

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 20, 2022

FROM: NH Department of Energy, Division of Enforcement Audit Staff

SUBJECT: Liberty Utilities (Granite State Electric) Corp.
2020 Storm Fund Report, DE 21-073
FINAL Audit Report

TO: Tom Frantz, Director, Regulatory Division
Elizabeth Nixon, Electric Director, Regulatory Division
Mary Schwarzer, Attorney, NH Department of Energy

INTRODUCTION

Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty, herein referenced as GSE, Liberty, or the Company, filed its annual Storm Fund report for calendar year 2020 on April 1, 2021 in docket DE 21-073. The Storm Fund was established by Order 24,777 in docket DG 06-107, with certain requirements included in the Settlement Agreement in that docket. Specifically:

On page 13 of Order 24,777

5. Storm Contingency Fund

Effective with implementation of the rate plan, the settlement calls for Granite State to establish a storm contingency fund, to be credited each month by Granite State in the amount of \$10,000 (\$120,000 annually). The fund would be used to pay for all of the operations and maintenance costs incurred by Granite State as the result of major storms. A major storm is defined as a severe weather event or events causing 30 concurrent troubles (i.e., interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted or 45 concurrent troubles. Interest would accrue on positive or negative balances in the fund, calculated in accordance with the tariff provisions regarding interest expense on customer deposits.

Commencing April 1, 2009, Granite State would file with the Commission a report detailing the collections credited to the fund, the details of any qualifying storm costs that were charged to the fund during the preceding calendar year, a description of the storm, and a summary of the damage to the distribution system, including the number and length of outages. Two years after the effective date of the rate plan, the Settling Parties and Staff would evaluate the funding level of the fund to determine its adequacy. If there is a significant negative balance, Granite State would be authorized to request the Commission to approve an increase in the funding level, including a corresponding adjustment to distribution rates. As noted in the related DG 06-107

testimony of R.T. Gerwatowski and M.D. Laflamme, page 17 of 42, “The Company has the burden of showing the inadequacy of the funding level.”

On page 67 of 117 of the Rate Plan Settlement Exhibit GSE-7 in DG 06-107:

Major Storm Contingency Fund

Effective with the implementation of the Rate Plan, a storm contingency fund (“Storm Fund”) shall be established to pay for all of the operation and maintenance costs incurred by the Company as a result of major storms. The Storm Fund shall be established and maintained as follows:

1. Funding Level and Monthly Contributions

Beginning on the effective date of the Rate Plan, the Storm Fund shall be funded at a rate of \$120,000 per year, to be recorded monthly at \$10,000 per month. The accounting entry to record monthly contributions to the fund will be the following, provided that the fund is in a positive position:

DR Account 924 Property insurance-storm contingency

CR Account 254 Storm contingency reserve

The Storm Fund will be in a positive position when the cumulative amount funded exceeds amounts disbursed from the fund to pay for the operation and maintenance costs of Major Storms.

2. Definition of Major Storm

For purposes of the Storm Fund, a “Major Storm” shall be defined as a severe weather event or events causing 30 concurrent troubles and 15% of customers interrupted, or 45 concurrent troubles. (Troubles are defined as interruption events occurring on either primary or secondary lines).

3. Deferral of Negative Balances

If the costs of Major Storms charged to the fund exceed the balance in Account 254, such excess (i.e., a negative fund balance) shall be debited to Account 182, Deferred charges-storm fund. As long as the fund balance remains negative, the monthly entry to record the collection of Storm Fund proceeds will be:

DR Account 924 Property insurance-storm contingency

CR Account 182 Deferred charges-storm fund

4. Interest on Positive or Negative Balance

Interest shall be accrued on any positive or negative balance in the fund, calculated in accordance with the Terms and Conditions for interest expense calculated on customer deposits. If the fund is in a positive position, the entry on the Company’s books will be:

DR Account 431 Interest expense

CR Account 254 Storm contingency reserve

If the fund is in a negative position, the entry on the Company’s book will be:

DR Account 182 Deferred charges-storm fund

CR Account 419 Interest income

5. Annual Storm Fund Report

Commencing April 1, 2009, and annually thereafter, the Company will file with the Commission a Storm Fund Report detailing the Collections credited to the Storm Fund and details of any qualifying storm costs that were charged to the fund during the preceding calendar year. The report will also include a description of the storm along with a summary of the extent of the damage to the distribution system, including the number of outages and length of outages.

Per settlement agreement dated 1/22/2014 (page seven), approved by Order 25,638 in Docket DE 13-063, the Company is also allowed to recover, through the storm fund, planning and preparation costs for storms that do not meet the major storm requirements but showed a Schneider Electric Event Index (EEI) level 3 or greater with a high probability of occurrence in advance of severe weather.

2020 Storm Fund Report

The Company, in compliance with the filing timeframe, provided the Storm Fund report to the Commission on April 1, 2021 for the preceding calendar year 2020.

Attachment 1 of the DE 21-073 filing provides an overview of the (over)/under collection of storm related funds at Liberty and the activity which occurred during 2020. The reported activity for the year is summarized as follows:

Annual Storm Fund Accounting-Filing Bates page 025	
Beginning Balance net of Asset and Liability accounts	\$ (1,208,262.64)
April 13, 2020 windstorm prestage	\$ 114,370.00
August 5, 2020 TS Isaias Qualifying	\$ 340,881.52
December 5, 2020 Nor'easter prestage	\$ 240,609.06
December 16, 2020 Winter Storm Gail prestage	\$ 134,854.03
December 25, 2020 Christmas windstorm prestage	\$ 96,480.77
2020 storm Costs debited to Asset account -1825	\$ 927,195.38
interest net asset and liability interest calculations	\$ (66,289.87)
revenue booked to Liability account	\$ (1,500,000.00)
	\$ (1,847,357.13)
Audit/Prior period adjustments	\$ (14,115.60)
Reported Ending Balance	\$ (1,861,472.73)

Audit verified that the reported 2020 beginning balance of \$(1,208,263) (over) collection agrees with the 2019 ending balance shown in the 2019 annual Storm Fund Report. The recommended disallowance of \$2,370.73 identified by Audit as a result of the 2019 storm audit was credited to the 8830-2-0000-10-1930-1825 Storm Cost deferral account after the final Audit report was issued in September 2020. The \$2,370.73 was then debited to 8830-2-9851-56-5210-5930, Maintenance of Overhead Lines as of 9/30/2020.

The reported ending balance at 12/31/2020 of an (over) collection of \$(1,861,474) was reconciled general ledger balances, inclusive of certain general ledger entries posted from January through March 2021 relating to the 2020 storms:

Both accounts begin with 8830-2-0000
-10-1930-1825 -20-2142-2548 NET

The detailed general ledger PIVOT tables include activity from 1/1/2020 through 3/31/2021

