

# STATE OF NEW HAMPSHIRE

## Intra-Department Communication

**DATE:** September 9, 2022

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

**SUBJECT:** Liberty Utilities (Granite State Electric) Corp.  
2021 Storm Fund Report, DE 22-019  
**FINAL** Audit Report

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

### **INTRODUCTION**

On April 1, 2022, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty—herein referenced as GSE, Liberty, or the Company—filed their annual Storm Fund Report for the calendar year 2021. The filing was docketed as DE 22-019 and is compliant with the May 15, 2007 Settlement Agreement, approved by Order No. 24,777 in Docket DG 06-107, which requires the filing of an annual 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 Company is requesting that the costs associated with three pre-staged weather events, occurring between February 1<sup>st</sup> and July 21<sup>st</sup> of 2021, be recoverable from the Storm Contingency Fund (“Storm Fund”).

### **Establishment and Terms of the Storm Fund**

Within Docket DG 06-107, Order No. 24,777—dated July 12, 2007—established the Storm Fund; specifically, page 13 depicts the following terms, as included in the May 15, 2007 filed Settlement Agreement:

#### **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.”*

5/15/2007 Settlement Agreement Approved by Order 24,777 in Docket DG 06-107

Per Exhibit GSE-7 on page 67 of the May 15, 2007 Settlement Agreement, the following was established:

**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.

#### 1/22/2014 Settlement Agreement Approved by Order 25,638 in Docket DE 13-063

Audit reviewed the Settlement Agreement dated January 22, 2014 and acknowledges that the Company is also allowed to recover, through the storm fund, planning and preparation costs for storms that are subject to specific conditions where the major storm requirements are not met. Exhibit 9 on page 7 of the Settlement Agreement states that, "*The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index ("EII") level of 3 or greater with a high probability of occurrence. The activities for which the Company may seek recovery include pre-staging of crews, standby arrangements with external contractors, incremental compensation of employees, and other costs that may be incurred to prepare for a qualifying major storm.*"

Also noted on page 12 of Order 25,638 is the agreement of \$1.5 million in annual funding for the Storm Fund. "*With regard to Liberty's Storm Fund, the parties agreed to an annual funding amount of \$1.5 million, \$120,000 of which is currently included in distribution rates and reconciled through the storm recovery adjustment factor*". Refer to the Establishment and Terms of the Storm Fund section of the report for more details regarding the Storm Fund, as outlined in the 5/15/2007 Settlement Agreement.

**2021 Storm Fund Report**

Attachment 1, on Bates page 021 of the DE 22-019 filing, provides an overview of the (over)/under collection of storm related funds at Liberty and the activity which occurred during 2021. The reported activity for the year is summarized as follows:

Beginning Balance a/o 1/1/21	\$ (1,861,473)
Base Rate Contribution	(1,500,000)
SRA Factor	-
Prior Period Adjustments	-
Interest Expense (Income)	(73,508)
Storm Charges	<u>704,426</u>
2021 Ending Balance (rounded)	\$ (2,730,554)

Attachment 2, on Bates page 022 of the filing, summarizes the 2021 storm charges debited to asset account #8830-2-0000-10-1930-1825:

February 1, 2021 Winter Storm Orlena	\$ 158,463
June 30, 2021 Severe Weather Event	402,945
July 20, 2021 Thunderstorms	<u>143,018</u>
Total 2021 Storm Costs	\$ 704,426

**Beginning and Ending Balances**

Audit verified that the reported 2021 beginning balance of \$(1,861,473) (over) collection agrees with the 2020 ending balance, as reported in Attachment 1 on Bates page 025 of the 2020 annual Storm Fund Report. The reported ending balance at 12/31/2021 of an (over) collection of \$(2,730,554) was reconciled to general ledger balances, inclusive of certain general ledger entries posted from January through March 2022, relating to the 2021 storms:

