutions.

Q. Have you previously testified before the Commission?

A. No. However, I have testified before the Connecticut Public Utilities Regulatory Authority ("PURA") on behalf of the Company's affiliate, Connecticut Light & Power Company.

Q. What are your current responsibilities?

A. I am the Director of Enterprise Risk Management. In this capacity I have oversight and responsibility for Corporate Insurance, Liability & Damage Claims, and Enterprise Risk Management. For purposes of this testimony, I am responsible for procuring and managing all insurance for Eversource Energy and its subsidiaries and handling any associated claims.

Q. Ms. Landry, please state your name and business address.

A. My name is Leanne M. Landry. My business address is 247 Station Drive, Westwood, Massachusetts 02090.

Q. By whom are you employed and in what capacity?

A. I am the Director, Investment Planning for ESC. In this capacity, I have direct oversight of the financial support function for the Electric Operations Group of the Eversource Energy electric operating affiliates, including the Company. In my role, I am responsible for developing and monitoring business processes consistent with corporate financial and accounting policies for key operations units. In addition, I oversee the development of accounting and budget processes for capital-project cost oversight, including tracking of current and projected costs and implementation of cost-control measures.

Q. Please summarize your education and professional experience.

A. I graduated from Bentley College (now Bentley University) in 1990 with a Bachelor of Science degree in Accounting. I earned a Master of Business Administration from Bentley College in 2002, with a concentration in Finance. In 2009, I completed a program with Worcester Polytechnic Institute and received an Operations Management Leadership Certificate. I am also a Certified Public Accountant in the Commonwealth of Massachusetts. Upon graduation from Bentley, I was hired by Coopers & Lybrand ("C&L") (now PricewaterhouseCoopers) as an auditor within its Business Assurance practice. While at C&L, I participated in and provided leadership to the audits of a variety of companies, including public utilities.

I was hired at Boston Edison Company, NSTAR Electric Company's predecessor (NSTAR Electric Company is an affiliate of the Company), as an internal auditor in 1994. Subsequent to my time in Internal Audit, I have held roles of increasing responsibility in Strategic Planning, Annual Planning and Budgeting, merger integration support and Budgeting and Forecasting. In 2003, I assumed the role of Director, Investment Planning and in 2008 my role expanded to include responsibility for performing that role for the administrative support to the Electric Operations group. I was named to my current position in 2012, following the merger of NSTAR Electric Company and Northeast Utilities. In January 2014, my responsibilities were expanded to include Western Massachusetts Electric Company (an affiliate of the Company). In March 2015, my responsibilities were expanded to include the affiliate Connecticut Light & Power and the Company.

Q. Have you previously testified before the Commission?

A. Yes. I have previously testified before the Commission in Docket DE 22-030. I have also testified before PURA and the Massachusetts Department of Public Utilities on behalf of the Company's affiliates.

Q. What is the overall scope of the Company's filing in this docket?

A. This filing presents for review storm costs incurred between August 2022 and August 2023.[1] During this time period, the Company experienced nine storm events that qualify for storm-fund deferral treatment (the "2022-2023 Storm Events") pursuant to the Major Storm Cost Reserve ("MSCR") pursuant to either the storm event criteria established in Docket No. DE 99-099 or the pre-staging criteria approved in Docket No. DE 12-320. Each of the major storm events caused substantial damage to the Company's distribution system resulting in customer outages, blocked roads, and other emergency conditions requiring the Company to respond consistent with the terms of its Emergency Response Plan ("ERP"). Each of the pre-staging events were the result of weather forecasts that indicated a severe weather event highly likely to impact the Company's service territory, triggering the prestaging of crews consistent with the Company's ERP; however, the severe weather event did not materialize as originally forecasted.

The nine events are all eligible for recovery through the Company's MSCR mechanism. The MSCR mechanism was established in Docket No. DE 99-099 and allows the Company

[1] The Company did not experience any storm events during the months of August, September, or October 2022. However, the Company's previous storm cost recovery filing covered the period through July 2022 and accordingly this filing is intended to cover any qualifying storm events that occurred beginning in August 2022. Similarly, while the Company did not experience any storm events during the time period of April 2023-August 2023 these months are acknowledged because the Company's future storm cost recovery filing would include storms beginning with September 2023.

to recover from customers an annual amount through distribution rates that is used to offset costs incurred to respond to a qualifying major storm event. Under the terms of the MSCR, a qualifying major storm event is defined as a storm that results in either (1) 10% or more of the Company's retail customers being without power in conjunction with more than 200 reported troubles; or (2) more than 300 reported troubles during the major storm event. The MSCR was amended in docket DE 12-320 to allow for recovery of qualifying pre-staging costs. For all impending storms, Eversource receives an Energy Event Index forecast from its weather forecast vendor, DTN. The EEI provides highly detailed weather forecasts by region and zone for the Eversource service area. DTN's EEI forecast includes all relevant weather metrics needed to determine the likely severity and location of an impending severe storm. Qualifying prestaging costs are defined as costs incurred in advance of a major weather event where the event had a "high" probability (a probability of greater than 60%) of reaching an EEI Level 3[2] or higher forecast by the Company's weather service. Docket No. DE 12-320, Order No. 25,465, at 4 (2013).

The total incremental expense associated with this filing that the Company is presenting for review is approximately $231.7 million.

Q. Is the Company proposing a rate to take effect as a result of this filing?

A. No. In this filing, the Company is requesting that the Commission review the cost information and documentation presented by the Company for purposes of determining the prudence of the incremental costs incurred for the 2022-2023 Storm Events. The Company

[2] The Company uses an EEI with five escalating levels of storm severity.

would typically request recovery of storm costs through its MSCR Fund. However, as stated in the Company's February 26, 2024 letter filed in Docket No. DE 23-051, the MSCR Fund has been depleted to zero as a result of the storm costs approved in Docket No.'s DE 22-031 and DE 23-051. The storm costs approved in Docket No.'s DE 22-031 and DE 23-051 resulted in a cumulative unrecovered storm cost balance as of January 31, 2024 totaling $29,014,841.[3] Accordingly, any additional recovery in the MSCR Fund will be used to offset the cumulative unrecovered storm cost balance, including carrying charges, until such costs have been recovered.[4] Given that the MSCR Fund is fully depleted, the Company is not seeking to recover the storm costs in this filing through the MSCR Fund. Rather, in its next base distribution rate case filing, the Company will propose to establish a separate MSCR cost recovery mechanism for these storm costs, plus carrying charges, on an amortized basis to take effect at the time new base rates are set. As such, in this docket, the Company seeks to complete the prudence review for the 2022-2023 Storm Event costs in advance of the next base distribution rate case filing. To support the prudence review of the costs incurred by the Company to respond to the 2022-2023 Storm Events, the Company has compiled all supporting documentation. This supporting documentation is detailed in Attachment ES-COST-14 and is being provided to the Department of Energy's Audit

[3] See letter from Eversource to the Commission providing confirmation of storm cost recovery total and the resulting MSCR Fund balance filed on February 26, 2024 in Docket No. DE 23-051.

[4] The Company collects $1 million per month in base distribution rates for the MSCR fund, pursuant to Section 5.1 of the October 9, 2020 Settlement Agreement (Docket No. DE 19-057, Order No. 26,433 December 15, 2020).

Division together with this filing [5]).[6]

The Company will include a formal proposal to recover these costs as part of its upcoming base distribution rate case proceeding, which it anticipates filing later this year.

Q. What is the purpose of your testimony?

A. Our joint testimony will present the cost itemization and explain how the Company documents support for costs associated with the 2022-2023 Storm Events. This includes a description of the accounting, review and approval process for all expenditures associated with the 2022-2023 Storm Events proposed for recovery in this proceeding.