Actual General Ledger 1/1/2020 Balances	\$ 2,249,876.12	\$ (3,467,266.20)	\$ (1,217,390.08)
Transfer between asset and liability per PIVOT	\$ (2,188,220.86)	\$ 2,188,220.86	\$ -
2019 Storm Expenses for #1902 posted 2020	\$ (58.48)	\$ -	\$ (58.48)
2019 Storm Expenses for #1909 posted 2020	\$ 18,089.06	\$ -	\$ 18,089.06
2019 Storm Expenses for #1910 posted 2020	\$ 321.46	\$ -	\$ 321.46
2019 Storm Expenses for #1911 posted 2020	\$ 49,038.54	\$ -	\$ 49,038.54
2020 Storm #2004 Windstorm prestage posted 2020	\$ 113,955.35	\$ -	\$ 113,955.35
2020 Storm #2007 Tropical Storm posted 2020	\$ 360,263.74	\$ -	\$ 360,263.74
2020 Storm #2015 Nor'easter prestage posted 2020	\$ 353,124.07	\$ -	\$ 353,124.07
2020 Storm #2016 Winter Storm prestage posted 2020	\$ 134,578.92	\$ -	\$ 134,578.92
2020 Storm #2017 Christmas wind prestage posted 2020	\$ 104,135.97	\$ -	\$ 104,135.97
2020 Monthly interest per PIVOT	\$ 80,975.38	\$ (147,934.75)	\$ (66,959.37)
2020 Monthly revenue per PIVOT	\$ -	\$ (1,500,000.00)	\$ (1,500,000.00)
GL Balance as of 12/31/2020	\$ 1,276,079.27	\$ (2,926,980.09)	\$ (1,650,900.82)
2019 Storm Expenses for #1909 posted 2021	\$ (50,000.00)	\$ -	\$ (50,000.00)
2019 Storm Expenses for #1910 posted 2021	\$ (0.01)	\$ -	\$ (0.01)
2019 Storm Expenses for #1911 posted 2021	\$ (20,000.00)	\$ -	\$ (20,000.00)
2020 Storm #2004 Windstorm prestage posted 2021	\$ 414.65	\$ -	\$ 414.65
2020 Storm #2007 Tropical Storm posted 2021	\$ (19,382.22)	\$ -	\$ (19,382.22)
2020 Storm #2015 Nor'easter prestage posted 2021	\$ (112,602.21)	\$ -	\$ (112,602.21)
2020 Storm #2016 Winter Storm prestage posted 2021	\$ 275.11	\$ -	\$ 275.11
2020 Storm #2017 Christmas wind prestage posted 2021	\$ 569.81	\$ -	\$ 569.81
Pivot of 2020 GL Storm accounts through 3/31/2021	\$ 1,075,354.40	\$ (2,926,980.09)	\$ (1,851,625.69)
Storm Report 12/31/2020 Ending (over) collection			\$ (1,861,472.73)
Difference Storm Report minus the General Ledger			\$ (9,847.04)
Report includes a prior period adjustment debit of			\$ 58,255.14
The 2019 debits that posted to the GL in 2020 sum to			\$ 67,390.58
The general ledger reflects debits higher than the adjustment noted in the report			\$ (9,135.44)
The interest difference between the GL and the Report, with GL higher by			\$ (669.51)
Combined differences of prior period adjustments and interest, GL vs. Report			\$ (9,804.95)
unknown immaterial variance			\$ (42.09)

Unresolved Storm Report 2019 Recommendations

NH PUC Electric division Staff (now the Department of Energy) provided a memo dated 3/23/2021, updating the reported storms for calendar year 2019 (docket DG 06-107) and recommended **disallowing \$706,838** for reported 2019 storms that did not meet the criteria for recovery through the Storm Fund. The Staff recommendation also required Liberty to:

- (1) **terminate its practice of capitalizing transportation depreciation** through the burden rate in future storm cost filings;
- (2) **quantify the impact** in the 2019 Storm Fund filing that resulted from the Company's capitalization of transportation depreciation through the burden rate, adjust its filing accordingly, and resubmit a corrected report;
- (3) **notify Staff** when that adjustment is completed and confirm the amount of recovery and the resulting balance of the Major Storm Fund account;
- (4) **discontinue its practice** of including single-service outages as a trouble event when determining a qualifying major storm in future filings;
- (5) **comply with all applicable FERC** requirements in future Storm Fund Report filings.

A Secretarial letter issued 4/23/2021 accepted the Staff recommendation and the Audit adjustments, resulting in an adjusted 2019 recoverable amount of **\$1,206,255** plus carrying charges, specifically excluding any amounts derived from the capitalization of transportation depreciation through the burden rate, and notify Staff by 5/15/2021 of the adjusted figure. The Secretarial letter also required Liberty to prepare all future Storm Fund reports in accordance with applicable FERC regulatory accounting requirements, and file all requests in compliance with Puc 202.06. Filings made through the Commission's e-filing system will be rejected.

On May 21, 2021, the Company filed a Motion for Rehearing of the April 23, 2021 Order (Secretarial letter). On May 26, 2021, Staff filed a response to the Motion, stating there was no objection to Liberty's request to be heard in the matter.

A Secretarial Letter dated 6/18/2021 suspended the April 23, 2021 Secretarial Letter, and required Staff to submit additional information supporting the basis for the recommendations. On 6/30/2021 the Staff response to the Liberty Motion for Rehearing was filed.

On 7/13/2021, Liberty filed a Motion for Leave to file a Sur-Reply and a Sur-Reply to Commission Staff's Response to Motion for Rehearing.

The request to file Sur-Reply was granted on 7/22/2021. Order 26,514 was issued on 9/1/2021 relating to the 2019 recovery from the storm fund, and a Supplemental Order of Notice was issued on 9/2/2021. On 9/30/2021, the hearing scheduled for 10/4/2021 was postponed. As of the date of this report, the hearing has not been rescheduled.

Audit understands that the \$706,838 disputed cost total was debited to account -2548 and credited to the -1825 account when all 2019 costs were cleared in 2020. The movement is balance sheet related and can be adjusted if the PUC determines that the \$706,838 should not have been recovered through the Storm fund. In that case, the entry would be to debit the

Vegetation Account 5930 and credit the -2548 account. If the Commission determines that the cost should be recovered through the Storm fund, no additional entry will be required.

The “unrecovered 2017 costs” were included within the beginning balance of the 2019 storm report and were not part of the year-end adjustment to credit the -1825 account and debit the -2548 account, although they should have been. Refer to the General Ledger section below for a detailed discussion of the various general ledger accounts used to record storm costs, and to the Ending Balance summary.

Base Rate Contribution

The annual base rate contribution of \$(1,500,000) per year was noted on Attachment 1 of the filing and agrees with Order 25,638 in docket DE 13-063. The revenue was also verified to credit activity in the general ledger account 8830-2-0000-20-2142-2548, Current Regulatory Liability- Storm Costs.

SRA Factor

The Storm Recovery Adjustment (SRA) factor column on attachment 1, page 1 of 3, reflects no activity during 2020. Audit verified that the SRA factor in 2020 was \$0.000, according to the Company’s Summary of Rates, pages 126 and 127 of the (2021) tariff. There has not been an SRA factor since the DE 13-063 rate case Order was issued in 2014.

Interest

Attachment 1 notes the interest income amount of \$(66,290). The interest calculations included in the filing were based on the storm report average of the monthly beginning balance and the unadjusted monthly ending balance (excluding that month’s interest figure), multiplied by the prime interest rate in effect, then divided by twelve. However, Audit was unable to verify the filing monthly interest entries to the net general ledger interest entries:

	<u>GL Storm Costs account - 1825</u>		<u>GL Current Reg Liab Storm Costs account -2548</u>		Combined General Ledger	Interest per Filing	GL minus Filing
1/31/2020	8830-2-0000-10-1930-1825	8,880.84	8830-2-0000-20-2142-2548	-	8,880.84	n/a	n/a
2/28/2020	8830-2-0000-10-1930-1825	(8,880.84)	8830-2-0000-20-2142-2548	-	(8,880.84)	n/a	n/a
2/28/2020	8830-2-0000-10-1930-1825	8,882.57	8830-2-0000-20-2142-2548	(13,971.99)	(5,089.42)	(4,914.81)	(174.61)
2/28/2020	8830-2-0000-10-1930-1825	8,940.50	8830-2-0000-20-2142-2548	(14,522.09)	(5,581.59)	(5,313.75)	(267.84)
3/31/2020	8830-2-0000-10-1930-1825	9,065.92	8830-2-0000-20-2142-2548	(15,074.36)	(6,008.44)	(5,829.58)	(178.86)
4/30/2020	8830-2-0000-10-1930-1825	9,539.63	8830-2-0000-20-2142-2548	(15,628.82)	(6,089.19)	(6,021.34)	(67.85)
5/31/2020	8830-2-0000-10-1930-1825	9,857.88	8830-2-0000-20-2142-2548	(16,185.48)	(6,327.60)	(6,321.42)	(6.18)
6/30/2020	8830-2-0000-10-1930-1825	9,798.98	8830-2-0000-20-2142-2548	(16,744.34)	(6,945.36)	(6,948.44)	3.08
7/31/2020	8830-2-0000-10-1930-1825	6,741.60	8830-2-0000-20-2142-2548	(11,840.54)	(5,098.94)	(5,106.21)	7.27
8/31/2020	8830-2-0000-10-1930-1825	7,252.60	8830-2-0000-20-2142-2548	(12,211.15)	(4,958.55)	(4,960.74)	2.19
9/30/2020	8830-2-0000-10-1930-1825	4,724.00	8830-2-0000-20-2142-2548	(9,619.55)	(4,895.55)	(4,898.38)	2.83
10/31/2020	8830-2-0000-10-1930-1825	1,745.36	8830-2-0000-20-2142-2548	(7,020.93)	(5,275.57)	(5,279.05)	3.48
11/30/2020	8830-2-0000-10-1930-1825	1,799.62	8830-2-0000-20-2142-2548	(7,378.49)	(5,578.87)	(5,582.35)	3.48
12/31/2020	8830-2-0000-10-1930-1825	2,626.72	8830-2-0000-20-2142-2548	(7,737.01)	(5,110.29)	(5,113.79)	3.50
		80,975.38		(147,934.75)	(66,959.37)	(66,289.86)	(669.51)

Audit spoke with the Company regarding the differences. The general ledger reflects the actual interest. The filing interest is based solely on the included 2020 storms, not necessarily the storms from 2019 (or other) that posted to or were adjusted out of the general ledger during the calendar year 2020. Audit understands the explanation, and based on the relative immateriality of the variance, does not consider the variances an issue.

