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Witness: Christopher E. Colorio, Mark P. Baldwin, John G. Griffin and Leanne M. Landry
Request from: Office of Education, Outreach, and Enforcement

Question:

(MS24A-VENDOR-LINE) Refer to Exhibit ACCT-2 CLP-1, and Confidential Exhibit ACCT-2 CLP-1A-9, pp. 27-125. The Company reported nine incremental charges in the combined amount of $1,607,134 for the Conexus Energy Group LLC vendor. Each of the charges included a significant number of billable hours for travel (i.e., mobilization and demobilization) for both in-state and out-of-state crews. Respond to the following:

a. Referring to pp. 27-38, as an example, explain why the vendor was permitted to bill for eight hours of mobilization and four hours of demobilization when the vendor was from in-state (i.e., mobilization from Deep River, CT to Windsor Locks, CT). As part of the response, provide emails or other correspondence contemporaneously obtained during the initial review to support the hours billed.
b. Referring to pp. 87-90, explain how the vendor was able to bill for seven hours when three of the four Eversource Contractor Storm Daily Time & Work Reports (timesheets) identified a start time of 6:00 a.m. and an end time of 12 p.m. (i.e., total of six hours). To be clear, the demobilization timesheets (i.e., pp. 91-92) report travel starting at 12 p.m. and the fourth timesheet reports an end time of 8 a.m. As part of the response, identify the total monetary impact of the additional hour billed.
c. Comparing p. 62, with p. 63 (as an example), confirm that the vendor correctly did not bill for equipment costs during standby as outlined within the contract. If not confirmed, cite the contract provisions that allow for billing of equipment during standby.
d. Comparing pp. 66-68, with pp. 56-57 (as an example), explain why the vendor reported two hours of standby within the first timesheet (i.e., pp. 66-68) when they started their first assignment at 8:30 a.m. but the vendor did not record commensurate standby hours for the second timesheet (i.e., pp. 56-57). As part of the response, identify the total monetary impact of the equipment billed for each referenced invoice between the crews' start time (box 6) to the first assignment (box 24).

Response:

As an initial matter, the Company notes that there appears to be a typographical error in the question. The question refers to Confidential Exhibit ACCT-2 CLP-1A-9. However, the Company expects that the relevant citation is Confidential Exhibit ACCT-2 CLP-1A-8.

a. During the initial hiring of these crews, this crew was documented as mobilized from Deep River Connecticut. However, the contractor crew was sent from Albany New York. This was discussed and approved post-event by the ERSG lead, who confirmed the crews were mobilized from Albany New York and not Deep River Connecticut.

   Furthermore, as indicated on the timesheets, the 8 hours of mobilization also included onboarding, meals and obtaining lodging.

b. During the invoice review process, the Company identified apparent discrepancies in the invoice details and documentation. In accordance with the dispute resolution process in the contract, the Company's Procurement and ESRG teams met with the vendor to discuss and further investigate the apparent discrepancies. Based on that meeting and the additional information provided by the vendor, the Company determined that the apparent discrepancy was minor and that there was a reasonable basis to reimburse the vendor for the amount at issue.

c. The vendor did not bill for equipment during standby, which was an error on their part. The contractor has the contractual right to bill for equipment during standby. The Company did not correct this error.

   Please see the Company's response to EOE-267[i], for additional detail regarding billing for Equipment during Standby.

d. The difference between the referenced sets of crews is that one set of crews started the day on standby (pp. 66-68) and the other started on working time (pp 56-57). The Company assigned work for the crews already on work time crews and no immediate assignments to the standby crews so they remained on standby until work was assigned. Refer to subpart (c), regarding equipment costs.

Prior Referenced Response:

[i] EOE-267 Question:

(LINE CREWS) For each storm in the Company's recovery request, identify the total amount of equipment that was billed by line crew vendors during standby activities. Please provide the information in an unlocked excel spreadsheet allocating each cost to a specific vendor by storm event.