Our joint testimony discusses certain issues relating to the proper deferral accounting and the costs incurred by the Company to pre-fund storm cost restoration at such significant levels. Lastly, our testimony addresses storm insurance and federal funding and their applicability (or inapplicability) as cost mitigation options.

The Company's current balance of incremental deferred storm expenses incurred through January 2024 is approximately $301 million, which includes the amounts approved for

[5] The Company notes that the amounts included in the invoice index will not exactly match the invoices provided in support of the 2022-2023 Storm Events because the invoices include costs that are not applicable to the 2022-2023 Storm Events (i.e., the invoices will show amounts greater than the amounts included in the index in certain instances).

[6] The Company's most recent petitions for recovery of storm expenses have been resolved following an audit by the Department of Energy's Audit Division without additional process (i.e., these dockets were resolved without a formal discovery process or hearing). See Docket Nos. DE 21-089, DE 22-031, and DE 23-051. The Company has compiled all supporting documentation in support of this filing and is providing copies to the Audit Division together with a copy of this filing. The Company will also provide any and all documentation to the Commission, Department of Energy, or Office of the Consumer Advocate to assist their review. Attachment ES-COST-14 provides an invoice index of the Company's supporting documentation including page references to the supporting documentation that has been provided to the Audit Division for ease of review. The Company will also provide invoices as requested by the Audit Division to facilitate review (i.e., the Company is providing all invoices but can also provide specific invoices or batches of invoices, as requested).

recovery in both Docket No. DE 22-031 and DE 23-051, the $231.7 million presented for review in this case herein and storm costs incurred from September 2023 to January 2024.

To present information on the costs incurred to respond to these storm events, including review and tracking of costs, we have organized our testimony into the following sections:

- Section I provides the introduction;
- Section II describes the Company's storm cost recovery framework;
- Section III presents the qualifying event overview and cost analysis;
- Section IV discusses the Company's process for tracking storm costs;
- Section V discusses the Company's internal controls and processes that apply to the storm cost accounting process;
- Section VI discusses potential offsets to storm restoration costs; and
- Section VII discusses recovery of the 2022-2023 Storm Event costs.

Q. Please briefly describe the other testimony included in this filing in support of the Company's request.

A. The Company is also presenting the testimony of Dean Desautels, Director of Emergency Preparedness. Mr. Desautels' testimony demonstrates that the 2022-2023 Storm Events are eligible for cost recovery through the MSCR and that the costs were reasonably incurred based on the circumstances confronting the Company at the time decisions were made. Mr. Desautels' testimony also discusses the factors that led to the significant increase in storm costs presented in this filing versus previous storm cost filings.

Q. Are you presenting any attachments to accompany your testimony?

A. Yes. The table below identifies the attachments included with our testimony:

Attachment No.	Description
Attachment ES-COST-1	Cost Summary for 11/30/2022 Major Storm
Attachment ES-COST-2	Cost Summary for 12/15/2022 Pre-Staging
Attachment ES-COST-3	Cost Summary for 12/15/2022 Major Storm
Attachment ES-COST-4	Cost Summary for 12/23/2022 Pre-Staging
Attachment ES-COST-5	Cost Summary for 12/23/2022 Major Storm
Attachment ES-COST-6	Cost Summary for 1/20/2023 Major Storm
Attachment ES-COST-7	Cost Summary for 1/22/2023 Pre-Staging
Attachment ES-COST-8	Cost Summary for 1/22/2023 Major Storm
Attachment ES-COST-9	Cost Summary for 2/3/2023 Major Storm
Attachment ES-COST-10	Cost Summary for 2/22/2023 Pre-Staging
Attachment ES-COST-11	Cost Summary for 3/2/2023 Pre-Staging
Attachment ES-COST-12	Cost Summary for 3/13/2023 Pre-Staging
Attachment ES-COST-13	Cost Summary for 3/13/2023 Major Storm
Attachment ES-COST-14	Summary of Invoice and Cost Documentation for Outside Contractors and Vendors by Storm Event[7]

II. STORM COST RECOVERY FRAMEWORK

Q. Please provide a brief history of the Major Storm Cost Reserve.

A. The MSCR was first established in Docket No. DE 99-099. As amended in Docket DE 12-320, the Company is allowed to defer costs attributable to pre-staging and restoration efforts derived from severe weather events that meet the criteria mentioned previously. The annual funding for the MSCR was most recently updated in Docket No. DE 13-127 to allow the Company to collect $12.0 million on an annual basis. Order No. 25,534 (2013).

[7] As noted above, the Company is providing all supporting documentation identified in Attachment ES-COST-14 to the Department of Energy Audit Division together with this initial filing.

This annual funding amount was confirmed in Docket No. DE 19-057. Order No. 26,433, at 13 (2020). A Storm Cost Adjustment Mechanism was also established in Docket No. DE 19-057 that allows the Company to file for a separate, temporary amortization of storm costs for storm events that exceed $25 million per event. Id.

Q. Please define the requirements for a weather event to be applicable for recovery within the MSCR.

A. For all impending storms, Eversource receives an EEI from its outside vendor, DTN. The EEI provides highly detailed weather forecasts by region and zone for the Eversource service area. DTN's EEI forecast includes all relevant weather metrics needed to determine the likely severity and location of an impending severe storm. The EEI ranks the strength of the storm on a scale from 1 to 5, where 5 will be the most severe and cause the most damage, and then applies a likelihood against the forecasted strength of the storm.

Pursuant to the criteria established in Docket No. DE 12-320, pre-staging costs can be recovered through the MSCR if the weather event has a "high" (greater than 60% based on the forecast) probability of reaching "Level 3" or stronger, according to the EEI. See DE 12-320, Order No. 25,465, at 4 (2013). For non-pre-staging events, a Major Storm is defined as an event that results in either: (a) 10% or more of Eversource's retail customers being without power in conjunction with more than 200 reported troubles; or (b) more than 300 reported troubles during the event. See id. at 1.

Q. Does the Company have any other cost recovery mechanisms that are applicable to major storm events?

A. Yes. As noted above, the Commission approved a Storm Cost Adjustment Mechanism Surcharge in Docket No. DE 19-057. The Storm Cost Adjustment Mechanism Surcharge allows the Company to file for a separate, temporary amortization of storm costs for storm events that exceed $25 million per event and recover such costs through the Storm Cost Adjustment Mechanism Surcharge. Docket No. DE 19-057, Order No. 26,433.

Q. Can you please list the 2022-2023 Storm Events, which are the subject of this filing?

A. In this filing, the Company is presenting information supporting the costs for the nine qualifying events that occurred from August 2022 through August 2023: (1) November 30, 2022 Major Storm; (2) December 15, 2022 Major Storm (including Pre-Staging event); (3) December 23, 2022 Major Storm (including Pre-Staging event); (4) January 20, 2023 Major Storm; (5) January 22, 2023 Major Storm (including Pre-Staging event); (6) February 3, 2023 Major Storm; (7) February 22, 2023 Pre-Staging event; (8) March 2, 2023 Pre-Staging event; and (9) March 13, 2023 Major Storm (including Pre-Staging event). The 2022-2023 Storm Events are described in more detail in the testimony of Dean Desautels.

Q. Are there any storm events that occurred in 2023 but are not included in this filing because their costs are not yet "finalized"?

A. Yes. There were storm events that qualify for recovery through the MSCR that occurred in September through December 2023 that were not included in this filing because the Company has not yet finalized the costs associated with these storm events.

Q. How does the Company determine that the costs incurred for a qualifying storm event are finalized?

A. A storm event's costs are considered "finalized" when all costs have been invoiced to the Company, and subsequently reviewed and confirmed by the Company.