The interest rates in the first six months of 2020 were reported to be 4.75%. In July and continuing through December, the rate was reported to be 3.25%. As required by DG 06-107, and outlined in Puc 1203.03 (m)(3), GSE should use the Interest Rate for Utility Deposits, (found on the NH PUC website <https://www.puc.nh.gov/consumer/PrimeRates.html>). That site identified the 2020 prime rates as follows:

- The fourth quarter rate is 3.25% for the period October 1, 2020 through December 31, 2020
- The third quarter rate is 3.25% for the period July 1, 2020 through September 30, 2020
- The second quarter rate is 3.25% for the period April 1, 2020 through June 30, 2020
- The first quarter rate is 4.75% for the period January 1, 2020 through March 31, 2020

Within Puc1202.13, the “Prime Rate” means the rate reported in the Wall Street Journal on the first business day of the month preceding the beginning of each calendar quarter, or the average of the rates so reported on that day. Based on a review of the posted rates, the Company correctly used 4.75% for the period 4/1/2020 – 6/30/2020, because the prime rate changed to 3.25% on March 15, 2020. The 3.25% reported on the PUC website was incorrect for the second quarter.

Capitalized Transportation \$-0-

Transportation is allocated to all jobs through overheads and not directly charged to storms. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate, then spread across open CWIP jobs through the BRD overhead.

The Company requested a rehearing of the Secretarial letter issued on 4/23/2021 which included a directive to resubmit the 2019 Storm Report and discontinue the capitalization of transportation depreciation. A rehearing date has not been scheduled as of the date of this report.

General Ledger

- 8830-2-0000-10-1930-**1825** Storm Costs – balance sheet account used for the rolling (over)/under balance of expenses and related interest. Annually, the expenses are credited to this account and debited to the -2548 account.
- 8830-2-0000-20-2142-**2548** Current Regulatory Liability Storm Costs – balance sheet account used for the rolling (over)/under balance of revenue and related interest, and the annual reclassification of storm costs from the -1825 account.
- 8830-2-9851-56-5010-**5930** Maintenance of Overhead Lines – income statement account used to record all storm costs until the determination is made that the storm should be reclassified to the -1825 account. As Storm jobs are opened, they are opened with two associated expense accounts, this 5930 account and 5932 below.

- 8830-2-9851-56-5210-**5932** Maintenance of Overhead Lines-Veg Management – income statement account used for vegetation management related to storms, also held until the determination is made what expense should be deferred. Monthly a “smartlist” of all Storm jobs is run, and H. Tebbetts determines which qualify as a major storm or prestaging event. At that time, the expenses are credited out of the 5930 or 5932 account and debited to the 1825 account, by the Liberty Accounting department.
- Settlement Agreement in DG 06-107 requires use of income statement account **924**, Property Insurance, to be debited for recording funding, to offset the revenue included in the 440 revenue accounts. Audit verified the monthly \$125,000 debits to account 8830-2-9820-69-5280-9240, Property Insurance.

Cost Elements

Liberty posts activity to the general ledger accounts using cost elements indicating the specific type of cost. Not all elements are used for every Wennsoft Job. Identified by the Accounting department at Liberty, the cost elements are:

- 1-Labor
- 2-Materials
- 3-Transfer to 106 or Plant
- 4-Vouchers
- 5-Outside Services
- 6-Burden
- 7-Cost of Removal
- 8-CIAC Payments
- 9-AFUDC

2020 Storms and Prestaging Events per Storm Report

	4/13/2020	8/5/2020 Tropical	12/5/2020	12/16/2020	12/25/2020	
	Windstorm	Storm Isaia's	Nor'easter	Winter Storm	Windstorm	2020
	<u>Prestage</u>	<u>Qualifying Event</u>	<u>Prestage</u>	<u>Gail Prestage</u>	<u>Prestage</u>	<u>TOTAL</u>
Payroll and OH	\$ 66,733	\$ 225,350	\$ 87,952	\$ 44,841	\$ 21,039	\$ 445,915
Outside Companies	\$ 43,873	\$ 110,474	\$ 147,897	\$ 87,190	\$ 75,275	\$ 464,710
Materials + Supplies	\$ -	\$ 2,339	\$ -	\$ -	\$ -	\$ 2,339
Employee Expenses	\$ 3,763	\$ 2,718	\$ 4,760	\$ 2,824	\$ 166	\$ 14,231
Total	\$ 114,370	\$ 340,882	\$ 240,609	\$ 134,854	\$ 96,481	\$ 927,195

The Storm Report, Bates page 005 testimony at line 21 summarizes the 2020 costs to be \$924,662.33, which is \$2,533 lower than the sum of the reported events. That page also refers to a 2017 Storm total of \$71,157, noted as “*reviewed by the Commission’s Audit Staff in the CY2019 Storm Fund Report, but inadvertently not included in the final audit report. The Company is merely looking to have these costs included in the final audit report so we can move the costs to the liability account.*” The Company is again reminded that accounting for the storms, in compliance with all dockets and with FERC, is the responsibility of the Company. The Company should ensure that its general ledger is updated whether or not there is a specific

Audit report. The Company acknowledged, in response to the 2019 Audit report, that it would do the adjusting accounting entries whether or not a final Audit report is issued. If adjustments are required because of issues identified in an Audit report, those specific adjustments are the only entries that would be based on the final report.

The 2019 storm fieldwork identified additional charges from two 2017 storms to be:

Storm 1701	\$61,781.79	58 entries posted from 3/2018 through 12/31/2018
Storm 1702	<u>\$ 9,374.31</u>	8 additional entries posted from 2/2018 through 2/2019
	\$71,156.10	

The additional charges were noted to be invoices, payroll and overhead adjustments, and employee expenses. All entries were noted in the deferred -1825 account in the 2019 Storm Fund balance. The Company does not need the permission of the PUC or the Department of Energy to move the amounts from account 1825 to account 2548. If the expenses, or any portion of the expenses, were subsequently determined to not conform to the requirements related to a qualifying storm or pre-stage event, those costs would need to be credited to account 2548 and debited to the appropriate expense account. It is understood that the \$71,156 costs were reviewed during the 2019 Storm Fund audit and remain in the 1825 deferral account.

4/13/2020 Windstorm-Prestaging \$114,370 Job #2004

Direct testimony of A. Strabone and H. Tebbetts indicate that Liberty's weather service forecast potential wind gusts between 45-60 mph in the Salem/Pelham area, and between 45-55 mph in the Lebanon and Charlestown areas. The Energy Event Index (EEI) was a level 3 with high confidence. The storm was expected to affect the area between 10:00 a.m. Monday 4/13/2020 through Tuesday 4/14/2020 4:00 a.m. The testimony indicated the Incident Command Structure was implemented, and 17.5 internal and contractor crews were mobilized, along with seven contractor tree crews. The Customer Service department staffed the contact center in staggered shifts into the evening and throughout the event. Damage assessors and wires down guards were contacted for availability. The "municipal room" was opened remotely to assist town inquiring about preparations.