	<u>-10-1930-1825</u>	<u>-20-2142-2548</u>	<u>NET</u>
Actual General Ledger Beginning Balances	\$ 1,276,079	\$ (2,926,980)	\$ (1,650,901)
Transfer between asset and liability per PIVOT	(1,124,834)	1,124,834	-
2019 Storm Expenses for #1909 posted 2021	(886)	(49,113)	(49,999)
2019 Storm Expenses for #1911 posted 2021	(20,000)	-	(20,000)
2020 Storm #2004 Windstorm pre-stage posted 2021	415	-	415
2020 Storm #2007 Tropical Storm posted 2021	(19,382)	-	(19,382)
2020 Storm #2015 Nor'easter pre-stage posted 2021	(112,602)	-	(112,602)
2020 Storm #2016 Winter Storm pre-stage posted 2021	275	-	275
2020 Storm #2017 Christmas wind pre-stage posted 2021	570	-	570
2021 Storm #2102 Winter Storm Orlena pre-stage posted 2021	164,054	-	164,054
2021 Storm #2113 Severe Weather Event pre-stage posted 2021	452,725	-	452,725
2021 Storm #2115 Thunderstorm pre-stage posted 2021	144,244	-	144,244
2021 Monthly interest per PIVOT	47,833	(119,709)	(71,876)
2021 Monthly revenue per PIVOT	-	(1,500,000)	(1,500,000)
GL Balance a/o 12/31/21 (rounded)	<u>\$ 808,490</u>	<u>\$ (3,470,968)</u>	<u>\$ (2,662,477)</u>
Storm expenses for #2102 posted in 2022	\$ (5,599)	\$ -	\$ (5,599)
Storm expenses for #2113 posted in 2022	(49,781)	-	(49,781)
Storm expenses for #2115 posted in 2022	(1,226)	-	(1,226)
2021 GL Storm Accts through 3/31/2022 (rounded)	<u>\$ 751,884</u>	<u>\$ (3,470,968)</u>	<u>\$ (2,719,083)</u>
Storm Report 12/31/2021 Ending (over) collection			<u>\$ (2,730,554)</u>
Difference of 2021 Storm Report minus the General Ledger (rounded)			<u>\$ (11,471)</u>

Audit calculated a difference of \$(11,471) from the 2021 Storm Report filed minus the general ledger and understands that some variance will occur due to the timing of expenses and adjustments posting to the general ledger versus the filing date of the Storm Fund report. The following depicts the calculation representing the noted difference:

2020 Audit Report Difference Storm Report minus the General Ledger	<u>\$ (9,847)</u>
2021 Interest Difference Between the Filing and the General Ledger	<u>(1,633)</u>
2021 Net Variance	\$ (11,480)
2021 Difference of the Filed Storm Fund Report minus the General Ledger	<u>\$ (11,471)</u>
immaterial variance	\$ (9)

Audit reconciled the prior-years' difference to a pivot of the -10-1930-1825 Storm Costs account from the general ledger:

The Actual 2020 Prior Period Costs	\$ (130,725)
Costs Per 2020 Prior Period Filing	<u>(139,277)</u>
Prior Period 2020 Difference Actual Costs minus 2020 Filing	<u>\$ 8,552</u>
Prior Period 2019 Reported Interest Variance	\$ 1,960
Prior Period 2020 Reported Interest Variance	<u>\$ (670)</u>
Net Variance	<u>\$ 9,842</u>
2020 Audit Report Combined Prior Period Adjustments and Interest Variance	<u>\$ (9,847)</u>
immaterial variance	\$ (5)

The Company confirmed that, *“The interest variances of \$1,960 and \$(669.51) are due to different views of the storm activity between the filed data and the actual GL data. The interest per the filing is based on only the activity related to the current storms and is a subset of the actual GL activity. The filing doesn’t take into consideration the timing of corrections or adjustments or prior year storms or the transfer of filed costs from GL account 1825 to 2548, whereas that activity is included in the current year’s GL and in the monthly balances on which the GL interest is calculated. The variance of \$8,552.43 is due to additional charges for 2020 storms that were included in the 2021 GL but were posted after the 2020 Storm Filing was prepared and submitted.”*

### **Base Rate Contribution**

Order 25,638 in Docket DE 13-063 approved the annual base rate contribution of \$(1,500,000). Audit reviewed the 2021 general ledger and confirmed that monthly revenue, in the amount of \$(125,000) and with an annual total of \$(1,500,000), was credited to liability account #8830-2-0000-20-2142-2548. Audit tied the 2021 general ledger annual base rate contribution of \$(1,500,000) to Attachment 1 on Bates page 021 of the filing.