Q. Does the Company's filing of finalized storm costs mean that the Company has received all invoices for that storm event?

A. Not always. As discussed below, the Company has a robust and thorough process in place for tracking, revising, and finalizing storm costs. However, even with this robust process there is still the possibility for a relevant charge to be received after the storm costs have been filed with the Commission for review. When this occurs, the Company includes the additional costs in a subsequent storm cost recovery filing.

Q. Has the Company included any costs in this filing that are associated with a prior storm cost recovery filing?

A. No. All of the costs included for recovery in this filing are associated with the 2022-2023 Storm Events.

Q. Has the Company experienced storm events that have resulted in costs that exceed $25 million per event, which would qualify for recovery through the Storm Cost Adjustment Mechanism Surcharge?

A. Yes, three of the 2022-2023 Storm Events exceeded $25 million per event. As discussed below, the Company will include a proposal for recovery of all the costs associated with the 2022-2023 Storm Events as part of its upcoming base distribution rate case proceeding. The Company has not filed for a separate, temporary amortization of the costs incurred for these three storm events due to the timing of the storm events. For storms of this magnitude, it can take up to a year to receive all vendor invoices. This invoice lag

(discussed in more detail below) meant that the costs for these storms became final at the same time that this filing was being prepared and at the same time that the Company is preparing to file for an adjustment to its base distribution rates. Accordingly, recovery of the costs as part of the Company's storm cost recovery proposal in the upcoming base distribution rate case presents the earliest practical opportunity to initiate recovery of costs associated with the 2022-2023 Storm Events.[8]

Based on the latest information available as of this filing, the three storms' cumulative cost including carrying charges through January 31, 2024 is approximately $191 million. This cumulative cost is based on the vendor invoices that have been received to-date, followed by a thorough review of the supporting documentation as well as the determination of whether the amounts should be capitalized, rather than recorded to the MSCR. The actual costs associated with these events are subject to change based on several factors, including vendor invoices not yet received.

III. QUALIFYING EVENT OVERVIEW AND COST ANALYSIS

Q. Please provide the total storm costs incurred for the 2022-2023 Storm Events included for review in this filing.

A. As illustrated in the table below, the Company incurred direct costs totaling approximately $222 million in relation to the 2022-2023 Storm Events. These amounts have been adjusted for any costs capitalized within utility plant on the Company's books and do not include

[8] The Company has not filed for recovery of any storm costs through the Storm Cost Adjustment Mechanism Surcharge since it was approved in Docket No. DE 19-057. Prior to the three storms included for recovery in this filing that resulted in costs that exceed $25 million, the Company had not incurred costs for any storm event that exceed the threshold since 2020. However, based on a pattern of increasingly severe weather and rising storm response costs, the Company anticipates that it will request recovery through the Storm Cost Adjustment Mechanism Surcharge in the future.

the carrying charges associated with the costs incurred. Inclusive of carrying charges, the total cost for the 2022-2023 Storm Events as of January 31, 2024 was approximately $231.7 million. Direct costs and carrying charges are shown by storm event in the table below.[9]

Exhibit	Workorder	Storm	External Contractors / Outside Vendors / Procurement Cards	Payroll, Overheads and Taxes, Employee Expenses	Vehicle Expenses	Materials & Supplies	Total Direct Costs	Carrying Charges	Total with Carrying Charges
Attachment ES-COST-10	PRSTG23B	2/22/2023 Pre-Staging	$ 1,830,925	$ 58,059	$ 18,149	$ -	$ 1,907,132	$ 68,090	$ 1,975,223
Attachment ES-COST-11	PRSTG23C	3/2/2023 Pre-Staging	$ 453,426	$ 74,771	$ 15,251	$ -	$ 543,448	$ 28,562	$ 572,010
		Total Pre-Staging	$ 2,284,351	$ 132,830	$ 33,400	$ -	$ 2,450,581	$ 96,652	$ 2,547,232
Attachment ES-COST-1	MS22F006	11/30/2022 Major Storm	$ 1,887,789	$ 990,857	$ 160,926	$ 363	$ 3,039,935	$ 171,117	$ 3,211,053
Attachment ES-COST-2	EXPSTGG2	12/15/2022 Pre-Staging	$ 1,296,371	$ 55,489	$ 12,180	$ -	$ 1,364,040	$ 61,588	$ 1,425,627
Attachment ES-COST-3	MS22G006	12/15/2022 Major Storm	$ 17,326,940	$ 3,535,146	$ 606,732	$ 16,629	$ 21,485,447	$ 1,073,787	$ 22,559,234
Attachment ES-COST-4	EXPSTGH2	12/23/2022 Pre-Staging	$ 3,122,460	$ 37,615	$ 5,031	$ -	$ 3,165,107	$ 122,671	$ 3,287,778
Attachment ES-COST-5	MS22H006	12/23/2022 Major Storm	$ 37,480,159	$ 4,168,037	$ 2,031,231	$ 238,452	$ 43,917,880	$ 2,164,352	$ 46,082,232
Attachment ES-COST-6	MS23A006	1/20/2023 Major Storm	$ 1,306,818	$ 507,411	$ 185,706	$ 1,996	$ 2,001,931	$ 110,744	$ 2,112,675
Attachment ES-COST-7	PRSTG23A	1/22/2023 Pre-Staging	$ 1,688,282	$ 26,418	$ 3,331	$ -	$ 1,718,031	$ 80,250	$ 1,798,281
Attachment ES-COST-8	MS23B006	1/22/2023 Major Storm	$ 41,631,431	$ 5,796,262	$ 1,997,697	$ 176,537	$ 49,601,928	$ 2,369,387	$ 51,971,314
Attachment ES-COST-9	MS23C006	2/3/2023 Major Storm	$ 319,443	$ 229,209	$ 38,264	$ 539	$ 587,454	$ 18,483	$ 605,937
Attachment ES-COST-12	PRSTG23D	3/13/2023 Pre-Staging	$ 2,983,946	$ 24,851	$ 5,442	$ -	$ 3,014,240	$ 97,605	$ 3,111,845
Attachment ES-COST-13	MS23D006	3/13/2023 Major Storm	$ 81,532,927	$ 4,627,359	$ 3,389,254	$ 169,754	$ 89,719,295	$ 3,316,078	$ 93,035,373
		Total Major Storm	$ 190,576,567	$ 19,998,655	$ 8,435,794	$ 604,271	$ 219,615,288	$ 9,586,061	$ 229,201,348
		Total	**$ 192,860,918**	**$ 20,131,486**	**$ 8,469,194**	**$ 604,271**	**$ 222,065,868**	**$ 9,682,713**	**$ 231,748,581**

Q. What is the breakdown of the total costs presented in this filing?

A. This filing presents incremental costs for review associated with the 2022-2023 Storm Events that meet the criteria established for recovery through the MSCR. The two prestaging events were events where the Company followed the prerequisites for prestaging crews-including notifying the Commission that an ERP event would be declared. However, for these prestaging events, the predicted storm conditions did not materialize and/or resulted in minimal damage to the Company's system, while still requiring the incurrence of incremental costs.

[9] The table shows thirteen events because four storm events also qualified as prestaging events. For events that would have also qualified for cost recovery as a prestaging event, the Company uses two work orders to record costs.

