

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 24-035

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY**

**Petition for Approval of Change in
Regulatory Reconciliation Adjustment Rate**

Order Retaining Audit Requirement and Rescheduling Hearing

ORDER NO. 27,044

August 8, 2024

On June 20, 2024, the Commission issued Order *nisi* No. 27,021 in which it: (1) directed Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) to retain a third-party auditor to conduct an audit of the Company's 2023 vegetation management costs, 2023 lost base distribution revenues, and 2023 property tax expenses; (2) directed Eversource to submit the audit by September 3, 2024; (3) scheduled a hearing on the matter for September 12, 2024; and (4) approved Eversource's proposed rates on an interim basis. The order notified "all persons interested in responding to this order" that they could do so no later than July 12.

The New Hampshire Department of Energy (DOE), on July 12, 2024, filed its technical statement with a letter objecting to the Commission's requirement that Eversource retain a third-party auditor, which the Office of the Consumer Advocate (OCA) joined. Specifically, the DOE argued against requiring an audit on the grounds that: (1) it was an unprecedented requirement, and the Commission has previously approved rates without an audit; and (2) the costs of an audit would be passed on to ratepayers. In the alternative, if the Commission maintains the audit requirement, the

DOE requests that the Commission reschedule the September 12 hearing to allow more time to review the audit.

For its part, Eversource submitted a status update to the Commission, in which it represented that it had engaged its long-term auditor, Deloitte and Touche LLP, to perform the audit directed by the Commission. Eversource did not join the DOE's objection to the audit requirement.

Having reviewed the comments from the DOE, the OCA, and Eversource, the Commission declines to amend its order regarding the audit requirement for the reasons laid out below. However, the Commission will GRANT the DOE's request to reschedule the September 12 hearing. This hearing is rescheduled to November 7, 2024, at 9:00 a.m. to provide more time for the parties to review the audit. Three hours are allotted for this hearing.

With respect to the audit requirement, the Commission's view is that the best practice¹ when reviewing rate adjustments is to receive an audit of the underlying expenses for the prior year subject to reconciliation before reviewing and approving proposed rates. The Commission reaches this conclusion for two related reasons. First, an audit provides the best evidence that the expenses the utility is seeking to recover through the rates at issue are justified and accurate. For this reason, and as the parties have pointed out, utilities' expenses are generally audited to ensure accuracy, and retail rate adjustments are subject to future audit and reconciliation based on the audit results. Second, receiving an audit before reviewing the rates provides greater finality to rate adjustments and reduces the necessary processes for approving routine rate adjustments. These benefits of an audit enable the Commission

¹ The Commission acknowledges that there are circumstances that may require the Commission to approve rates before receiving an audit. However, the Commission does not believe such circumstances exist in this docket.

to meet its obligations to keep informed regarding the Company's rate proposals and underlying books and records, and inform the Commission's assessment as to whether the Company has met its burden of proof in seeking its petitioned changes. See RSA 365:15, 365:19, 374:2, 374:3, 374:4, 378:7, and 378:8; see also RSA 365:5, 365:6, and 365:7.

This practice is consistent with the Commission's obligation to remain informed about the operations of all utilities subject to its jurisdiction, see RSA 374:4, and to ensure that all rates are just, reasonable, and based on the actual expenses underlying the rates, see RSA 374:2; RSA 378:7, 28. Moreover, it is the utility's burden to show at hearing that any increase in the rates it seeks to charge are necessary. RSA 378:8. Requiring the utility to demonstrate that the expenses it seeks to recover are accurate by submitting an audit is consistent with that burden.

The Commission notes that there is currently no standard for when the parties will request that rates be reviewed and approved subject to future audit, which has led to inconsistent and inefficient processes for reviewing routine rate adjustments. For example, in Docket No. DE 24-033, concerning Unitil Energy Systems, Inc.'s petition to increase its storm recovery adjustment factor, the DOE requested that the Commission approve the rate adjustments subject to future audit from the DOE. The DOE has now completed the audit, and the parties are requesting that the Commission approve the rates for a second time by order *nisi*. This process was not efficient and could have been streamlined by having a completed audit before the hearing on the proposed rates.

The Commission acknowledges it has approved rate adjustments in the past without first receiving an audit. However, while the Commission may have found such evidence sufficient in past dockets, it does not mean that the Commission is precluded

from seeking a more complete evidentiary record in either this or future dockets. Nor does it mean that the Commission cannot seek to improve the process of reviewing routine rate adjustments.

Based upon the foregoing, it is hereby

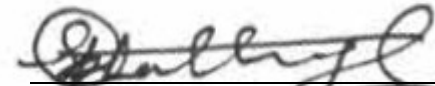
ORDERED, that the request to amend the audit requirement in Order No. 27,021 is **DENIED**; and it is

FURTHER ORDERED, that the hearing in this docket is rescheduled to November 7, 2024 at 9:00 a.m.; and it is

By order of the Public Utilities Commission of New Hampshire this eighth day of August, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket#: 24-035

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