### **SRA Factor**

The Storm Recovery Adjustment (SRA) factor column on Attachment 1, Bates page 021, reflects no activity during 2021. Audit reviewed the Summary of Rates, pages 126 – 127 of the tariff, verifying the SRA factor of \$0.000. There has not been an SRA factor since the DE 13-063 rate case order, Order No. 25,638, was issued in 2014.

### **Interest Expense (Income)**

Attachment 1 of the filing reported the interest income amount of \$(73,508). 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 and divided by twelve. As such, Audit was unable to verify the filing monthly interest entries to the net general ledger interest entries; thereby, noting a variance of \$1,632.83 between the 2021 total interest expense reported in the filing and the net general ledger interest entries. The following depicts Audit’s calculation, denoting the variance:

	GL Storm Costs account -1825	GL Current Reg Liab Storm Costs account -2548	Combined GL	Interest per Filing	GL minus Filing
1/31/2021	\$ 3,242.66	\$ (8,096.51)	\$ (4,853.85)	\$ (5,210.76)	\$ 356.91
2/28/2021	3,257.30	(8,456.98)	(5,199.68)	(5,359.12)	159.44
3/31/2021	3,422.50	(8,818.42)	(5,395.92)	(5,497.59)	101.67
4/30/2021	3,374.91	(9,180.85)	(5,805.94)	(5,840.73)	34.79
5/31/2021	3,389.67	(9,544.26)	(6,154.59)	(6,195.09)	40.50
6/30/2021	3,398.47	(9,908.65)	(6,510.18)	(6,501.91)	(8.27)
7/31/2021	4,135.32	(10,274.02)	(6,138.70)	(6,187.05)	48.35
8/31/2021	4,909.55	(10,640.39)	(5,730.84)	(5,898.18)	167.34
9/30/2021	4,963.31	(11,007.75)	(6,044.44)	(6,226.39)	181.95
10/31/2021	5,023.84	(11,376.10)	(6,352.26)	(6,535.15)	182.89
11/30/2021	5,079.47	(11,745.46)	(6,665.99)	(6,849.37)	183.38
12/31/2021	3,636.52	(10,659.10)	(7,022.58)	(7,206.46)	183.88
2021 Total	\$ 47,833.52	\$ (119,708.49)	\$ (71,874.97)	\$ (73,507.80)	\$ 1,632.83

The Company verified that the variance is due to the timing of all adjustments versus when charges were originally posted to the general ledger. Audit understands that the filing includes only the activity for the 2021 storms, including the monthly interest that is calculated based on those charges and the resulting monthly balances. Whereas, the GL reflects all storm charges booked to the GL each month plus the monthly interest based on those charges and the resulting monthly balances. The Company also explained that, *“The 2021 GL includes charges for 2020 storms that were included in the early months of the 2021 GL (but included in the 2020 storm filing) and would therefore be included in the monthly GL balance upon which the monthly 2021 interest was calculated in those months.”* Likewise, Audit confirmed that some of the 2021 storm charges were included in the early months of the 2022 GL.

The Company added that, *“[...] corrections for storm charges, whether they are reversals or additions, are included in the GL in the month in which the correction occurred and the original charge would have been included in the month in which it hit the GL – both transactions would be included in the GL monthly balance on which the interest was calculated. However, in the case of incorrect charges, the storm filing does not include the original charge or the correction, which would create a variance in the interest booked to the GL vs the interest calculated in the filing.”* Audit understands the explanation regarding the timing of the interest postings to the GL and thereby considers the variance to be relatively immaterial.

