

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 25, 2020
AT (OFFICE): NHPUC

FROM: NH PUC Audit Staff

SUBJECT: Public Service Company of New Hampshire d/b/a Eversource Energy
Rate Case DE 19-057
FINAL Audit Report

TO: Tom Frantz, Director Electric Division
Rich Chagnon, Assistant Director

INTRODUCTION

On April 26, 2019, Public Service Company of New Hampshire (PSNH, Eversource, or the Company) filed with the New Hampshire Public Utilities Commission (Commission), a Petition for Temporary Delivery Rates and Notice of intent to File Rate Schedules. The filing for permanent rates was made on May 28, 2019. The test year for this filing was the twelve months ending December 31, 2018.

PUC Electric Division Staff, the Office of the Consumer Advocate, and Interveners issued fifteen sets of detailed data requests, to which the Company responded. The Audit Division therefore offers this Audit Report as a supplement to discovery already conducted, but does not offer an opinion on the discovery responses directly. In addition, direct conclusions regarding all accounts and all activity cannot be made due to the volume of entries over the ten-year timeframe since the prior rate case audit.

Segments of PSNH during the test year were Distribution, Transmission, and Generation. Within docket DE 17-096, Public Service Company of New Hampshire Petition for Finding of Fact and Issuance of Financial Order, is a summary of several dockets and related settlement agreements and Orders relating to the divestiture of the Generation segment of the Company. Sale of the Generation segments occurred with transaction closings in November 2017, January 2018, and August 2018. A docket was opened, DE 20-005, relating to the divestiture and rate reduction bonds and the PUC audit required to review the amounts included within the petition for recovery. That audit is ongoing.

According to the FERC Form 1 page 102, for 2018, the controlling organization of PSNH is: *“Eversource Energy, a Massachusetts business trust and voluntary association headquartered in Boston, Massachusetts and Hartford, Connecticut, [which is] a public utility holding company subject to regulation by the FERC under the Public Utility Company Holding Act of 2005, which wholly and directly owns the respondent...via common stock.”* Eversource Energy provides

Audit Issue # 10

State Education Tax

Background

The Company included State Education Tax within the property tax expenses. Utilities do not pay the Statewide Education Tax as part of the municipal property tax invoices, rather through the annual invoice and remittance to the State of NH Department of Revenue.

Audit Issue

The Company included \$29,909 in State Education Tax booked to the Local Property Tax Expense on Filing Schedule EHC/TMD-31.

<u>Municipality</u>	<u>December 31, 2018 amount</u>
Concord	\$0.27
Dover	\$524
Epping	\$1,975
Franklin	\$968
Henniker	\$6,884
Laconia	\$91
Milton	\$176
Nashua	\$16,207
Sutton	\$3,074
Woodstock	<u>\$10</u>
Total	\$29,909

Audit Recommendation

The Company should remove \$29,909 in State Education Tax from Filing Schedule EHC/TMD-31, and should ensure that all municipalities are contacted to ensure the State Education Tax is removed from the municipal property tax invoices.

Company Response

Although the Company will agree to remove these amounts, the amounts represent actual amounts billed to and paid by PSNH. The Company routinely investigates billing of the State Education Tax by municipalities. Often, the information received back from the municipalities is that specific parcels on which they are billing the education tax represent "vacant land" and

that they are entitled to bill the education tax. In other instances, the municipalities refuse to provide further information and PSNH is unable to ensure that the State Education Tax is removed from the municipal property tax invoices. Of the amounts listed above, PSNH has been able to receive a reduction in either 2019 or 2020 in the amount of \$9,126, after demonstrating to the municipalities that the State Education Tax should be removed for some other basis.

Audit Response

Audit concurs with the Company, which has agreed to remove the State Education Tax. It is understood that the State Education tax was included on the municipal invoices reviewed. The Company is reminded to contact each municipality and ensure the State portion is removed from the utility related property tax invoices.