The Company has organized the costs relating to each storm event into four categories. These categories are: (1) charges from external contractors, outside vendors, procurement cards, and other logistical charges; (2) incremental storm related payroll costs, payroll related overheads and taxes, and employee expenses; (3) incremental vehicle costs; and (4) materials and supply costs. The table below identifies costs for each storm in these categories as of January 31, 2024. Of the total costs, the breakdown is as follows:

Exhibit	Workorder	Storm	Direct Costs	Carrying Costs 1/31/2024	Total Cost 1/31/2024
Attachment ES-COST-10	PRSTG23B	2/22/2023 Pre-Staging	$ 1,907,132	$ 68,090	$ 1,975,223
Attachment ES-COST-11	PRSTG23C	3/2/2023 Pre-Staging	$ 543,448	$ 28,562	$ 572,010
		Total Pre-Staging	$ 2,450,581	$ 96,652	$ 2,547,232
Attachment ES-COST-1	MS22F006	11/30/2022 Major Storm	$ 3,039,935	$ 171,117	$ 3,211,053
Attachment ES-COST-2	EXPSTGG2	12/15/2022 Pre-Staging	$ 1,364,040	$ 61,588	$ 1,425,627
Attachment ES-COST-3	MS22G006	12/15/2022 Major Storm	$ 21,485,447	$ 1,073,787	$ 22,559,234
Attachment ES-COST-4	EXPSTGH2	12/23/2022 Pre-Staging	$ 3,165,107	$ 122,671	$ 3,287,778
Attachment ES-COST-5	MS22H006	12/23/2022 Major Storm	$ 43,917,880	$ 2,164,352	$ 46,082,232
Attachment ES-COST-6	MS23A006	1/20/2023 Major Storm	$ 2,001,931	$ 110,744	$ 2,112,675
Attachment ES-COST-7	PRSTG23A	1/22/2023 Pre-Staging	$ 1,718,031	$ 80,250	$ 1,798,281
Attachment ES-COST-8	MS23B006	1/22/2023 Major Storm	$ 49,601,928	$ 2,369,387	$ 51,971,314
Attachment ES-COST-9	MS23C006	2/3/2023 Major Storm	$ 587,454	$ 18,483	$ 605,937
Attachment ES-COST-12	PRSTG23D	3/13/2023 Pre-Staging	$ 3,014,240	$ 97,605	$ 3,111,845
Attachment ES-COST-13	MS23D006	3/13/2023 Major Storm	$ 89,719,295	$ 3,316,078	$ 93,035,373
		Total Major Storm	$ 219,615,288	$ 9,586,061	$ 229,201,348
		Total	**$ 222,065,868**	**$ 9,682,713**	**$ 231,748,581**

Attachments ES-COST-1 through ES-COST-13 provide an overview of the incremental costs incurred by the Company for the 2022-2023 Storm Events broken down by the categories discussed below for each storm event. For storm events that qualified as both a pre-staging event and a Major Storm, there are two attachments because the Company creates a separate work order for the pre-staging event costs. As noted below, the Company has compiled all of the supporting invoices and receipts in support of these incremental

costs and is providing this supporting documentation to the Department of Energy's Audit Division together with this filing to assist its review of the 2022-2023 Storm Event costs and demonstrate that the costs incurred with respect to the 2022-2023 Storm Events were reasonable and prudently incurred. Attachment ES-COST-14 provides an index of this supporting documentation. As shown in Attachment ES-COST-14, the Company is providing invoices for external contractor and outside vendor costs to the Audit Division. External contractor and outside vendor costs (including procurement card transactions) comprise $192 million[10] of the total storm costs submitted for review in this filing.

Q. What are the specific functions and activities under the ERP associated with each of the major cost categories?

A. As shown above, to conduct restoration and recovery following the 2022-2023 Storm Events, Eversource incurred costs in four major categories of cost: (1) external contractors/outside vendors/procurement cards; (2) payroll, overheads, and taxes, and employee expenses; (3) vehicles; and (4) materials and supplies. Each of these cost categories is associated with specific functions and activities undertaken as part of the ERP to restore power and conduct recovery operations, as follows:

External Contractors, Outside Vendors, and Procurement Cards: The Company incurred costs for external crews procured to restore power and conduct recovery work. Attachments ES-COST-1 through ES-COST-13 show that the external contractors, outside

[10] Procurement cards account for $44,524,046 of these costs.

vendors, and procurement card costs for the 2022-2023 Storm Events is approximately $192.9 million.

The types of external crews procured and used in the 2022-2023 Storm Events are as follows:

- **Mutual Aid**: mutual aid crews are field crews procured from other electric utility companies. Work performed by these crews included restoring service, shifting high voltage conductors, splicing these conductors, and all other activities associated with performing restoration and recovery work on the Company's electric facilities;

- **Independent Contractors**: independent contractors perform the same work as mutual aid crews, except the line workers comprising these crews are unaffiliated with an electric utility company.

- **Vegetation Management**: vegetation management crews are used to clear tree and vegetation, so that physical workers gain safe access to broken or failed facilities in order to safely perform restoration work. Vegetation management crews are professional contractors engaged to work on the Company's system during severe weather emergency periods.

- **Environmental**: the Company incurred costs for physical work performed by the Company's environmental vendors to clean-up any oil that spilled from broken or failed oil-filled equipment, such as transformers.

- **Other**: outside contractors/vendors costs also include the costs associated with janitorial services, storm related communications, and manual cost adjustments performed by the Company to record costs to the correct work order.

- **Food and Lodging**. The Company incurred costs to feed and lodge emergency preparedness personnel supporting the storm restoration efforts, including mutual aid, vegetation and external contractor crews.

- **Traffic control and police**: The Company incurred traffic control and

police service costs associated with service restoration work.

The rates paid to contractors who work on the Eversource system during non-emergency periods are established through a negotiated purchase order process, which defines the rate structure. The rates for external contract crews hired for the exclusive purpose of the storm are also established through the negotiated purchase order process. The rates for mutual aid crews are established through the Edison Electric Institute's Governing Principles Covering Emergency Assistance Arrangements Between Edison Electric Institute Member Companies. The guiding principle of mutual aid is that a utility is compensated based on its cost to provide services to another utility.

The Company incurred costs associated with various smaller items including contractual meal allowances paid to union employees while working overtime. This category also includes costs for items such as vehicle mileage when Company personnel use their personal vehicles to travel to and return from, their storm work assignments and lodging. During a major storm event, employees working on the ERP restoration effort are authorized to use procurement cards to make purchases. The purpose of these purchases is to acquire needed items that are not typically maintained in the Company's inventory and are not capital items or for expenses related to food and lodging where the Company does not have an established purchase order. Examples of these types of items include tape and slings needed to make an area safe.

Procurement cards allow employees to make immediate purchases from vendors, while simultaneously providing management line-of-sight supervisory ability to monitor charges and assess whether the charges are appropriate and includable for storm-cost recovery. For

an ERP event, corporate procurement cards are used to ensure that costs are segregated and recorded directly to specific storm-related accounts on the Company's accounting books and records. Receipts for all purchases are required for submission into the Company system.[11] The Company's system also allows for supervision of the card use for all corporate procurement cards.

Payroll, Overheads, & Taxes, and Employee Expenses: To restore power and conduct recovery operations, the Company incurred incremental payroll costs for use of the Company's employees and other Eversource Energy operating companies' employees assisting in storm restoration. These payroll related costs are incurred in accordance with applicable labor contracts for unionized workers and applicable laws, regulations, and corporate policies for other employees. This work includes, for example, the payroll costs incurred as a result of the storm response in relation to the efforts of the Company's line workers in restoring service and repairing distribution infrastructure.

Attachments ES-COST-1 through ES-COST-13 show that the aggregate these payroll-related costs incurred for the 2022-2023 Storm Events are approximately $20.1 million. There are no invoices associated with this cost category.