The calendar year 2021 interest rates, per Attachment 1 on Bates page 021 of the filing, were reported at 3.25%. Per Docket DG 06-107, and outlined in Puc 1203.03 (m)(3), the Company is required to use the Interest Rate for Utility Deposits reported on the NH PUC website at <https://www.puc.nh.gov/consumer/primerates.html>. Audit reviewed the Interest Rate for Utility Deposits and confirmed the following 2021 prime rates to the filing:

- The fourth quarter rate is 3.25% for the period October 1, 2021 through December 31, 2021
- The third quarter rate is 3.25% for the period July 1, 2021 through September 31, 2021
- The second quarter rate is 3.25% for the period April 1, 2021 through June 30, 2021
- The first quarter rate is 3.25% for the period January 1, 2021 through March 31, 2021

### **Unresolved Storm Report 2019 Recommendations**

The 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. Additionally, the Staff recommendation for Liberty included the following:

- (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.

Per the 3/23/2021 Staff memo and regarding the history of the Company's transportation costs, as well as the current treatment of these costs as a capitalization through the burden rate and the application thereof (above list item #1), "*Liberty has changed its procedure for charging transportation costs in both day-to-day operations and storm events. Prior to 2018, the Company directly charged transportation costs to the work being performed. Since 2018, the transportation costs have been charged as part of the burdens (indirect costs such as benefits, etc.) that are charged to open capital jobs in Account 107. Account 107 is assigned to those capital jobs that are 'in construction' and incurring construction work in progress (CWIP) charges.*"

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, with a hearing scheduled for 10/4/21. On 9/30/2021, the hearing scheduled for 10/4/2021 was postponed.

On January 20, 2022, and Audit report of the 2020 Storm Fund, docketed as DE 21-073 was issued. Within that report were recommendations to reduce the reported \$927,196 storm costs by:

4/30/2020 Windstorm Pre-Stage	\$ (9,457.90) regarding prestaging location
8/2/2020 Tropical Storm Isaias	<u>\$(340,882.00)</u> regarding concurrent events
	\$(350,339.90)

Audit understands that the above recommended deduction of the \$(9,457.90) relates to the Company placing pre-staging crews around the state, and is likely not an amount that should be deducted from the fund. However, the Tropical Storm Isaias, recommended deduction from the reported 2020 storm fund report remains in dispute, as the cause is similar to the number of concurrent events identified in the 2019 Staff recommendation.

On May 23, 2022, a Procedural Order rescheduled the postponed 10/4/2021 hearing to 7/21/22. A transcript of the 7/21/22 hearing was filed on 8/15/22; however, a decision has yet to be finalized.

Audit understands that the \$706,838 disputed cost total for 2019 and the \$340,882 for 2020 were debited to account -2548 and credited to the -1825 account when all 2019 costs were cleared in 2020 and the 2020 costs were cleared in 2021. 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.

## **Capitalized Transportation \$0**

Although transportation costs should be following labor costs—where employees’ hours worked correlates to vehicle in use hours—Audit noted that there were no transportation costs applied to the Storm Fund. The Company has explained that transportation costs are “[...]allocated to all jobs through overheads so you will not see any transportation charges directly charged to storms[...].” As such, the Company includes the Capitalized Fleet overhead within the BRD burden allocation. The Capitalized Fleet represents the capitalized monthly fleet, allocated on a pro-rata basis. 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. Refer to the *Unresolved Storm Report 2019 Recommendations* section of this report for further details regarding the Company’s transportation cost allocation history, as well as the issue relating to the status of their current procedure for capitalizing a portion of the depreciation expense.