EOE-267 Response:

The Company's accounting system does not separately track amounts billed by vendors for equipment during standby. Accordingly, the Company cannot generate the requested spreadsheet directly from its accounting system to provide the details requested. Information regarding equipment charges is contained within the underlying vendor invoices and supporting documentation submitted as part of the Company's filing.

For additional context regarding these charges, the Company's policy for billing equipment is described below:

In the years 2018 through 2023, the Company's contractual terms provided that standby rates were charged only to labor rates, not to equipment. This policy followed from the fact that, when vendor crews commit to perform work for the Company, their equipment is dedicated for the full duration of the engagement, preventing the use of that equipment somewhere else. This commitment of vendor equipment extends beyond working hours, as vendors must remain ready and available so long as they are committed to the Company's restoration effort. This policy also reflects the fact that labor rates vary depending on the demands and associated risk placed on the field crews for their performance (i.e., standby rates are lower than work rates), where vendor equipment is tied up regardless of the work status of the vendor's crews.

Specifically, the contract language "Standby Rates apply to labor resources only" was applied so that there was no separate standby rate for equipment and equipment was, instead, billed at the same rate regardless of the crew's work status (e.g. travel, standby, or work time). The Company's policy acknowledged that it was paying for exclusive access to the vendor's equipment throughout the event, compensating vendors for their lost opportunity cost. Not paying for equipment during standby would discourage vendors from committing their resources to the Company in storms with competitive procurement of crews among regional utilities.

In January 2022, Eversource Energy received the final report of an independent assessment of the "Eversource ERP Capability," prepared by Accenture LLC. This assessment was undertaken by Eversource Energy as part of a regulatory compliance initiative beginning in September 2021. In this assessment, Accenture made several recommendations regarding the Eversource Energy ERP organization, including a recommendation to expand the emergency-management organization and capabilities by creating an executive role to oversee the enterprise emergency-management program with greater visibility and decision-making authority within the overall organization. Specifically, Accenture recommended establishing regionally based directors to oversee the implementation of program initiatives and manage state-specific relationships; expanded oversight and governance coordination of risk mitigation and resiliency initiatives; and additional training and exercise design personnel.

Over the next two years, Eversource Energy implemented the Accenture recommendations, expanding and formalizing the emergency-management organization with a new vice president role and several new director roles to improve overall emergency-response preparedness and associated business processes. As part of this organizational initiative, Eversource Energy formalized the role of Director of Emergency Preparedness Logistics and Resource Acquisition in late 2023, vesting this role with responsibility for contract services relating to emergency management. This change placed control of vendor contracts in the hands of the team directly responsible for resource acquisition in emergency events.

Following this organizational change, the emergency-management team launched a supplier cost-optimization review to identify opportunities for greater cost control in the tough environment of competitive procurement of contract resources. Working together, the Company's contracts and procurement teams identified the discounting or elimination of equipment charges during standby time as one of several strategies that could help to contain storm restoration costs. The Company began to shift its policy on standby rates for equipment starting in late 2023, working with vendors throughout 2024 to negotiate changes to the former payment policy. This shift in policy applied in various forms to invoices for work performed during 2023, that were reviewed, approved and paid during 2024, as the Company worked to get vendors to accept a change in the policy.

The roll-out of the new policy resulted in significant vendor push-back. Through these interactions, it became clear that it was not possible to eliminate payments for equipment without hindering the Company's ability to secure necessary crews -- with several vendors simply increasing the equipment charge applicable during crew work time to

cover the gap. In 2025, following months of negotiations with vendors and a review of industry practices, the Company adopted a policy of paying vendors 50 percent of the standard Base Rate for equipment during standby. The full Base Rate for equipment still applies during travel and work time. This policy strikes a reasonable balance between fairly compensating vendors for lost opportunity costs—ensuring access to skilled, experienced vendors—and containing costs. The Company's current Master Services Agreement reflects this updated policy.