Vehicles: The Company incurred vehicle costs associated with storm restoration work. All Company line crews used to restore power and conduct recovery are associated with vehicles to perform the work. Vehicles are also used to patrol the system to help pinpoint

[11] The Company has not included procurement card receipts in the supporting documentation provided to the Audit Division because compilation of these receipts is a manual process that is very labor intensive. The Company will provide these receipts to the Audit Division upon request.

damage locations; to transfer line workers to locations requiring system restoration work; to allow for non-affiliated mutual aid line workers that require a line truck to use an Eversource provided truck or vehicle during their storm restoration work; and to provide a means for supervisors in the field to move between work locations and effectively coordinate system restoration work.

Attachments ES-COST-1 through ES-COST-13 show that Vehicle costs for the 2022-2023 Storm Events are approximately $8.5 million.

Material and Supplies: The Company incurred materials costs for storm-related items issued from the Company's inventory. Materials used in storm restoration work include items such as transformers, cable, wire, reclosers, and batteries. Also included are an allocation of expense associated with lobby stock. "Lobby stock" represents the cost of miscellaneous small items of stock, such as nuts, bolts, washers, deadends, splices, and connectors, which are routinely used in the electric distribution system, and generally are stored in equipment bins in the storeroom lobbies. During storm restoration work, the Company carefully accounts for its material that is used to help restore service. The Company has processes in place to ensure that any material issued to restoration personnel is returned upon completion of restoration work or the Company's release of an external line contractor (and that such returned materials are then credited to the applicable storm work order). Attachments ES-COST-1 through ES-COST-13 show that "Materials" costs for the 2022-2023 Storm Events are approximately $604,000.

IV. STORM COST TRACKING

Q. What is the Company's system for accounting for storm work orders during an ERP event?

A. When a storm event, including a prestaging event, occurs the Company creates a storm work order in the Company's accounting system. This work order, and any other relevant accounting information is communicated to Eversource employees. Eversource uses a standard set of accounting codes to record all financial transactions. This standard set for codes, or code block, provides flexibility to track costs in a variety of ways. Certain elements are especially useful when tracking storm restoration costs. These include the company code, work order, functional cost control center, and cost element. Once a work order is created, all transactions related to that storm restoration effort are charged to the assigned work order codes. The Company has detailed accounting policies governing the recognition and approval of financial transactions. These policies are relied upon to ensure all storm restoration costs are recorded to the correct accounting codes.

Q. Did the Company follow this process for the 2022-2023 Storm Events?

A. Yes. The Company followed this process for the 2022-2023 Storm Events. Specifically, work orders were established for each storm to accumulate all storm restoration costs. The Company engaged in an effort to analyze the capital plant items that were required to be installed to restore service for each event. For each capital item (for example, a pole or section of a conductor), the Company used its work management standard construction method to allocate labor, vehicle costs and materials to the capital item installed, thereby appropriately capitalizing all costs associated with the capital plant work during the specific storm.

Q. What are non-incremental costs that may be incurred during ERP events?

A. The Company identifies non-incremental costs as costs that the Company would have incurred even in the absence of the storm. Typical non-incremental storm costs include items such as direct straight-time payroll and associated payroll benefit overheads and fixed vehicle expenses such as lease costs, insurance, facility costs and payroll of garage personnel.

Q. How does the Company define incremental costs incurred during a storm event?

A. Incremental costs are defined as those costs that would not have occurred had it not been for the storm event. Incremental costs include:

- Contractor and non-Eversource utility line crews;
- Contractor tree trimming, civil, service, and other crews;
- Payroll, related overheads, and equipment associated with restoration assistance provided to the Company by affiliate companies;
- Food and lodging for crews and storm restoration personnel;
- Materials and supplies used during the storm restoration;
- Vehicle costs; and
- Overtime payroll.

Q. How does the Company utilize cost elements to determine incremental costs?

A. Examples of the Company's use of cost elements in the corporate accounting system in determining incremental costs include:

a) For direct labor costs, the Company sorts the labor costs by various labor-related cost elements, which are then further reviewed by specific payroll time codes. In

the event of a major storm, if the cost element or payroll time code reflects straight time, the cost is classified as incremental. In the event of a pre-staging event, if the cost element or time code reflects straight time, the cost is considered non-incremental. For all storm events, direct overtime labor is considered incremental. Additionally, labor costs charged to the storm work order by employees of Company affiliated operating companies that do not support the Company as part of their non-storm responsibilities, are considered incremental.

b) For lobby stock, the cost elements specifically identify material-related costs. Although materials are evaluated to determine whether they meet capitalization criteria, the remaining materials and lobby stock are considered to be incremental expenses resulting from the storm event. Stores overhead expenses are non-incremental.

c) Cost elements are used for employee overhead costs such as health/retirement benefits and non-productive time (holidays, vacation, sick days and other paid time). These costs are charged to the storm work orders as they are a loaded cost following the productive payroll that is directly charged by the employees to the storm work orders in the accounting payroll system. Payroll-related overheads charged to the storm work order from Company employees are categorized as non-incremental. Payroll-related overheads charged to the storm work order from the Company's affiliated operating companies are considered incremental.

d) The Company's accounting system also employs cost elements that identify costs related to outside contractors/vendors. Outside contractor and vendor costs charged to the storm work orders are considered incremental.

e) Specific cost elements are also utilized to determine the incremental costs associated with fleet vehicles and employee expenses, such as vehicle mileage, tolls, and in some cases out-of-pocket meals.

Q. How is internal labor entered and tracked during ERP events?

A. All internal labor time is entered into the Company's on-line timekeeping payroll system using the prescribed storm work order number. Storm work orders are initiated at the direction of the Electric System Operations Organization ("ESO") as the weather event is approaching and storm preparedness planning is commenced. The associated coding is assigned at the start of the event so that cost data can be appropriately categorized by cost types. Inputs into the Company's on-line time keeping system include an employee's name, charge cost center, storm work order number, and the number of hours worked, including, but not limited to, straight time, overtime, rest time, and meals allowed. This input is based on timesheets submitted by employees and approved by their supervisor. Following system input, each employee's supervisor reviews the accuracy of the time, time codes and proper accounting codes, including the storm work order. Once accuracy is determined, the supervisor approves the time input through the on-line payroll system.

On a weekly basis, labor reports are generated by the Company's business services personnel to further analyze for any discrepancies, mis-codings, or inaccuracies. Any necessary corrections are made in the time reporting system.

Q. Are there any other expenses incurred by employees during ERP events?

A. As discussed above, during certain ERP events, employees incur reimbursable expenses, such as personal vehicle mileage, tolls, and in some cases out-of-pocket meals. In addition, employees with Company-issued credit cards can be called upon to purchase food and supplies and reserve hotel rooms for those personnel supporting the storm restoration efforts. Similar to internal labor charges, all employee expenses are entered into the Company's on-line timekeeping system using the prescribed storm work order number. Input into the Company's on-line timekeeping and expense systems included an employee's name, charge cost center, storm work order number, expense code, and charge amount. All reimbursements for employee expenses $25 or more are supported by original receipts, documenting the charge. Following each employee expense entry, an employee's supervisor reviews the accuracy and validity of the expense, expense codes, and proper accounting codes, including the storm work order. Once accuracy and validity are determined, the supervisor approves the expense reimbursement request through the on-line payroll system.

All internal labor costs and employee expense reimbursements follow Eversource's Time Reporting Policy,[12] which contains procedures, guidelines and management approval authority over charging of internal labor costs and employee expense reimbursements.

Q. Are capitalized storm costs excluded from this request for recovery?

A. Yes. In a Major Storm event, capital costs are incurred in relation to the restoration and/or replacement of distribution equipment damaged by the storm. Capital work occurs in two phases of the storm: (1) during the initial phase of the storm, in the days immediately following the storm when the Company is working to restore power to customers efficiently and safely; and (2) during the non-emergency, post-storm restoration phase, which can last well after the event date, as permanent repairs are made to replace temporary repairs made to restore power immediately following the storm.