There were no outages associated with the event. Total costs were reported to be:

Payroll and Overheads	\$ 66,733
Outside Companies	\$ 43,873
Employee Expenses	<u>\$ 3,763</u>
	\$114,370

Reported costs for this storm by month were:

April 2020	\$164,770.37
May 2020	\$ (54,349.87)
June 2020	\$ 186.04
July 2020	<u>\$ 3,763.46</u>
	\$114,370.00

A copy of the Energy Event Index (EEI) was included with the filing, as attachment 3, page 1 of 25 through 4 of 25. The EEI did show an EEI of 3 with high confidence that Salem would be impacted by high winds. The Salem area qualifies for pre-staging. However, the attachment indicated only medium confidence for reaching an EEI 3 for the Charlestown and Lebanon areas, thus disqualifying those areas for recovery through the Storm Fund.

Audit was provided with the details of the work orders relating to the 4/13/2020 Windstorm, which are summarized below:

WS Job Number	WS Job Name	Cost element	Account Number	Account Name	Amount	Number of entries
STORM-VGMT-2004	Wind Storm Apr 13 2020	4	8830-2-9851-56-5210-5932	Maint of Overhead Lines-Veg Mgmt	\$ -	13 entries
STORM-VGMT-2004	Wind Storm Apr 13 2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 13,341.10	2 entries
STORM-EXP-2004	Wind Storm Apr 13 2020	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 27,185.21	2 entries
STORM-EXP-2004	Wind Storm Apr 13 2020	2	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 814.98	2 entries
STORM-EXP-2004	Wind Storm Apr 13 2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 34,295.85	4 entries
STORM-EXP-2004	Wind Storm Apr 13 2020	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 42,082.46	34 entries
					<u>\$ 117,719.60</u>	
					Reported 4/13/2020 Prestage	\$ 114,370.00
					difference	\$ 3,349.60

Audit requested clarification of the variance and was told that the \$3,349.60 represented cost element #2, Materials, which was included in the pivot total, but moved to a capital account (not specified), thus not included in the Storm Fund report total.

The following invoices totaling \$13,341.10, from Asplundh Tree Service, were posted to account 8830-2-9851-56-5210-5932, Maint of Overhead Lines-Veg Mgmt on 4/28/2020. Each invoice was reviewed for timeliness of the work, location of the work, and recalculation of the labor and equipment charges.

\$ 1,828.00 – this invoice total included time for a foreman, trimmers, and a bucket truck. The timesheet supporting the charges showed standby time on 4/13/2020 in Lebanon, and travel time back to Salem on 4/14/2020. Lebanon did not meet the criteria for inclusion in the Storm Fund. **Therefore, the \$1,828.00 should have been expensed.**

\$ 1,647.97 – this figure was verified to a larger invoice total of \$2,028.27. Labor and equipment costs were allocated to the Storm fund and to WS job 8830-VM1220-9L3 for \$380.30. The timesheet supporting the invoice indicated standby hours in Salem on 4/13/2020, supporting the \$1,647.97.

\$ 783.38 – this amount is part of an invoice totaling \$3,917.16. Other amounts were posted to two additional Wennsoft vegetation management jobs. The timesheet relating to the labor and equipment on the Asplundh invoice demonstrate work on 4/13/20, 4/14/20, 4/15/20, and 4/17/20. However, the work was performed in Walpole, Charlestown, and Hanover. None of these towns met the criteria for inclusion in the Storm Fund. **Therefore, the \$783.38 should have been expensed.**

\$ 1,703.77 – this invoice total for labor, equipment and meals was supported with a timesheet showing standby hours in Lebanon on 4/13/2020, and travel hours back to

Salem on 4/14/2020. Lebanon did not meet the criteria for inclusion in the Storm Fund. **Therefore, the \$1,703.77 should have been expensed.**

\$ 1,231.13 – this figure is part of a larger invoice total of \$2,374.33. \$1,143.20 was booked to a WS job 8830-VM1215-8L1. The timesheet demonstrates standby and Rt 12 work on 4/13/2020, dispatch 4/14/2020 and Rt 12 work on 4/15/2020, all in Charlestown. Charlestown did not meet the criteria for inclusion in the Storm Fund. **Therefore, the \$1,231.13 should have been expensed.**

\$ 1,112.58 – this amount is part of an overall invoice \$5,068.40, the balance of which was posted to WS job 8830-5932-VM1215-8L1. The timesheet supporting the labor and equipment shows all hours were for work in Charlestown, which does not meet the criteria for inclusion in the Storm Fund. **Therefore, the \$1,112.58 should have been expensed.**

\$ 1,669.90 – verified to invoice and timesheet for standby 4/13/2020 in Salem, NH.

\$ 1,659.04 – this figure was verified to an overall invoice \$4,503.11. \$2,844.07 was booked to WS job 8830-WM1215-8L1. The timesheet supporting the labor and equipment show all work was documented to have been done in Charlestown. **Therefore, the \$1,659.04 should have been expensed.**

\$ 1,705.33 – this amount is part of an overall invoice of \$2,885.95. \$1,180.62 was booked to SW job 8830-VM1220-9L3. The timesheet indicates that standby hours in the town of Salem on 4/13/2020 for two Asplundh employees were 6 straight time and 7 overtime. Audit recalculated the reported \$1,705.33.

A journal entry dated 4/30/2020 was posted to account 8830-2-0000-10-1930-1825, Storm Costs, (the deferred asset account) for \$39,547.84. The description of the entry is Storm OH. The overhead entry was supported by a journal entry dated 4/30/2020 that debited the -1825 account and credited account 8830-2-9851-69-5200-9220, Admin Expenses Transferred-Credit. Support for the entry was demonstrated to be 145.48% 8830 OH Rate applied to Storm-Exp-2004 balance of \$27,185.17. The \$27,185.17 is the sum of payroll for the period 04/12/2020 to 04/18/2020, including an accrual for payroll of \$3,243.08. Refer to the Staff Recommendation regarding the 2019 Storm Fund and related BRD overhead that includes capitalization of depreciation on Transportation assets. This is an unresolved issued for which Audit has demonstrated non-compliance with FERC, but Liberty believes it is complying.

A journal entry posted 4/30/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$135.81 for cost element 2, Materials. The Company indicated that the amount “*is a connector, insulating piercing, tap, CY/AL 1/0 main, #2 tap that should not have been included in the data sent to Audit. Rather, it should have been in the larger bucket of capital items.*” Audit requested clarification of where within the capitalization policy Materials, cost element #2, are considered capital assets. The Company then indicated this particular \$135.81 was expensed. The question regarding capitalization of Materials was not answered.

A journal entry posted 4/30/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$846.23 for payment to ControlPoint Technologies, Inc. The Company provided an invoice in the amount of \$20,179.32 for “field work, engineering, design and other support services associated with the FCC Support Services 2020” for the period 3/22/2020 through 4/18/2020.

A journal entry posted 4/30/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$2,188.62 for payment to IC Reed & Sons, Inc. The invoice dated 4/17/2020 showed hours for foreman, lineman, bucket truck and pickup truck. The invoice does not indicate the date of the hours, or the town in which the hours were incurred.

A journal entry posted 5/30/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$1,140.00 for payment to Hunter North Associates, LLC. The invoice represented traffic control on 4/13, 4/14, and 4/15/2020 in the towns of Alstead and Charlestown. Neither of these towns met the criteria for inclusion in the Storm Fund. **Therefore, the \$1,140.00 should have been expensed.**

A journal entry posted 5/31/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$10,414.43 for payment to Utility Service & Associates, Inc. The invoice, dated 4/21/2020, reflected labor and equipment for 4/13/2020 Storm Standby and storm restoration work Salem, NH and Storm restoration work Windham, NH. While Windham was not included specifically in the EEI 3, its proximity to Salem is reasonably close that the storm likely impacted that area as well.

A journal entry posted 5/31/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$15,757.07 referenced “Storm Standby at JCR Facility”. The invoice from JCR Construction Company, Inc. described the work as “Salem NH Storm Restoration on 4/13/2020”. Six employees, three pickup trucks, two bucket trucks, and one digger truck were on standby in Raymond, NH (headquarters of JCR).

A journal entry posted 7/7/2020 to account 8830-2-9851-56-5210-5930, Maint of Overhead Lines for \$3,763.46 referenced payment to JPM Chase for p-card, which had been accrued 6/30/2020 for May, with the accrual reversed 7/1/2020 and the actual payment posted 7/7/2020. The total represents charges incurred by two employees:

Employee #1	\$1,065.71
Employee #2	<u>\$2,697.75</u>
	\$3,763.46

Employee #1 charges were for meals on 4/13/2020 in Salem, and charges for Employee #2 were for Holiday Inn, Salem overnight charges for 25 employees.

