Non-Productive Basis (Cost Element ZNP)

Definition:

The Non-Productive time overhead covers non-productive labor benefits such as vacation, sick and holidays.

How the rate is calculated and how often it changes:

The Non-Productive time overhead rate is calculated by dividing total non-productive labor by total productive labor for each subsidiary company. There is a separate rate for each subsidiary.

The Non-Productive overhead allocation rates are set annually and updated when there are significant changes during the year. The calculation to determine the Non-Productive overhead rates are performed by the Corporate Accounting Allocation team.

How the rate is applied:

The rate is applied at the work order level to productive labor cost elements (L1%, L2%, and L4%). Any non-productive labor or cost element L3% is not included in the calculation.

Payroll Benefit Basis (Cost Element ZPB)

Definition:

The payroll benefit overhead covers employee pension costs, the cost of insurance and other employee benefits, and payroll taxes. This overhead is similar to the general service company overhead; however, this is applicable to operating company employees only.

How the rate is calculated and how often it changes:

The payroll benefit overhead is calculated for each subsidiary company by dividing employee pension costs, the cost of insurance and other employee benefits, and payroll taxes by total budgeted labor for the subsidiary. There is a separate rate for each subsidiary company.

The payroll benefit overhead allocation rate is set annually and updated when there are significant changes during the year. The calculation to determine the initial Payroll Benefit overhead rate is calculated by the Investment Planning group based on the annual budget. If there is a significant change throughout the year, Corporate Accounting will recalculate and update as needed.

How the rate is applied:

The rate is applied at the work order level to productive labor cost elements (L1%, L2%, and L4%) plus the related non-productive overheads (ZNP). Any non-productive labor or cost element L3% is not included in the calculation.

General Service Company Overhead (Cost Element ZGS)

Definition:
The general service company overhead includes employee pension costs, the cost of insurance and other employee benefits, and payroll taxes, along with depreciation, capital costs and rent on service company assets. This overhead is similar to the payroll benefit overhead ;however, this is applicable to service company employees only.

How the rate is calculated and how often it changes:
The general service company overhead is calculated by dividing the budgeted service company costs by total budgeted service company labor.

The general service company overhead allocation rate is set annually and updated when there are significant changes during the year. The calculation to determine the initial general service company overhead rate is calculated by the Investment Planning group based on the annual budget. If there is a significant change throughout the year, Corporate Accounting will recalculate and update as needed.

How the rate is applied:
This rate is applied at the work order level to Eversource Energy Service Company (Intercompany entity 61) source productive labor (cost elements L1%, L2%, and L4%) plus the related non-productive overheads (ZNP). Any non-productive labor or cost element L3% is not included in the calculation.

Stores Expense (Cost Element ZST)

Definition:
Following FERC guidelines, the Stores Loader account is used to accumulate charges associated with the operation of the storerooms. The account is cleared each quarter to approximately zero by charging users of the storeroom operation (issues & returns) in the quarter their pro-rata share of the total charges to the account.

How the rate is calculated and how often it changes:
The rate is a reasonable estimate, based on history, of the rate needed to clear the account to zero each quarter. Any remaining balance at the end of each quarter is cleared, pro-rata, to issues and returns made in the quarter.

How the rate is applied:
Applied to the M12 cost element

Lobby Stock (Cost Element ZLO)

Definition:
Following FERC guidelines, the Lobby Stock account is charged with minor items (nuts and bolts, for example) which are:

- Low in cost
- Widely used
- Frequently used
- Not reusable

How the rate is calculated and how often it changes:
The rate is a reasonable estimate, based on history, of the rate needed to clear the account to zero each quarter. Any remaining balance at the end of each quarter is cleared, pro-rata, to issues made in the quarter.

How the rate is applied:
The lobby stock loader is applied to Electric Distribution and Gas work orders which have received material issues.

Miscellaneous Distribution Expense Capitalization (MDEC) (Cost Element ZMI)

Definition:
The MDEC overhead captures costs incurred to support the operating company's construction activities which are not readily identified to a specific work order. The nature of these costs includes training, inclement weather, tool purchases and operations, clerical and admin labor and expenses, etc.

How the rate is calculated and how often it changes:
The collection of MDEC costs ultimately allocated to construction work orders is developed in two steps:

Step #1
Miscellaneous distribution expenses are charged to Field Work Orders (FWO) associated with Accounting Work Orders (AWO) that map to FERC Accounts:
583275, 584275, 588005, 588111, 588114, 588115, 588131, 588133, 588134, 588135, 588136, 588137, 588138, 588139, 588152, 588154, 588250 (Electric) and 880000,880010 (Gas).