In general terms, work is considered capital under utility general accounting principles where a unit of property is either replaced or newly installed. During the initial phase of the storm, there is a significant level of activity occurring, all with a paramount focus on a safe and expeditious restoration. Therefore, 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

[12] This was previously called "APS 19" but was replaced with the Time Reporting Policy beginning in July 2022.

storm-related repairs. All capital costs are simply reflected within utility plant subject to the ordinary distribution ratemaking process.

The following is a summary of the process for capitalizing materials used during a storm: All restoration costs are initially accumulated in an expense work order specific to that event. Once the costs have been collected in the work order, the material issued or charged to the storm expense work order is reviewed to identify capital units of property (retirement units). Based upon the units of property identified, an estimate is developed of the work performed during a storm that should be capitalized. This estimating process utilizes information from the Company's work management system, such as man-hour estimates, to develop the installed cost associated with the replacement of capital units of property during the storm restoration. The installed cost of the capital units of property is estimated at a high level (labor, vehicles, material, overheads), not at a transactional level. Once the capitalized costs are determined, they are transferred from the storm expense work order to a separate capital work order and ultimately closed to the appropriate plant accounts. This process has been used by Eversource for many years and deemed appropriate by the Commission and the Department of Energy, to capitalize material costs during a Major Storm event as it would be burdensome to charge each capital item to a unique work order as is the case when work is performed in a non-storm restoration situation.

Q. In Docket No. DE 18-058, Audit Staff and Staff recommended removing certain charges deemed to be "Media Communications." Are these costs included in the schedules for these weather events?

A. No. The final revenue requirement in Docket No. DE 19-057 included an adjustment of $69,523 made to the 2018 test year to incorporate costs associated with West Interactive into the base distribution revenue requirement and cost of service.[13] West Interactive costs incurred during the test year were associated with media communication efforts on behalf of the Company during storm response, as media communication efforts were defined during that time. Since West Interactive costs were incorporated into base distribution rates, costs related to media communions, similar to the services provided during that time, are considered non-incremental and are excluded from the storm cost recovery filings.

However, through recent customer research surveys, the Company's customers requested direct points of information regarding storm power outages they were experiencing. To address that need, the Company developed specific customer messages that are triggered at various points during the lifecycle of a particular customer outage event to keep each customer informed as to the actions the Company has taken to restore their power. During the 2022 – 2023 Storm Event restoration efforts, the Company provided this new messaging capability to its customers that experienced storm power outages. These messages were sent automatically to each customer impacted and included proactive messages when: (1) a customer initially lost power; (2) an Estimated Time of Restoration ("ETR") was available; (3) a Global ETR for the entire area was available; and (4) power was restored. These messages were sent via a customer's channel of choice: text, email,

[13] Docket DE 19-057, Final Revenue Requirement at Bates 16, line 29 (January 22, 2021).

or voice. In addition, customers had the ability to text OUT to report their outage, and text STAT to receive the status of their outage in the same communication channel.

With this new messaging capability, and other tools such as the ability to view and report outages via the Company's external web-site www.eversource.com, the Eversource Mobile App, and the Eversource automated phone system ("IVR"), approximately 97% of customer interactions during storms are now through digital channels. This decreases pressure on the Eversource Customer Call Center and call handle time during a storm, and reduces the need for Customer Service Representatives to take outage calls. Eversource used this new messaging tool, Message Broadcast, to send messages to each customer during the 2022 – 2023 Storm Events. Message Broadcast is only used for storm communications to customers impacted during major storm outage events. The incremental costs incurred during that period of time are the direct result of a major storm event, and would not otherwise be incurred. In addition, these costs did not exist during the Company's last base distribution rate case proceeding and therefore would not have been included as part of the test year costs, or incorporated into base distribution rates approved in DE 19-057. Therefore, the incremental costs incurred for Message Broadcast are included for review in this filing.

V. STORM INVOICING QUALITY CONTROL

Q. Did the Company review the incremental storm expenses to ensure the amounts identified are accurate and correctly attributable to each event?

A. Yes. The Company's Accounts Payable Department is responsible for processing and paying invoices for the normal day-to-day services and materials purchased by Eversource.

This group has implemented a multi-step process to ensure storm-related invoices are thoroughly reviewed, audited and adjusted. As part of this process, the Company undertook a thorough review of invoices and costs recorded to the Company's system in relation to these events. In conducting that review, the Company carefully examined the charges to confirm that the costs are incremental costs directly attributable to the emergency response and not otherwise represented or recoverable in any other distribution rate, charge, or tariff.

Moreover, all the costs presented for recovery in this filing were reasonably and necessarily incurred to prepare for and respond to the 2022-2023 Storm Events. The costs in this filing were incurred to make the repairs necessary to address the damage caused by those severe weather events and support the restoration effort or to prepare for the potential severe weather event.

Q. What is the timing for receiving and reviewing third party vendor invoices?

A. To respond to the 2022-2023 Storm Events, the Company often relied on external crews for restoration, with many being independent contractors that do not work for the Company on a routine basis and are unaffiliated with an electric utility. The Company also used mutual aid crews from other U.S. electric utilities.

External vendors typically invoice the Company anywhere from two weeks to eight months after services or materials are provided, however during a large storm event this may take upwards of one year (e.g., for storms with costs exceeding $25 million it would be very unlikely to receive all invoices within one year following the event). This

timeframe is primarily attributable to the time it takes the vendor's back office administrative process to compile a detailed invoice which meets Eversource's requirements. In addition, when the Company is retaining contractors for a large storm event it is often not the only utility being impacted by the storm. For these large storm events, the Company may retain a contractor that specializes in storm response and travels throughout the country. These storm response contractors are often responding to multiple storm events in a short time frame; these storm response contractors are also often responding on behalf of more than one utility. As a result, their invoices may lag because they have to invoice multiple utilities and each utility has its own specific invoicing specifications.

It is also important to note that the Company does not have direct control over the administrative capabilities or invoicing priorities of these external contractors and vendors. If the Company were to impose strict invoicing timeline requirements it would risk losing access to vendors that focus on emergency response versus issuance of invoices.

Finally, the invoices that are issued for the work performed will encompass hundreds, and in some cases, thousands of pages of crew-related charges. The supporting details required of vendors include timesheets with each person's name listed and the hours worked by that person, as well as copies of receipts for expenses incurred in their travel to and from such as gas, meals and incidentals. As a result, compilation of these invoices by the vendor

will take time where larger crew complements were provided. In addition, in many cases there is a significant amount of correspondence between Eversource and the vendor if any information is missing or discrepancies are found which could result in invoices being rejected and resubmitted by the vendor. For very large storm events (e.g., storms with response costs exceeding $25 million), it can take the Company up to (or over) a year to receive all vendor invoices with complete documentation.

When an invoice is received, it will proceed through the verification, review, and approval process described below. This process will typically take 15 days to six weeks for any individual invoice depending on the size and complexity of the invoice. For invoices containing disputed or inappropriate charges, this process will take longer.

Q. What is the internal review process that is followed to verify that invoiced costs from external contractors and outside vendors are correct?

A. The Resource Acquisition Section of Eversource's ERP is comprised of individuals who are responsible for the procurement of contractor resources. The Resource Acquisition Section works in partnership with the Logistics Section and the Company's Procurement Department to secure contractors at the direction of the Incident Commander and Electric Operations Section Chief, with input from the other ERP section chiefs, as appropriate. As part of the procurement process, rates and mobilization/demobilization procedures are negotiated and agreed to with the vendor. In addition, throughout the event, Eversource supervisors are specifically assigned to the external crews to oversee the work of external resources. Each day, the contractors prepare timesheets, which are verified and signed off

by the designated Eversource supervisor to ensure that the indicated work hours are accurate.