Storm-2004, 4/13/2020 Windstorm Conclusion:

4/13/2020 Pre-stage per Report	\$114,370.00	
Asplundh deduct	\$ (1,828.00)	
Asplundh deduct	\$ (783.38)	
Asplundh deduct	\$ (1,703.77)	
Asplundh deduct	\$ (1,231.13)	
Asplundh deduct	\$ (1,112.58)	
Asplundh deduct	\$ (1,659.04)	
Hunter North deduct	<u>\$ (1,140.00)</u>	
Adjusted 4/13/2020 Pre-stage	\$104,912.10	See Audit Issue #1

8/5/2020 Tropical Storm Isaias-Qualifying Event \$340,881.52 Job #2007

Per the testimony of Strabone and Tebbetts, a forecast for a tropical storm that formed 7/30/2020 was received, with an EEI 2, with medium confidence. The Company began preparations 7/31/2020, with the first North Atlantic Mutual Aid Group (NAMAG) call. Due to the trajectory of the storm, east coast mutual aid was unlikely. Six local contractor crews were secured, internal crews were placed on property, customer service staff filled the contact center, damage assessors and wires down guards were contacted for availability. A municipal room was opened remotely to offer assistance to towns inquiring about preparations. Reliability Indices used to determine the qualification of the storm for recovery were reported to be:

Events	67	
Customer Interrupted	4,749	representing 10.6% of customers served
Minutes Interrupted	1,549,400	
Customers Served	44,989	
System Average Interruption Duration Index (SAIDI)	34.44	
System Average Interruption Frequency Index (SAIFI)	0.11	
Customer Average Interruption Duration Index (CAIDI)	326.26	

Total costs were reported to be:

Payroll and Overheads	\$225,350
Outside Companies	\$110,474
Materials and Supplies	\$ 2,339
Employee Expenses	<u>\$ 2,718</u>
	\$340,882

Reported costs for this storm by month were:

August 2020	\$363,869.10
September 2020	\$ (55,724.04)
October 2020	\$ 36,781.51
November 2020	\$ 15,337.14
December 2020	<u>\$ (19,382.19)</u>
	\$340,881.52

A pivot table of the general ledger activity was provided, which agrees in total with the reported cost of \$340,881.52:

WS Job Number	WS Job Name	Cost element	Account Number	Account Name	Amount	Number of entries
STORM-VGMT-2007	Tropical Storm Isaias 8/3/2020	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 2,102.04	1 entry
STORM-VGMT-2007	Tropical Storm Isaias 8/3/2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 46,169.36	3 entries
STORM-VGMT-2007	Tropical Storm Isaias 8/3/2020	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 3,057.96	1 entry
STORM-VGMT-2007	Tropical Storm Isaias 8/3/2020	1	8830-2-9851-56-5010-5932	Maint of Overhead Lines	\$ -	5 entries
STORM-VGMT-2007	Tropical Storm Isaias 8/3/2020	4	8830-2-9851-56-5010-5932	Maint of Overhead Lines	\$ -	19 entries
STORM-EXP-2007	Tropical Storm Isaias 8/3/2020	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 89,699.26	2 entries
STORM-EXP-2007	Tropical Storm Isaias 8/3/2020	2	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 1,599.87	2 entries
STORM-EXP-2007	Tropical Storm Isaias 8/3/2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 67,023.03	5 entries
STORM-EXP-2007	Tropical Storm Isaias 8/3/2020	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 131,230.00	19 entries
					<u>\$ 340,881.52</u>	

Audit reviewed the 67 events outlined on the Storm Report Attachment 3 Bates pages 46 and 47. 14 of those events, summarized below, related specifically to service line connections, rather than repair to primary or secondary lines, and thus do not qualify as storm events for purposes of the storm fund. **Audit Issue #2**

ID	Feeder	Date	From	To	Hr	Min	Duration	CI	Comments	Cause	District	Legacy Feeder
59104	13L3	8/4/2020	20:13	22:28	2	14	134	1	RECONNECTED AND MADE REPAIRS TO SERVICE P5 BANNISTER RD DUE TO FALLEN TREE	TREE FELL	SALEM	42-13L3
59194	7L1	8/5/2020	8:13	20:20	12	6	726	1	TREE ON SERVICE P14 JONES HILL RD / REATTACHED SERVICE	TREE FELL	LEBANON	41-7L1
59075	9L2	8/4/2020	19:48	20:17	0	29	29	1	REMOVED SERVICE P2 SULLIVAN AVE DUE TO DAMAGE FROM FALLEN TREE	TREE FELL	SALEM	42-9L2
59070	1L2	8/4/2020	19:27	19:35	0	7	7	1	REMOVED SERVICE P11 CAROL AVE DUE TO DAMAGE FROM FALLEN TREE	TREE FELL	SALEM	42-19L8
58933	13L1	8/4/2020	17:57	19:06	1	9	69	1	PINE LIMBS BROKE NEUTRAL P1 EYSSI DR, CLEARED LIMBS & MADE REPAIR FROM POLE TO HOUSE	TREE - BROKEN LIMB	SALEM	42-13L1
59221	12L2	8/5/2020	10:36	16:04	5	28	328	1	REATTACHED SERVICE P46-1 PROSPECT HILL RD, TREE FELL	TREE FELL	CHARLESTOWN	43-12L2
59176	7L2	8/5/2020	4:23	15:00	10	36	636	1	REPLACED SERVICE FROM P7 LAKE ST / TREES ON WIRES	TREE FELL	LEBANON	41-7L2
59074	7L2	8/4/2020	19:45	14:35	18	50	1130	1	DISCONNECTED SERVICE P28 LOCKHAVEN RD TO MAKE REPAIRS TO WIRES FROM FALLEN TREE.	TREE FELL	LEBANON	41-7L2
59103	7L2	8/4/2020	20:12	14:19	18	7	1087	1	RECONNECTED AND MADE REPAIRS TO SERVICE P11 KLUGE RD DUE TO FALLEN TREE LIMB	TREE - BROKEN LIMB	LEBANON	41-7L2
59200	12L1	8/5/2020	8:50	13:55	5	4	304	1	REATTACHED SERVICE, ALSTEAD CENTER RD	TREE FELL	CHARLESTOWN	43-12L1
59092	16L1	8/4/2020	18:42	10:15	15	32	932	1	RECONNECTED SERVICE P65 KING RD DUE TO FALLEN TREE	TREE FELL	LEBANON	41-16L1
58938	7L1	8/4/2020	17:54	7:25	13	30	810	1	REHUNG SERVICE FROM P132-2 SOUTH RD / TREE REMOVED FROM SERVICE	TREE FELL	LEBANON	41-7L1
59108	9L3	8/4/2020	20:10	4:15	8	4	484	1	RECONNECTED AND MADE REPAIRS TO SERVICE P19 SEARLES RD DUE TO FALLEN TREE	TREE FELL	SALEM	42-9L3
59138	14L2	8/4/2020	21:19	1:45	4	25	265	1	RECONNECTED AND MADE REPAIRS TO SERVICE P15-1 COLONIAL DR DUE TO FALLEN TREE	TREE FELL	SALEM	42-14L2

Audit then reviewed the beginning and ending times for each of the remaining 53 events, and found that at no time were there 30 concurrent events. In addition, because the storm was predicted with an EEI of 2 rather than 3, and a medium probability rather than a high probability, the storm does not meet the criteria for a Qualifying Event. As a result, none of the costs associated with Tropical Storm Isaias should have been recovered through the storm fund. Rather, the costs should have been booked to the -5930 expense account. **Audit Issue #2**

12/5/2020 Nor'easter-Prestaging Event \$240,609 Job #2015

The Storm Report indicated that Liberty began receiving forecasts on 12/3/2020 for heavy wet snow to impact the Salem/Pelham area on 12/5/2020. The Report also indicated DTN issued an EEI level 3 with high confidence for significant snowfall for Salem/Pelham. The copy of the EEI report, dated 12/5/2020, demonstrated increased EEI 2/3 snow chances and decreased peak wind gusts in Salem. The confidence noted for snowfall amounts reaching hazard levels

was high, but confidence of snowfall amounts was medium-high. The update estimated the snow chance as follows:

EEI 2 snow chance 80%

EEI 3 snow chance 60%

EEI 4 snow chance 05%

Wind gusts were updated to reflect EEI 2 with medium confidence.

