

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

DATE: May 3, 2010

AT (OFFICE): NHPUC

FROM: Stephen P. Frink <sup>SPF</sup>  
Assistant Director, Gas & Water Division

SUBJECT: DG 09-139  
Concord Steam Corporation  
Rate Case Expenses

TO: Commissioners  
Docket File  
Service List



### BACKGROUND

On April 28, 2010, Concord Steam Corporation (Concord Steam or Company), filed with the New Hampshire Public Utilities Commission (Commission) a request to recover \$7,768.80 of rate case expenses through a \$0.06 per Mlb. surcharge, determined by dividing the expenses by estimated annual sales of 140,000 Mlbs. The Company will track monthly recoveries and terminate the surcharge when the cost has been recouped. The filing included copies of supporting invoices.

On April 28, 2010, The Commission Audit Staff performed an on-site audit of the Company's rate case expenses and on April 30, 2010 issued a Final Audit Report (attached). The Final Audit Report revealed that Concord Steam had failed to include an invoice and that it had failed to allocate a vendor discount related to a rate case invoice in its April 28 filing. The net effect is a \$298.38 increase in rate case expenses bringing the total to \$8,067.18. Rate case expenses were summarized as follows:

Legal Services	\$4,420.30
Accounting Services	<u>\$3,646.88</u>
Total	\$8,067.18

### STAFF RECOMMENDATION

Concord Steam should be allowed to recover \$8,067.18 of rate case expenses, as the rate case expenses have been audited and appear both accurate and reasonable. The rate case expense represents approximately two percent of the approved increase in the annual revenue requirement, an increase of about half what the Company and Staff testified could be deemed reasonable based on traditional rate making methodology. Furthermore, the proceeding itself included a number of rounds of discovery, technical sessions, as

well as temporary and permanent rate hearings. Finally, the increase in expenses will not affect the amount of the surcharge as proposed by Concord Steam.

A rate case expense surcharge of \$0.06 per Mlb. should be implemented and monthly recoveries tracked and reported until the approved rate case expenses have been fully recovered, at which time the surcharge should be terminated and any over collection credited to the cost of energy. Due to the relatively small amount of rate case expenses and anticipated recovery period of one year the rate case expense surcharge should have a negligible rate impact.

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

DATE: April 30, 2010  
AT (OFFICE): NHPUC

FROM: Paul Tessier

TO: Stu Hodgdon, Chief Auditor  
Stephen Frink, Assistant Director Gas-Water  
Bob Wyatt, Utility Analyst IV

SUBJECT: Concord Steam Corporation  
DG 09-139, Rate Case Expenses  
**FINAL Audit Report**

### INTRODUCTION

On April 28, 2009, this writer visited Concord Steam Corporation (CSC) to review & verify \$7,768.80 in Rate Case Expenses that had been e-mailed to the NHPUC. Conferred with Mr. Bloomfield and Ms. Webber and thanks them both for their assistance and cooperation.

### Rate Case Expense

The rate case expenses were the result of the activities of two vendors providing professional services. Legal services are covered by two paid invoices Nov. 2009 and March 2010 and a Prebill to cover activities not yet invoiced, April 2010, total Legal services \$4,420.30. Accounting services are covered by six invoices, for "*Work re: PUC*" beginning in March 2009 through August 2009, total Accounting services \$3,646.88. Therefore, per the Audit the professional services total \$8,067.18, \$298.38 more than the \$7,768.80 of Rate Case Expenses in CSC's cover letter.

### Legal Services

These are designated by a "*Matter Code 84451 titled CSC – 2009 Rate Case*". The Prebill, \$1,876.60 displays the desired information that should be available on all invoices and/or invoice support documentation. Purpose of invoice, hours, hourly rate(s) by task/service. The remaining invoices **do not** display hours, hourly rate(s). However, a Detail of Services page displays a Date of, Atty. initials and Description of:  
10/07/09 Review Rate Case Filing;  
10/08/09 Attend Tech. Session @ NHPUC RE: Temp. Rate Request;

10/14/09 Confer with Mr. Bloomfield on Temp. Rates;  
 10/15/09 Review Staff's Testimony On Temporary Rates; Prepare for & attending  
 Temporary Rate Hearing  
 10/29/09 Review Order Approving Temporary Rates  
 Photocopies \$34.20 Invoice Total \$2,134.20  
 The remaining invoice Detail of Services page.....:  
 02/15/10 Review Staff's Testimony  
 02/19/10 Confer with Mr. Bloomfield on Staff's Testimony  
 Invoice Total \$409.50  
 These Legal Services for Matter 84451 total \$4,420.30.