After the event, each contractor hired by Eversource to perform storm-related services renders invoice(s) related to those services. The invoice detail is initially reviewed by Eversource administrative personnel, who are responsible for verifying that accurate (contract) rates are charged for each job classification based on the rates negotiated. The administrative employee also verifies the mathematical accuracy of the calculations on the bill, as well as whether the hours on the invoice align with the hours reported to the Company (or recorded by the Company) during the event. After this initial review, the invoices are further reviewed by an Eversource supervisor prior to approval of the invoice in accordance with the Company's Delegation of Authority.

During the review of these invoices, if discrepancies are identified or additional information is needed, Eversource personnel contact the vendor and, if adequate supporting documentation is not available, invoice charges are rejected in part or in total, as appropriate. In addition, if discrepancies are identified that resulted in over- or under-charging, Eversource works with the vendors to reconcile and receive/pay the appropriate amount due.

Q. How are procurement card and other logistical costs compiled?

A. As described above, to capture costs incurred by employees in fulfilling their storm duties, the Company utilizes procurement cards. The costs charged to the procurement cards, as well as other logistical costs, are compiled by utilizing the specific storm work order within

its financial system as these costs are incurred. A large portion of the procurement card costs relate to lodging and meals for external contractors working on the system. The Company also provides meals and lodging for internal crews and support staff who may have to travel some distance from home or work extended hours to perform restoration work within the Eversource service territory.

Q. How are lodging and meals procured and tracked?

A. The Logistics Section of the ERP is responsible for arranging lodging for internal and external personnel. In advance of a storm event, the Logistics section coordinates with hotels across the system to validate the availability of rooms depending on the size of the event. As rooms are needed, the hotels with sufficient availability in the areas where contractor resources will be assigned are called to book lodging. All invoices associated with meals and lodging are reviewed by the Logistics Section and signed off by the manager in charge of the group to ensure that the Company only pays for lodging and charges related to the storm.

In most cases, lodging arrangements are paid for using a procurement card. Procurement cards are also utilized to pay for meals or food brought into the area work centers for those employees working there. The Logistics Section coordinates the meal arrangements at the various area work centers. Meals and water as needed are also purchased by individuals who have their own designated procurement cards.

Q. Please describe the process for reviewing procurement card transactions used to purchase food, lodging and supplies.

A. The Company employs a multi-step process for reviewing procurement card transactions. Company purchasing cards or "PCards" issued by JP Morgan Chase were used during the 2022-2023 Storm Events to purchase a variety of goods and services needed for the storm restoration process such as food and supplies.

Each Eversource PCard user is responsible for fully documenting each transaction by presenting the original purchase receipt and a complete description of the transaction and the reason for it. All documentation is then submitted to an Eversource PCard custodian, who is responsible for the accumulation and accounting of all PCard transactions in a particular Company location. The PCard custodian reviews all transactions submitted, ensuring proper use and documentation. The PCard custodian then enters all PCard transactions for their location into the Company' instance in the JP Morgan PCard transaction system. Information regarding transaction dates, vendor name and the business reason for the transaction are entered into the PCard transaction system.

In addition, relevant accounting information, including Eversource affiliate company name, cost center, storm work order and amounts, is entered into the system. Once entered, the PCard custodian verifies the accuracy of charges on the cardholders monthly Line Item Detail report and ensures all receipts are attached. The cost center or location manager then approves the transactions on the monthly Line Item Detail report and returns to the PCard custodian to wait on instruction from the PCard Administrator on when to submit all approved monthly files to Accounts Payable to send to offsite storage. Each

month, reconciliation between the Company's PCard transaction system and a transaction summary file from JPMorgan Chase (Eversource's PCard provider) is performed.

The Eversource PCard Administrator also reviews a series of automated audit reports provided by JPMorgan Chase. The audit routines performed by JPMorgan Chase are intended to spot any potentially inappropriate usage of the PCards. Once all of these steps have been completed, a payment file is sent to the Company's Accounts Payable system for approval by an appropriate Company representative, and once such approval is provided then payments are thereafter made to JPMorgan Chase.

All PCard transactions are governed by the Company's PCard Procedures Manual, and comply with Eversource's previously described Delegation of Authority policy, which dictates management approval authority over payments. PCard transactions are accounted for as part of the "External Contractors/Outside Vendors/Procurement Cards" category of costs.

Q. For the second category of costs identified as incremental storm related payroll costs, how have costs been compiled for this category?

A. The costs incurred for payroll and payroll-related costs were approximately $20.1 million. This includes direct payroll costs for all Eversource affiliated companies as well as payroll-related overheads and taxes for affiliates that would not have been incurred by Eversource except for the need to conduct the storm-response effort. Employee expenses are also included in this category. Costs eligible for reimbursement include meals, mileage, and travel expenses for those employees working the storm event who may not have a procurement card or as contractually obligated.

Direct payroll costs include the labor costs for union and non-union personnel. Employees are required to account for each hour worked every day. Employees in the field with a designated timekeeper fill out a paper or online timesheet with their hours worked, using the appropriate storm work order. The timesheet is reviewed and approved by the employee's supervisor and entered into Eversource's time and attendance system by an administrative employee in the office. Employees with access to Eversource's time and attendance system enter their own time directly, using the appropriate storm work order, and supervisors review and approve payroll in that system.

For the union personnel discussed above, the actual costs related to their worked hours is based on the applicable collective bargaining agreement(s). 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 multi-day restoration weather events, exempt employees are typically required to work an extensive number of hours over their typical work week and can receive emergency response compensation for overtime hours, consistent with Eversource storm pay policy.

Q. Has the Company removed overtime costs associated with storm-related capital work?

A. Yes. As mentioned above, the Company uses a capitalization process that estimates the labor costs associated with the capital units of property installed and removed during a restoration event. Factored into that estimation is an assumption that all work is performed under adverse weather conditions and on overtime. Therefore, overtime is removed from the storm costs when labor costs are transferred from the expense work order to the capital

work order. Overheads and loaders, including vehicle cost allocations, are applied to the labor and material costs capitalized.

Q. For the third category of costs identified as vehicle expenses, please explain the costs incurred due to vehicles.

A. Vehicle costs are incurred when a Company vehicle is needed to perform restoration work or, in the case of pre-staging, is deployed in advance of the anticipated weather to be ready to respond to the most affected areas as they emerge. The costs allocated for use of vehicles during the restoration work were approximately $8.5 million. The actual vehicle costs for the Company 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.

Q. For the fourth category of costs identified as materials and supplies, how are costs compiled for this category?

A. The costs incurred for materials and supplies were approximately $0.6 million. The materials and supplies category represents the incremental costs associated with the materials used to restore power and repair storm damage. Typically, these are small items like tape, nuts and bolts, and short sections of wire, safety, and protective equipment. Also included in these amounts are store and lobby stock items purchased during a storm event. Costs associated with capitalized materials are appropriately removed from the costs included in this category.

The Company's Materials Management personnel utilize both the area work center storerooms and temporary staging areas to provide materials during storm events. At the

outset of a storm, area work centers and staging areas are provided with a supply of materials normally used in the district in which it was located. Such materials are centrally stored at, and distributed from, the Company's Bow NH Central Warehouse ("BOW").

The sites are staffed by experienced Materials Management personnel from all Eversource companies. These employees provide work direction to site material handlers and monitor material usage and replenishment, in conjunction with on-site operational management. Orders for replenishment materials are placed with Materials Management. Replenishment materials are also distributed from BOW to field locations. If certain materials were not available at the BOW, they are delivered directly to the needed sites from the material vendors.