Step #2
By company, an externally calculated loading rate is applied to charges accumulated in the above FERC accounts. The resulting amount is debited to an MDEC clearing AWO for allocation to eligible construction work orders. The loading rate is based on the ratio of Capital to O&M by operating company, as provided by Investment Planning and confirmed by Plant Accounting.

A fixed clearing rate is used. This rate is maintained by Investment Planning with guidance from Plant Accounting in a manner to maintain a balance equal to $0 to +/- 1 month of activity in the clearing work orders. The rate is reviewed monthly and updated as necessary (no more than once per month).

How the rate is applied:
MDEC is applied to capital work order charges in the following Cost Elements: Eversource and Contractor Labor, Payroll Benefit, Non-Productive and General Service Company Benefit Loaders (E15, L11, L12, L13, L14, L21, L22, L23, L31, L32, L33, L34, L35, L41, L42, L43, L51, S14, S16, S22, S24, S25, S45, S46, S47, S48, S49, S50, S52, S54, S59, S60, S68, S83, U04, U06, U08, ZGS, ZNP, ZPB).

Open work orders that have capital work order charges (107010 - CWIP or 108030 - Cost of Removal) in the above list of Cost Elements and of a defined work order type are eligible to receive the MDEC Overhead.

The MDEC clearing work orders are credited and open work orders (i.e. work orders not yet closed by Plant Accounting) that have received eligible charges are debited by applying a rate to the eligible charge. No MDEC Overhead is posted to closed work orders after the late charge waiting period (typically 90 days).

Work Order Types are Distribution Lines and Sub-Station construction. The list of Work Order Types eligible to receive MDEC is maintained by Plant Accounting.

Administrative Salaries & Expense (AS&E) (Cost Element ZAS)

Definition:
The AS&E overhead captures costs of functions considered Administrative and General which support the operating company's construction program; includes Plant Accounting, Payroll, Legal, etc. AS&E is loaded on work order costs only.

How the rate is calculated and how often it changes:
The collection of AS&E costs ultimately allocated to construction work orders is developed in two steps:

Step #1
Administrative and general expenses are charged to Field Work Orders (FWO) associated with Accounting Work Orders (AWO) that map to FERC Accounts 920000 and 921000 (excluding 9200GS, 9200NP and 9200PB).

Step #2
By company, an externally calculated loading rate is applied to charges accumulated in the above FERC accounts. The resulting amount is debited to an AS&E clearing AWO for allocation to eligible construction work orders. The loading rate is based on the ratio of Capital to O&M by Operating Company, as provided by the Cost Control Center (CCC) Managers responsible for CCCs that charge into the 920 and 921 accounts. The weighted average of Capital to (Capital + O&M) by Operating Company is the loading rate.

A fixed clearing rate is used. This rate is maintained by Investment Planning with guidance from Plant Accounting in a manner to maintain a balance equal to $0 to +/- 1 month of activity in the clearing work orders. The rate is reviewed monthly and updated as necessary (no more than once per month).

How the rate is applied:
AS&E is applied to all capital work order charges (107010 - CWIP or 108030 - Cost of Removal) excluding the following: CIAC, Reimbursables, AFUDC, Salvage, UVLs and AS&E. Cost Elements: (A21, A61, A62, A63, A64, A66, A67, A68, A69, LCO, M15, U01, U02, U03, U04, U05, U06, U07, U08, U09, U10, UVL, ZAS, Z02).

Open work orders that have capital charges (107010 - CWIP or 108030 - Cost of Removal) not in the above list of Cost Elements are eligible to receive the AS&E Overhead.

The AS&E clearing work orders are credited and open work orders (i.e. work orders not yet closed by Plant Accounting) that have received eligible charges are debited by applying a rate to the eligible charge. No AS&E Overhead is posted to closed work orders after the late charge waiting period (typically 90 days).

Engineering & Supervision (E&S) – Lines (Cost Element ZEL)

Definition:
The E&S overhead captures costs incurred to support the operating company's construction activities which are not readily identified to a specific work order. The nature of these costs includes payroll and associated payroll overheads, vehicle costs, etc.

How the rate is calculated and how often it changes:
All E&S capital charges are charged to Field Work Orders (FWO) associated with Accounting Work Orders (AWO) mapped to FERC Account 107ES0.