**Accounting Services**

Accounting invoices to Concord Steam Corp. describe services provided such as;  
 “review, accounting and tax services, tax research, preparation of income tax returns  
 and work re: PUC.”

Six invoices from March through August 2009 were rendered for review, totaling  
 \$3,646.88 for “Work re: PUC”. Each invoice was a **summary only** for the period  
 ending at a specific month end. Vendor **does not supply** backup with detailed description  
 of work done or hours’ documentation. **Audit Issue #1**

**SUMMARY**

Staff requested and Mr. Bloomfield e-mailed a spreadsheet for \$7,768.80 in Rate  
 Case Expenses. Per Mr. Bloomfield, “I think what I did differently was to ignore the  
 \$1,500 discount and leave off one of the earlier large invoices.” The larger invoice  
 # 186218 dated April 30, 2009 with “Work re: PUC” \$499.50 is presented/available but  
 not included in the \$7,768.80, Rate Case Expenses.

Acctg. Per CSC	Inv. #	NHPUC	Variance
592.00	187177	592.00	-
407.00	187490	205.88	(201.12)
166.50	187789	166.50	-
444.00	186767	444.00	-
<u>1,739.00</u>	185507	<u>1,739.00</u>	-
\$ 3,348.50	Total	<u>\$ 3,147.38</u>	(201.12)
	186218	<u>499.50</u>	<u>499.50</u>
\$ 3,348.50	Total	<u>\$ 3,646.88</u>	<u>298.38</u>

Mr. Bloomfield’s spreadsheet, \$7,768.80, includes \$3,348.50 for Accounting and  
 \$4,420.30 for Legal Services, Matter 84451, CSC – 2009 Rate Case.

Staff apportioned the \$1,500 “Courtesy discount” on invoice # 187490 dated July  
 31, 2009 reducing the “Work re: PUC” from \$407 to \$205.88 a \$201.12 reduction, sub-

total \$3,147.38 and left the presented larger invoice # 186218 dated April 30, 2009 with "Work re: PUC" \$499.50. The total is \$3,646.88 or \$298.38 more.  
 $\$3,646.88 + \$4,420.30 = \underline{\$8,067.18}$ .

The audit of Concord Steam Corporation by the PUC was done during November through January 2010. As the above listed accounting invoices were for the period of March 2009 through August we conclude that they are all rate case related.

In summary costs of \$8,067 were reviewed for legal and accounting services that appear to be rate case related.

## **Audit Issue**

### **Rate Case Expense(s) Documentation**

#### **Background**

Vendor providing professional accounting services does not provide any back up documentation for the tasks/services performed especially, in the performance of research, preparation of requests from regulatory agencies, in this case the NHPUC.

#### **Issue**

All invoices presented for professional accounting services state “*Work re: PUC*”. Therefore, it is difficult to determine whether charges should be included in regular rates or as rate case surcharge.

Work relating to preparation of a rate case and answering Staff **Data Requests** are activities/tasks that can be considered for Rate Case Expense recovery. Work relating to responding to PUC Audit Staff requests are not part of a rate case but instead considered an ordinary expense.

#### **Audit Recommendation**

It is recommended that in the future Concord Steam Corporation insure that their legal and accounting vendors provide the appropriate details to support the invoices so as to determine services for general operation; rate case, including answering NHPUC Staff Data Requests and if required responding to audit requests or PUC audit work.

#### **Company Comment**

Concord Steam understands the issue and agrees with Staff. In the future, the Company will direct its vendors to provide the details of time and activities in their billing.

#### **Audit Comment**

Audit concurs with the Company response.

PETER BLOOMFIELD  
CONCORD STEAM CORPORATION  
PO BOX 2520  
CONCORD NH 03302

SARAH KNOWLTON  
MCLANE GRAF RAULERSON & MIDD  
PO BOX 459  
PORTSMOUTH NH 03801

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MATTHEW FOSSUM  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

STEPHEN FRINK  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

AMANDA NOONAN  
CONSUMER AFFAIRS DIRECTOR  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429