Because of the importance of rapid material deliveries, Materials Management personnel and Eversource's Purchasing Department work closely with vendors and other utilities to timely procure and deliver needed replenishment materials. Both the initial supply of materials and all replenishment materials are charged directly to a storm work order which is used to track as storm-related costs. All material requests follow Eversource's Procurement Guidelines and previously described Delegation of Authority policy, which dictates management approval authority over material requests and purchase orders.

At the completion of a storm, Eversource's Materials Management personnel work with local district operational personnel to return all unused materials to the BOW. All material returns are credited against the storm work orders, and therefore, are not included in the Company's request to recover storm costs. This process takes time to appropriately ensure

that only those materials that are used during a storm restoration process are charged to the work order for that storm.

Q. What is the multi-step process for reviewing third party vendor invoices for tree trimming services?

A. Eversource's Vegetation Management ("VM") Department hired contractors to perform tree clearing and trimming during the 2022-2023 Storm Events. The ongoing process for receiving and reviewing invoices is as follows:

- All work is charged using preapproved time and equipment rates that were negotiated by Eversource's Purchasing Department.
- Each tree crew, including out-of-state crews, fill out a weekly time sheet that is used to capture the hours worked for each laborer and piece of equipment, as well as tolls, food, and lodging expenses not provided by Eversource.
- Each time sheet is verified by Eversource VM employees, including hours worked and the appropriateness of receipted expenses.
- Any discrepancies or errors are resolved with the contractors prior to the review process proceeding.
- Once verified, the timesheet data is then entered into the Company's Trees Work Management System ("TWMS") by Eversource employees and vendors. TWMS calculates the cost for each crew according to the negotiated contract, as well as tolls, food, and lodging costs.

- Prior to approval, the TWMS information is compared and reconciled to time and expense records maintained by the contractors. This reconciliation process streamlines the approval and payment process while ensuring appropriate oversight and accuracy.

- TWMS information is then interfaced to Eversource's on-line time approval system and approved by Eversource's VM Department manager.

- Once approval occurs in the on-line time approval system, an electronic interface into Eversource's Accounts Payable system creates an invoice entry and payment is made.

- All tree trimming vendor payments also follow Eversource's previously described Delegation of Authority policy, which dictates management approval authority over payments.

The Company also requires a "heavy storm tracking" sheet that lists the exact location (town, address, pole number, etc.) where work is performed during a storm event. This tracking sheet is required as additional backup and the timesheet for all work performed as part of storm restoration work. This additional documentation is reviewed by the arborist as part of the approval process. It is also the mechanism that is used for tracking telephone company pole ownership reimbursement, because the Company can track the pole owner(s) based on the location and pole numbers.

Q. Are there any other additional validation and documentation review processes performed by Eversource's Accounting and Finance Organizations following an ERP event?

A. To maintain a high level of oversight and control over the largest component of storm costs, the Company performs a final validation and review of the documentation supporting contractor invoices for line crews. This validation and review will be conducted by Eversource's Finance and Operations organizations.

Vendor invoices will be re-examined, validating storm dates, and ensuring no inappropriate expenses were billed. In addition, as part of this review, efforts are undertaken to ensure a clear documentation trail exists from reported storm costs (including incremental, capital, removal, and non-incremental costs); to charge type/resource summaries; to work order summaries; to work order details; to source transaction detail of charges; and lastly, to source transaction documents, such as labor timesheets, vendor invoices, expense receipts, applied overheads, and journal entries.

This documentation review will confirm that any policies regarding the accounting for incremental storm charges, capitalization, removal, and the review and approval of all source transactions are documented and complied with.

VI. ALTERNATIVE STORM RESPONSE FUNDING

Q. Does the Company have any insurance policies that could apply to property damage resulting from a storm event?

A. While the Company maintains an All-Risk Property Insurance policy which insures direct physical loss to property owned, used, intended for use, or leased by the Company, it excludes poles, wires, and underground property. The policy has a $250 million limit per

occurrence. There is a $5 million basic policy deductible for property involved in the generation, transmission or distribution of electrical power. The policy is meant to cover substations and other major facilities. There is no commercially available insurance for storm costs.

Q. Has the Company considered supplemental insurance policies that would reimburse the Company for costs incurred to respond to storm events?

A. Yes. The Company has researched potential insurance frameworks that could apply to storm events. There are two types of frameworks considered by the Company: (1) captive; and (2) parametric.

A captive framework results in an insurance company owned and operated by the utility. The utility funds the captive framework in an amount sufficient to cover expected losses plus administrative costs. The funding utility then pays premiums that are used to fund payouts when claims occur. Any amounts not used to cover losses can be invested and/or used to offset payouts and procure reinsurance, where available.

The second insurance framework that the Company has researched is parametric insurance. The parametric framework is a commercial insurance product where payout occurs after an independently measured triggering event (i.e., after winds reach a pre-determined speed for a pre-determined period of time).

Q. Did the Company reach any conclusions about these insurance frameworks based on its research?

A. Yes. Neither framework is a viable alternative to a storm reserve fund like the Company's existing MSCR. The Company is not aware of any utilities with an operating captive

framework for storm events. A captive framework also fails to insulate customers from storm response costs because it functions similarly to the existing MSCR but with the added costs associated with administering the captive insurance framework and requires customers to pay up front for costs not yet incurred, rather than after the fact, as is the case today.

The parametric framework relies on market availability and is currently unavailable for storms experienced in New England because it is not profitable to insurers. Further, parametric insurance would require customers to pay annual insurance premiums even if no payouts were received due to failure to experience a triggering event.

Q. Has the Company investigated whether it can receive federal funding to offset its 2022-2023 Storm Event costs?

A. Yes. The Company investigated eligibility for any federal funding to offset the costs included in this filing. The Company was determined not to be eligible for any funding because the Company is a private entity.

VII. COST RECOVERY FOR THE 2022-2023 STORM EVENTS

Q. What are the current circumstances of the Company's storm deferral?

A. As discussed above, approval of the Company's storm cost recovery filing in Docket No. DE 21-031 resulted in a storm reserve deferral balance of zero. As of January 31, 2024, the Company has an outstanding storm fund balance of $272 million.

Q. Has the Company collected any revenues through base rates that are offsetting the outstanding deferral balance?

A. Yes. In terms of the actual cash balance of these deferred amounts, base rates are producing a revenue flow that offsets the storm reserve computation, the cumulative balance of revenues to offset the storm cost reserve stands at zero on an aggregate basis as of December 31, 2023. Therefore, the net amount recoverable from customers of the storm costs presented in this filing would be approximately $231.7 million.[14]

Q. What is the Company's process of funding weather events when the storm costs exceed the level of funding provided for in base distribution rates, as has been the case for several years?

A. The Company has to use its combination of capital resources to finance weather events while awaiting cost recovery. This includes using equity resources and debt. It is imperative that the Company is able to obtain recovery of its costs to pay back these sources of capital funds, or it will become more and more difficult over time for the Company to respond to major weather events, along with its annual capital infrastructure investments and other demands placed on the system. This is why carrying charges are applicable to the recovery of storm costs, since they represent the Company's costs of financing the costs associated with storm restoration, subject to recovery in rates at a later time.

Q. What is the Company's proposal to recover the costs associated with the 2022-2023 Storm Events?

A. The Company will seek recovery of the 2022-2023 Storm Events in its upcoming base

[14] Historically storm costs would be offset by the balance of revenues collected through base distribution rates to fund the MSCR. However, as discussed above, the MSCR has been depleted and accordingly there is currently no offset to the costs presented in this filing.

distribution rate proceeding.

Q. Does this complete your testimony?

A. Yes, it does.