## **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. A “smartlist” of all Storm jobs is run monthly 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**

The Company posts activity to the general ledger accounts using cost elements that correspond to a cost code description for the specific type of cost. Identified by the Company’s

Accounting department, the following represent the cost element numbers and their cost code descriptions:

- 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

**2021 Pre-Staging Events per the Storm Fund Report**

The testimony given within the filed 2021 Storm Fund Report, Bates page 008, summarizes the 2021 storm cost total of \$704,426. The following depicts the expenses by category for each pre-stage weather event:

	Pre-Stage Winter Storm Orlena 2/1/21	Pre-Stage Severe Weather Event 6/30/21	Pre-Stage Thunderstorms 7/20/21	2021 TOTAL
Payroll + OH	\$ 95,858	\$ 221,586	\$ 96,616	\$ 414,060
Outside Companies	\$ 56,806	\$ 175,305	\$ 44,185	\$ 276,296
Materials + Supplies	\$	\$	\$	\$
Employee Expenses	\$ 5,799	\$ 6,053	\$ 2,218	\$ 14,070
Total (rounded)	\$ 158,463	\$ 402,945	\$ 143,018	\$ <b>704,426</b>

The Company provided Audit with the work order summaries—consisting of the storm costs for each pre-staged event—as subject to the Storm Fund activity on Bates page 022 of the filing. The work order summaries were categorized by pre-stage event and consisted of detailed transactions for the total expense deferred to the storm fund. The workorders for each of the pre-stage weather events were tied to the amount filed. Audit calculated a variance of \$2,625 between the filing total expense of \$704,426 and the work order summary total of \$707,051. The variance was identified in the June 30<sup>th</sup> pre-stage weather event, which had total storm costs filed of \$402,945; however, the work order expenses for that event totaled \$405,569. The Company stated that, “*The variance of \$2,624.53 is related to materials which were charged to expense and not included in the filed amount.*” Audit reviewed the Summary by GL Account and verified that the journal entry for the \$2,624.53 in costs was booked to the expense account # 8830-2-9851-56-5210-5930, Maintenance of Overhead Lines for cost element 2, Storm Materials. Audit confirmed that the variance of \$2,625 was not recovered through the storm fund and the filed amount of \$402,944.63 for the June 30<sup>th</sup> pre-stage event is correct.

**2/1/2021 Job #2102 – Pre-Stage for Winter Storm Orlena \$158,463**

The Settlement Agreement, dated 1/22/2014 and approved by Order No. 25,638 in Docket No. DG 13-063 states that, “*The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index (“EII”) level of 3 or greater with a high probability of occurrence.*” Bates page 027 of the filing included the weather forecast from February 1<sup>st</sup>, as outlined in summaries provided by the DTN. According to the Energy Event Index Definition, the weather forecast for 2/1/2021 was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation greater than 8 inches, in the Southern region of the state.

Audit confirmed that the February 1<sup>st</sup> pre-stage weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the Settlement Agreement 1/22/2014, Approved by Order 25,638 in Docket DE 13-063 section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the Storm Fund is authorized.

There were no outages associated with the 2/1/2021 pre-stage weather event. The following depicts the total costs reported:

Payroll and Overheads	\$ 95,858
Outside Companies	56,806
Employee Expenses	<u>5,799</u>
	\$ 158,463

The reported costs per month for the 2/1/21 pre-stage weather event are represented in the following:

February 2021	\$ 150,861
March 2021	<u>7,602</u>
	\$ 158,463

The provided work order details included a summary of the 2/1/2021 pre-stage storm costs, as well as a pivot table of the general ledger activity. The following is a representation of these costs, which were reviewed by Audit:

<u>WS Job Number</u>	<u>Cost Element</u>	<u>Account Number</u>	<u>Description</u>	<u>Amount</u>	<u>Number of Entries</u>
STORM-VGMT-2102	4	8830-2-9851-56-5210-5932	Maint of Overhead Lines - Veg Mgmt	\$ -	15
STORM-VGMT-2102	4	8830-2-0000-10-1930-1825	Storm Costs (Deferred Asset Account)	29,964	2
STORM-VGMT-2102	6	8830-2-0000-10-1930-1825	Storm Costs	6,261	1
STORM-EXP-2102	1	8830-2-9851-56-5010-5930	Maint of Overhead Lines	-	81
STORM-EXP-2102	4	8830-2-9851-56-5210-5930	Maint of Overhead Lines	-	4
STORM-EXP-2102	1	8830-2-0000-10-1930-1825	Storm Costs	38,176	4
STORM-EXP-2102	4	8830-2-0000-10-1930-1825	Storm Costs	5,799	3
STORM-EXP-2102	6	8830-2-0000-10-1930-1825	Storm Costs	<u>78,263</u>	22
			Total	\$ 158,463	