Total costs were reported to be:

Payroll and Overheads	\$ 87,952.28
Outside Companies	\$147,897.15
Employee Expenses	<u>\$ 4,759.63</u>
	<u>\$240,609.06</u>

Reported costs for this storm by month were:

December 2020	\$353,124.07
2021	<u>\$(112,515.01)</u>
	<u>\$240,609.06</u>

The Storm report also indicated that the Company did not experience any outages as a result of this event.

An Excel pivot table of all activity related to the December 5 Nor'easter was provided, then updated to reflect the costs reported in the annual Storm Fund Report. A summary of the revised pivot details was compiled by Audit:

WS Job Number	WS Job Name	Cost element	Account Number	Account Name	Amount	Number of entries
STORM-EXP-2015	December 5 Nor'easter 2020	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 35,418.75	1 entry
STORM-VGMT-2015	December 5 Nor'easter 2020	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 410.56	1 entry
STORM-EXP-2015	December 5 Nor'easter 2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 109,023.23	8 entries
STORM-VGMT-2015	December 5 Nor'easter 2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 50,468.53	2 entries
STORM-EXP-2015	December 5 Nor'easter 2020	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 51,525.70	1 entry
STORM-VGMT-2015	December 5 Nor'easter 2020	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 597.27	1 entry
STORM-EXP-2015	December 5 Nor'easter 2020	1	8830-2-9851-56-5010-5930	Maint of Overhead Lines	\$ -	85 entries
STORM-EXP-2015	December 5 Nor'easter 2020	4	8830-2-9851-56-5010-5930	Maint of Overhead Lines	\$ (6,834.98)	34 entries
STORM-VGMT-2015	December 5 Nor'easter 2020	1	8830-2-9851-56-5010-5932	Maint of Overhead Lines-Veg Mgmt	\$ -	2 entries
STORM-VGMT-2015	December 5 Nor'easter 2020	4	8830-2-9851-56-5010-5932	Maint of Overhead Lines-Veg Mgmt	\$ -	24 entries
sum					<u>\$ 240,609.06</u>	

\$1,525.70, cost element 6, Storm Overheads, was posted 12/31/2020. The Company provided the journal entry that debited 8830-2-0000-10-1830-1825 and credited 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The entry represented overhead calculated at 145.48% of storm labor. Refer to the reference regarding depreciation expense in transportation overheads, which is an ongoing issue to clarify.

12/16/2020 Winter Snowstorm Gail Prestaging Event \$134,854 Job #2016

The Storm report indicated an EEI level 3 with a high confidence for significant snow in the Salem/Pelham area, and the Lebanon and Charlestown areas of the Company's service

territory according to the forecasts beginning late Wednesday December 16, 2020. The forecast for significant heavy wet snow did not impact the area as anticipated, and the Company did not experience outages as a result of the storm. The actual DTN forecast for each of the impacted areas indicated Confidence is high that EEI-2/3 snow would occur Wednesday night into Thursday. Because of the forecast, the prestaging costs were posted to the Storm fund for recovery.

Total costs were reported to be:

Payroll and Overheads	\$ 44,840.96
Outside Companies	\$ 87,189.53
Employee Expenses	<u>\$ 2,823.54</u>
	<u>\$134,854.03</u>

Reported costs for this storm by month were:

December 2020	\$134,578.92
2021	<u>\$ 275.11</u>
	<u>\$134,854.03</u>

The pivot table of all costs relating to Winter Storm Gail was provided, and summarized by Audit:

WS Job Number	WS Job Name	Cost element	Account Number	Account Name	Amount	Number of entries
STORM-EXP-2016	Snow Storm Gail 12/15/2020	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 18,266.96	2 entries
STORM-EXP-2016	Snow Storm Gail 12/15/2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 54,808.98	5 entries
STORM-VGMT-2016	Snow Storm Gail 12/15/2020	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 35,204.09	3 entries
STORM-EXP-2016	Snow Storm Gail 12/15/2020	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 26,574.00	2 entries
STORM-EXP-2016	Snow Storm Gail 12/15/2020	4	8830-2-9851-56-5210-5930	Maint of Overhead Lines	\$ -	14 entries
STORM-VGMT-2016	Snow Storm Gail 12/15/2020	4	8830-2-9851-56-5210-5932	Maint of Overhead Lines - Veg Mgmt	\$ -	17 entries
STORM-EXP-2016	Snow Storm Gail 12/15/2020	1	8830-52-9851-56-5010-5930	Maint of Overhead Lines	<u>\$ -</u>	61 entries
					sum \$ 134,854.03	

\$27,893.70, cost element 6, Storm Overheads, was posted 12/31/2020. As described in the Job #2015 section above, the Company provided the journal entry that debited 8830-2-0000-10-1830-1825 and credited 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The entry represented overhead calculated at 145.48% of storm labor. Refer to the reference regarding depreciation expense in transportation overheads, which is an ongoing issue to clarify.

12/25/2020 Christmas Windstorm Prestaging Event \$96,481 Job #2017

The Storm Report identified the forecast as an EEI 3 with high confidence for wind gusts in excess of 50 mph, and heavy rain, specifically for the Salem/Pelham area. The DTN from 12/24/2020 indicated high confidence of milder wind gusts for Lebanon, Hanover, Monroe, Bath, Alstead, and Charlestown. The Company did not experience any outages during the event, but the DTN does qualify the costs as prestaging to be recovered through the Storm fund.

Total prestaging costs were reported to be:

Payroll and Overheads	\$21,039.20
Outside Companies	\$75,275.36
Employee Expenses	<u>\$ 166.21</u>
	\$96,480.77

Reported costs for this storm by month were:

December 2020	\$104,135.97
2021	<u>\$ (7,655.20)</u>
	\$ 96,480.77

WS Job Number	WS Job Name	Cost element	Account Number	Account Name	Amount	Number of entries
STORM-VGMT-2017	Christmas Wind Storm 12/22/20	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 63,298.16	2 entries
STORM-VGMT-2017	Christmas Wind Storm 12/22/20	4	8830-2-9851-56-5210-5932	Maint of Overhead Lines-Veg Mgmt	\$ -	15 entries
STORM-EXP-2017	Christmas Wind Storm 12/22/20	1	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 8,570.78	2 entries
STORM-EXP-2017	Christmas Wind Storm 12/22/20	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 12,143.41	3 entries
STORM-EXP-2017	Christmas Wind Storm 12/22/20	6	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	\$ 12,468.42	1 entry
STORM-EXP-2017	Christmas Wind Storm 12/22/20	1	8830-2-9851-56-5010-5930	Maint of Overhead Lines	\$ -	33 entries
STORM-EXP-2017	Christmas Wind Storm 12/22/20	4	8830-2-9851-56-5010-5930	Maint of Overhead Lines	\$ -	10 entries
					\$ 96,480.77	

\$12,468.42, cost element 6, overheads, was posted 12/31/2020. As noted above for Job #2015 and #2016, the Company provided the journal entry that debited 8830-2-0000-10-1830-1825 and credited 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The entry represented overhead calculated at 145.48% of storm labor. Refer to the reference regarding depreciation expense in transportation overheads, which is an ongoing issue to clarify.

Cost of Removal

Cost element #7, Cost of Removal, was not noted in any of the reported 2020 storms. Any infrastructure that may have been capitalized was not identified in the Storm Fund, as those assets become part of a future base rate case, rather than funded through the annual storm revenue included in current base rates. Associated costs of removal would be identified as assets are replaced, with the Cost of Removal credited to the appropriate plant in service account.