The following AWO/FWOs have been created to capture the costs that are considered to be Capital E&S:

- ESSL0011: CL&P Distribution Lines
- ESSL001T: CL&P Transmission Lines
- ESSL0041: WMECO Distribution Lines
- ESSL004T: WMECO Transmission Lines
- ESSL0006: PSNH Distribution Lines
- ESSL006T: PSNH Transmission Lines
- ESSL0021: NSTAR Electric Lines
- ESSL002Y: NSTAR Gas
- ESSL0071: Yankee Gas

A fixed clearing rate is used. This rate is maintained by Investment Planning with guidance from Plant Accounting in a manner to maintain a balance equal to $0 to +/- 1 month of activity in the clearing work orders. The rate is reviewed monthly and updated as necessary (no more than once per month).

How the rate is applied:
E&S is applied to capital work order charges (107010 - CWIP or 108030 - Cost of Removal) in the following Cost Elements: Eversource and Contractor Labor, Payroll Benefit, Non-Productive and General Service Company Benefit Loaders (E15, L11, L12, L13, L14, L21, L22, L23, L31, L32, L33, L34, L35, L41, L42, L43, L51, S14, S16, S22, S25, S24, S45, S46, S47, S48, S49, S50, S52, S54, S59, S60, S68, S83, S90, S91, S92, S93, S94, S95, S96, S97, S98, U04, U06, U08, ZGS, ZNP, ZPB).

Open work orders that have capital work order charges (107010 - CWIP or 108030 - Cost of Removal) in the above list of Cost Elements and of a defined work order type are eligible to receive the E&S Overhead.

Eligible Work Order Types are Distribution or Transmission; Line construction. General Plant, Software and ETT work orders are not subject to E&S.

The E&S clearing work orders are credited and open work orders (i.e. work orders not yet closed by Plant Accounting) that have received eligible charges are debited by applying a rate to the eligible charge. No E&S Overhead is posted to closed work orders after the late charge waiting period (typically 90 days).

Engineering & Supervision (E&S) – Substations (Cost Element ZEB)

Definition:
The E&S overhead captures costs incurred to support the operating company's construction activities which are not readily identified to a specific work order. The nature of these costs includes payroll and associated payroll overheads, vehicle costs, etc.

How the rate is calculated and how often it changes:
All E&S capital charges are charged to Field Work Orders (FWO) associated with Accounting Work Orders (AWO) mapped to FERC Account 107ES0.

The following AWO/FWOs have been created to capture the costs that are considered to be Capital E&S:

- ESSB0011: CL&P Distribution Substation
- ESSB001T: CL&P Transmission Substation
- ESSB0041: WMECO Distribution Substation
- ESSB004T: WMECO Transmission Substation
- ESSB0006: PSNH Distribution Substation
- ESSB006T: PSNH Transmission Substation
- ESSB0021: NSTAR Electric Substation

A fixed clearing rate is used. This rate is maintained by Investment Planning with guidance from Plant Accounting in a manner to maintain a balance equal to $0 to +/- 1 month of activity in the clearing work orders. The rate is reviewed monthly and updated as necessary (no more than once per month).

How the rate is applied:
E&S is applied to capital work order charges (107010 - CWIP or 108030 - Cost of Removal) in the following Cost Elements: Eversource and Contractor Labor, Payroll Benefit, Non-Productive and General Service Company Benefit Loaders (E15, L11, L12, L13, L14, L21, L22, L23, L31, L32, L33, L34, L35, L41, L42, L43, L51, S14, S16, S22, S25, S24, S45, S46, S47, S48, S49, S50, S52, S54, S59, S60, S68, S83, S91, S92, S93, S94, S95, S96, S97, S98, U04, U06, U08, ZGS, ZNP, ZPB).

Open work orders that have capital work order charges (107010 - CWIP or 108030 - Cost of Removal) in the above list of Cost Elements and of a defined work order type are eligible to receive the E&S Overhead.

Eligible Work Order Types are Distribution or Transmission; Sub-Station construction. General Plant, Software and ETT work orders are not subject to E&S.

The E&S clearing work orders are credited and open work orders (i.e. work orders not yet closed by Plant Accounting) that have received eligible charges are debited by applying a rate to the eligible charge. No E&S Overhead is posted to closed work orders after the late charge waiting period (typically 90 days).

Vehicles (Cost Element ZVE)

Definition:
The vehicle allocation includes fleet vehicle and maintenance costs including labor for mechanics, parts, fuel, GPS, registration, insurance and depreciation. The actual vehicle costs for each subsidiary 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.

How the rate is calculated and how often it changes:

Cluster percentages are updated twice a year

How the rate is applied:
Vehicle costs are accumulated in FERC account 184010 by entity and will be cleared monthly. The allocation is applied according to the percentages for each cluster using the source cost center's productive labor (cost elements L1% and L2%) however it excludes premium pay (L4%) and non-productive pay (L3%). The FERC accounts are determined by using the same accounts as productive labor.