The \$158,463 total in pre-staging costs submitted through the work order detail was verified to Bates page 024 of the filing, as well as to the general ledger. Audit selected eight expenses to review, totaling \$98,065 or 62% of the total storm costs for the February 1<sup>st</sup> pre-stage weather event. The Company provided copies of receipts and/or invoices in support of the selected charges—which included expenses for lodging, meals, crews, a dump truck, five bucket trucks, and equipment. Audit reviewed the dates of the invoices and the location of services provided, as well as the total amount charged on the receipts and/or invoices to the general ledger entries. Two exceptions were noted:

*The Fort Exit 18 Restaurant* – Audit requested documentation in support of a \$5,799.46 storm voucher expense that posted on 3/31/2021. The Company provided credit card invoices and store receipts for five individual charges that comprised the total \$5,799.46 expense. One of the five invoices was a credit card statement with a \$210.98 payment made to “the Fort”, located in Lebanon, NH, and described as “storm breakfast”. No further detailed receipt/s from the Fort were provided to verify the purpose of the \$210.98 charge or the date that the charge incurred.

**AUDIT ISSUE #1**

Audit noted that the Fort is located in Lebanon but the DTN weather summary forecasted only the Southern region of the state at an EEI level 3 for snow accumulation with a high probability. Audit acknowledges that the Lebanon region did not receive an EEI level 3 qualifying index but instead received an EEI level 2 for snow accumulation with a high probability. However, the DTN forecast verbiage on Bates page 028 of the filing stated that there was an “EEI-2/3 snow chance” for the February 1<sup>st</sup> weather event, as well as a chart that reported snow accumulation at 4-10”—which meets the EEI level 3 category of snow accumulation greater than 8 inches. Audit also reviewed 6/16/2022 DOE Report and Recommendation, which stated that, “*in the opinion of the Regulatory Division the intent for pre-staging events should reasonably take place on a system-wide basis.*” Per the DOE Report and Recommendation, Audit understands the allowance of pre-staging events to take place on a system-wide basis, as opposed to a more locational basis.

*Storm Overheads* – The supporting documentation for a \$6,260.63 expense that posted on 2/25/2021—identified as cost element 6, Storm Overheads—was requested. The Company stated that, “*after further investigation, we concluded that the referenced [entry should] be charged to storm #2103 (which is a non-qualifying storm), not 2102[.] Our finance department will be transferring the charges from storm #2102 over to the correct storm number #2103.*” Audit reviewed the invoice and crew data sheets for the \$6,260.63 expense, as well as the 8/22/2022 detailed journal entry that transferred the amount from Storm #2102 to Storm #2103. Given that the transfer occurred after the filing of the storm costs, the \$6,260.63 will need to be removed from the total requested amount of pre-staging cost recovery. **AUDIT ISSUE #2**

Audit requested documentation in support of a \$4,149.07 PCard charge. The Company stated that, *“The charge for \$4,149.07 was determined to be related to Storm 2103, a non-qualifying storm, and a correction was processed in February 2022. As a result, the charge was removed from Storm 2102, and out of the deferral account, and transferred to Storm 2103 expense, so it is not included in the Storm Filing.”* Audit reviewed the detailed journal entry and verified that the \$4,149.07 charge was transferred from Storm 2102 to Storm 2103 and is not included in the storm filed costs.