Ending Balance

Audit verified that the reported 12/31/2019 Storm Fund balance of \$(1,208,263) and the reported 12/31/2020 Storm Fund balance of \$(1,861,473) were reconciled to the following general ledger accounts:

8830-2-0000-10-1930-1825 Storm Costs as of <u>12/31/2019</u>	\$ 2,249,876
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs 12/31/19	<u>\$(3,467,266)</u>
Net Balance 12/31/2019	\$(1,217,390)
2019 Storms in 2020 General Ledger	\$ 11,506
Additional Interest through February 2020	<u>\$ (2,379)</u>
End Balance per Filing for 2019 and Beginning for 2020	\$(1,208,263)
 <u>Reported</u> beginning balance 1/1/2020	 \$(1,208,263)
 8830-2-0000-10-1930-1825 Storm Costs balance as of 12/31/2020	 \$ 1,075,354
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs 12/31/20	<u>\$(2,926,980)</u>
Net Balance 12/31/2020	\$(1,851,626)
REPORTED Ending Balance as of 12/31/2020	<u>\$(1,861,473)</u>
Report vs. General Ledger	\$ (9,847)

As noted in the text of this report, the \$(9,847) represents the difference between interest posted to the general ledger vs. the reflection of interest in the filed Report, and the difference between the filed "Report of prior year and Audit adjustments" and the amounts actually posted to the general ledger.

As a result of detailed review of two of the five events included in the 2020 Storm Report, Audit recommends a reduction of \$(350,339.90), reducing the reported Storm expenses of \$927,196 to \$576,856.10.

	2020	Audit Recommended	Audit Recommended
	<u>TOTAL</u>	<u>Exclusion</u>	<u>for Storm Fund</u>
4/30/2020 Windstorm Prestage	\$ 114,370	\$ (9,457.90)	\$ 104,912.10
8/5/2020 Tropical Storm Isaias Qualifying	\$ 340,882	\$ (340,882.00)	\$ -
12/5/2020 Nor'easter Prestage	\$ 240,609		\$ 240,609.00
12/16/2020 Winter Storm Gail Prestage	\$ 134,854		\$ 134,854.00
12/25/2020 Windstorm Prestage	\$ 96,481		\$ 96,481.00
	<u>\$ 927,196.00</u>	<u>\$ (350,339.90)</u>	<u>\$ 576,856.10</u>

Refer to Audit Issue #1 and Audit Issue #2, and the ongoing docket for the 2019 Storm report, DG 06-107.

Audit Issue #1 4/13/2020 Windstorm

Background

Audit reviewed several invoices from Asplundh and Hunter North, which were included in the total reported cost of the 4/13/2020 Windstorm prestaging event.

Issue

Audit noted that the invoices below were identified as staging in towns in NH that were not impacted by the forecasted Windstorm:

Storm-2004, 4/13/2020 Windstorm Conclusion:

4/13/2020 Pre-stage per Report	\$114,370.00
Asplundh deduct	\$ (1,828.00)
Asplundh deduct	\$ (783.38)
Asplundh deduct	\$ (1,703.77)
Asplundh deduct	\$ (1,231.13)
Asplundh deduct	\$ (1,112.58)
Asplundh deduct	\$ (1,659.04)
Hunter North deduct	<u>\$ (1,140.00)</u>
Adjusted 4/13/2020 Pre-stage	\$104,912.10

Recommendation

Audit recommends that the 4/13/2020 reported prestaging cost of \$114,370 be reduced by \$9,457.90 to \$104,912.10. The reduction should be specified in the 2021 reconciliation filed as part of the 2021 Storm Report. The \$9,457.90 should be debited to general ledger expense account -5930, with the -1825 account credited.

Company Comment

The Company also does not agree with the Audit Staff's Recommendation 1.

- The determination of whether a storm qualifies as a major storm, based on the number of concurrent troubles and/or customer outages, is done on a total system basis, regardless of where those troubles or outages occurred. Similarly, pre-staging determinations are performed on the same system-wide basis. That was the original intent of the pre-staging provision and there is no evidence to the contrary in Docket No. DE 13-063 or elsewhere. This has always been the practice and has always been accepted by Audit Staff and the Commission.

- The Audit Staff's conclusions regarding region-by-region pre-staging appears to be directly related to the level of detail the Company receives from its weather forecast vendor. Because of the granularity of that data, which in some areas gets close to town-by-town information, the Audit Staff's recommended removal of costs from the storm cost deferral creates a situation where the Company would be expected to pre-stage in such limited geographic areas that pre-staging would be unmanageable, logistically unworkable, and could very easily create situations where the costs to pre-stage in only that limited geographic area would be higher than they otherwise would be.
- The qualification of pre-staging costs is based on the words in the Commission-approved Settlement Agreement in Docket No. DE 13-063. Any modifications, potential limitations, or clarifications to that Commission-approved Settlement Agreement cannot be made unilaterally.

The purpose of pre-staging is to reduce outage duration. Since the December 2008 Ice Storm, the Company has experienced numerous large-scale outages including Hurricane Irene, Hurricane Sandy, the October 2012 snowstorm, two thunderstorm events in the summer of 2016, and, most recently, Winter Storm Quinn in March of 2018. The Settlement Agreement in Docket No. DE 13-063 is purposefully not prescriptive on the locations of pre-staging to allow the Company flexibility when staging internal employees and external contractors.

The territory for Granite State Electric consists of three very small areas in New Hampshire – two in the western part of the state and one in the southern part of the state – but the pool of Company employees is concentrated in the southern tier. The process for pre-staging, as described below, provides for a balanced utilization of resources, both internally and externally, such as lodging, meals, and crew movement.

When deciding to pre-stage, the Company looks at numerous weather forecasts for the whole system and potential impacts for the whole system. The Company does not look at impacts by town or isolated regions. Looking at the weather forecasts in a vacuum would not provide the most efficient restoration response that has been clearly noted in recent After-Action Reports filed by the Commission Staff, which are also referenced throughout this response.

Page 34, et seq., of the After Action Report on the November 2014 Thanksgiving Snowstorm notes that publicly available weather forecasts from WMUR, NECN, USA Today, NOAA, and the Washington Post gave the perception that although the Company's weather service, DTN, did not provide pre-staging criteria days before the storm's arrival, other local and national weather forecasts provided information suggesting that pre-staging was advisable. On this point, the After-Action Report states on page 7 as follows:

Utilities rely heavily on weather forecast reports from their contracted weather forecast provider to determine if a forecasted weather event is severe enough to cause extreme damage to their electrical system. Based on the forecast received, utilities may or may not begin the process of pre-staging line crews prior to the storm event. Good utility practice would dictate that utilities not rely solely on one weather forecast from one weather forecaster as the only data point utilized to make decisions regarding whether to pre-stage

line crews. It is imprudent to rely so heavily on a single forecast to determine an effective response to potential wide-scale weather events. By not utilizing many data points to determine the potential effects a pending storm could have on a utility's electrical system, the utility places itself in a poor planning position in the case of a less accurate single forecast.

This section of the After Action Report provides a clear indication that many factors will be taken into account with respect to pre-staging, and the use of a single forecast at a point in time is not the best method when making pre-staging decisions during the approach of a storm, particularly given the dynamic and variable conditions experienced during weather events. By agreement, one source is used in making the decision whether to pre-stage, but decisions as to where and how to pre-stage must necessarily take many other factors into consideration.

Pre-staging process:

Step 1: Incident anticipation – Page 19 of the ERP describes the guidance the Company uses for every potential weather event. The process starts when we identify in our weather forecast from DTN, a level 3 event with high confidence weather event. The procedure begins by first reviewing page 36 of the ERP to determine what level of severity the storm will be based on the current forecast.

Step 2: Pre-staging of crews – Page 66 describes how, once we determine the level of event, we follow numbers 1-10 for pre-staging of crews. We keep in mind where the event may be most damaging by using information from the EEI write up, local news stations, and national weather outlets.

Step 3: Damage Assessment Pre-storm – Page 69 describes determination of damage appraisal preparation.

Once we have analyzed the incident anticipation, determined our crew and damage assessing needs, we have an initial storm call to discuss those and any other needs, such as internal personnel to manage different aspects of the effort such as logistics and internal resources.

The planning process is meticulous to ensure we are staffed appropriately. Being the smallest electric utility in New Hampshire provides a unique challenge when planning for storm restoration. With only thirteen line crews between three work locations – Salem, Lebanon, and Charlestown – finding a complement of contractor crews can be difficult. At some times during the year, mostly during construction season, the Company has a small number of contractors working on the system who are available when the potential for a storm event arises. While those contractors do provide the extra hands needed to restore power, much of the time it is not enough. The Company also needs to request outside tree crews, because the Company does not have internal tree crews, and the tree crews we have contracted are working on prescribed tree trimming projects.

Once the decision to pre-stage is made, the pre-storm locations of the internal and external staff are taken into consideration based on weather information from local and national weather

outlets. As mentioned earlier, most of the Company's staff are located in the southern tier of New Hampshire. Those staff include the employees at our New Hampshire headquarters in Londonderry, the electric engineering and operations personnel in Salem, engineering and operations staff in Lebanon, and the damage assessors (predominantly gas engineers) and our wires down guards (gas operations) in our gas yards.

When reviewing the EEI indices for the areas served for the pre-staging criteria, we may have a level 3 or higher at a single location, or at multiple locations. If Charlestown, for instance, has the level 3 with high confidence, but the other areas do not, we will pre-stage and determine the best location. If the other areas, Salem and Lebanon for example, have a level 3 with medium confidence, or even a level 2 with medium confidence, we may determine the best course of action is to have internal staff report to their regular work locations (either Lebanon, Salem, or Londonderry) while we await the storm's impacts.

The 4-13-2020 windstorm received a level 3 with high confidence from the EEI table for Salem as shown in our original filing on page 35, while Charlestown and Lebanon received a level 2 with high confidence when the decision to pre-stage was made. The biggest concern the Company had was the table provided in the forecast showing Charlestown and Lebanon wind gusts of 45-55 mph, even though the EEI table provided for only a level 2. The Company believes it was prudent in staging a few tree crews in these areas given that the gusts were borderline level 3 according to the EEI definitions.

The Company firmly believes the manner in which it pre-stages provides fluidity and flexibility to restore power in the most efficient manner.

It is only when the EEI is coupled with recent historical wide-scale events that the utility has essential information to effectively begin a process of pre-staging internal and external line crews, and procuring outside resources, if appropriate. This is a critical point when the utility has the information necessary to determine the associated resource needs and to activate those resources in a timely manner. It is imperative that the utility make early decisions regarding resource attainment so as to not compromise the safety and operations of the state, municipalities, businesses, and residents. These effective pre-storm planning procedures allow the utility to efficiently begin the storm related restoration process as quickly and safely as possible.

Unexceptional performance in any one of those areas can contribute to delays in the restoration of power.

The Company takes pre-staging and restoration very seriously. Its employees understand the value of planning and preparation when it comes to storm response. They may also be affected at home without power as customers of Granite State Electric or another electric utility, so ensuring that our response is the best it can be is an absolute priority.

In light of all the above information, the Company strongly disagrees with the Audit Staff's recommendation. The recommendation is inconsistent with the Settlement Agreement, prior determinations in Commission Staff After Action Reports associated with major storm events

and does not take into account the many other factors involved in determining where and how to pre-stage crews in the event of an approaching storm.

Audit Comment

Audit truly appreciates the thoroughness with which the Company addressed the issue regarding the location of pre-staging crews for the April Windstorm, as well as the detailed explanation of the procedures followed.

It is understood that references to the ERP relate to the Company's Emergency Response Plan.

Audit also appreciates the seriousness with which the restoration of power is addressed by the Company.

Audit encourages the Company and the Regulatory Staff of the Department of Energy to discuss the plain language of the settlement that authorized pre-staging. Specifically, whether or not the intent of the determination for pre-staging or qualifying events should take place on a system-wide basis or on a more locational basis.

Audit also understands that the Company pre-stages crews across the state to ensure efficient use of both internal and external crews. However, because the Windstorm, as noted in the Company response, did not meet the pre-stage criteria for Charlestown and Lebanon, the above costs should have been expensed rather than collected through the Storm fund.

Audit Issue #2 Tropical Storm Isaias

Background

Audit reviewed the detailed events listing related to Tropical Storm Isaias, included in the 2020 Storm Filing on Bates pages 046-047.

Issue

Audit noted that the DTN forecast for EEI-2, with medium confidence does not meet the threshold for a severe weather event (prestige) that can be included in the Storm fund.

The reported event total of 67 outages, however, would have met the Storm threshold of causing either “30 concurrent troubles and 15% of customers interrupted, or 45 concurrent troubles. (Troubles are defined as interruption events occurring on either primary or secondary lines).” However, 14 of the reported troubles (events) related to restoration of service lines to individual properties, thus do not qualify for consideration as a storm event on the primary or secondary lines

Further, reviewing the reported time for each of the remaining 53 troubles (events), the highest number of concurrent events was 22, thus not meeting the minimum threshold of 30 and 15% of customers impacted.

Recommendation

Audit recommends that none of the Tropical Storm Isaias costs should be recovered through the Storm Fund, as it did not meet the criteria for a qualifying event, nor for a prestige event. The reduction of \$340,881.52 should be explicitly outlined on the 2021 Storm filing. The general ledger should be adjusted to expense this figure to -5930 and credit -1825.

Company Comment

On March 23, 2021, the DOE (PUC Staff at the time) submitted its recommendation to deny recovery of the [2019] Company storm costs from the storm fund based on DOE’s new interpretations of the terms “trouble” and “concurrent.” These two terms determine which storms qualify as “major” storms for purposes of recovery from the storm fund. Importantly, the storm fund was established in the Settlement Agreement in Docket No. DG 06-107, including definition of these terms. Based on DOE's recommendation, the PUC issued a secretarial letter denying cost recovery for those storms. However, the Commission suspended that decision on April 23, 2021, in response to the Company’s Motion for Rehearing. Liberty’s rehearing motion argued that the initial decision was issued without notice and an opportunity for the Company to respond and, on the merits, argued that the DOE recommendation improperly applied new

definitions of “concurrent” and “trouble,” contrary to the definitions established by the Settlement Agreement in Docket No. DG-06-107 and accepted by all parties and the Commission for more than a decade. The Commission granted Liberty’s motion for rehearing in Order No. 26,514 and intends to hold a new hearing. Although the Commission initially scheduled a hearing for October 4, 2021, the Commission postponed that hearing and has not yet rescheduled.

For the same reasons presented in the Company’s Motion for Rehearing on the 2019 Annual Storm Fund report, Audit’s similar recommendation in relation to Storm Isaias is without merit. Given that the Commission has not resolved the dispute over the definitions of “concurrent” and “trouble” in the context of the 2019 Annual Storm Fund report, it is inappropriate for Audit’s recommendation to be included here.

Audit Comment

Audit appreciates the response, and directs the reader to pages 2 and 3 of this text, on which the definition of a Major Storm is discussed, as well as the historical outline of the disputed \$706,838 related to the 2019 Storm Report. The Company also provided an accurate history of that dispute, which Audit agrees, has yet to be resolved.

From the Settlement Agreement in DG 06-107:

2. Definition of Major Storm

For purposes of the Storm Fund, a “Major Storm” shall be defined as a severe weather event or events causing 30 concurrent troubles and 15% of customers interrupted, or 45 concurrent troubles. (Troubles are defined as interruption events occurring on either primary or secondary lines).

Audit identified this issue by using the timeline of each trouble and type of trouble associated with Tropical Storm Isaias, provided by the Company. The plain meaning of the term “concurrent” is used as the basis for this issue, which is restated. However, if the PUC in ruling on the 2019 disallowance of \$706,838 determines that the “concurrent” understanding is “the same storm” rather than occurring “at the same time”, it will be understood that this issue will be moot. If the Commission agrees that “concurrent” means “at the same time”, then the recommendation in this issue should be booked as outlined.

Outage Analysis for T.S. Isaias Trouble Events Reported by Liberty

Outage ID	August 4, 2020																																															
Time	16:00	16:28	16:32	16:35	16:47	17:15	17:19	17:22	17:27	17:29	17:30	17:38	17:45	17:54	17:56	17:57	18:00	18:06	18:07	18:11	18:12	18:23	18:25	18:42	18:46	18:47	18:57	19:00	19:06	19:22	19:27	19:30	19:35	19:45	19:48	19:51	19:57	19:58	20:00									
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59217																																																
59232																																																
59246																																																
59236																																																
59248																																																
Number of Concurrent Outages	1	2	3	3	3	3	4	5	6	7	7	6	7	8	10	10	11	12	13	14	16	16	17	17	17	19	19	19	19	20	20	20	20	18	19	19	20	21	22	22								