A journal entry dated 2/28/2021 posted to account 8830-2-0000-10-1930-1825, Storm Costs (the deferred asset account), in the amount of \$56,099 and with the description of “storm overheads.” Audit reviewed the journal entry detail and verified a debit to account -1825 and a credit to account 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The 2020 and 2021 overhead rates were provided and Audit noted that the \$56,099 was calculated based on the 2020 overhead rate of 145.48%. The Company provided the supporting email correspondence and journal entry detail for the reversal of the \$56,099 overhead entry, as well as the journal entry for the re-booking of the revised overhead entry of \$58,247—calculated at the correct 2021 rate of 151.07%. Audit recalculated the 151.07% 8830 OH Rate applied to Storm-Exp-2102 balance of \$38,555.96, verifying the revised overhead entry of \$58,2147. The \$38,555.96 is the sum of payroll for the period 01/31/2021 to 02/06/2021, including an accrual for payroll of \$380. Refer to the Staff recommendation regarding the 2019 Storm Fund and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit requested the supporting documentation for the \$38,555.96 sum of payroll journal entry that posted on 2/28/21. The Company provided a report detailing the employee payroll entries that comprised the total sum of payroll. The general ledger employee payroll entries were verified to the \$38,555.96 sum of payroll, with no exceptions noted. Audit sampled payroll entries by the individual employee number, noting that separate entries per employee number were made for each wage earnings category. Wage earning categories were described as regular, overtime 1.5, shift premium, call-in, and per diem. Audit reviewed the sampled payroll entries and confirmed the amount and date to the corresponding timecards. No exceptions were noted.

Audit inquired how incremental compensation of employees has been compiled and submitted for recovery—including if/how regular pay is separated out during a storm event. The Company explained that, *“Employees who prepare for the storm during the prestaging period are paid for the time they are prepping. The pay is based on their hourly wage multiplied by the hours they prepped. This may include overtime, depending on whether the employee worked more than 40 hours that week[...]. Employees use a time code identified for the storm to charge their time. If the employee worked 40 hours, which included seven hours of storm prep, their time sheet would show 33 hours of their normal working period using their department’s time code and seven hours of their working period using the time code for storm prep.”* Audit also

requested clarification regarding the storm duty responsibilities of salaried employees, as well as the overtime earnings of union employees. The Company stated that, “*For non-union employees, if they work a pre-staged or major event, they are paid 1x normal hourly rate for the first 40 hours per work week. They are paid 1.5x the normal hourly rate after 40 hours per work week[...]*For union employees, we follow the union contract when it comes to overtime.”

Audit requested the Company’s policy regarding the storm duty responsibilities of non-union employees. The policy was provided and Audit confirmed that regular salary employees have storm duty responsibilities and may earn incremental compensation for hours worked in excess of 40 hours per week. Wage earning rules were verified for pre-stage and major weather events, noting that payments to salaried employees were calculated at 1.5 times the normal hourly rate—after 40 hours per week—for both pre-staging, as well as major storms. Audit also reviewed the union contract, verifying the allowance and conditions of incremental pay per the following: Article 11, Overtime/Premiums plus call-ins; Article 12, Response to Overtime; Article 14, Standby/Off-Hour Coverage; Article 18, Emergency Storm Work Premium; and Article 23, Roving—applicable to per diem payments.

**6/30/2021 Job #2113 – Pre-Stage for Severe Weather Event \$402,945**

Bates page 030 of the filing included the weather forecast from June 30<sup>th</sup>, as outlined in summaries provided by the DTN. According to the Energy Event Index Definition, the weather forecast for 6/30/2021 was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by winds/gusts greater than 50 mph, in the Northern, Southern, and Western regions of the state. Audit confirmed that the June 30<sup>th</sup> pre-stage weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the Settlement Agreement 1/22/2014, Approved by Order 25,638 in Docket DE 13-063 section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the Storm Fund is authorized.

The total costs for the June 30<sup>th</sup> pre-stage weather event are represented in the following, as reported on Bates page 025 of the filing:

Payroll and Overheads	\$ 221,586
Outside Companies	\$ 175,305
Materials and Supplies	\$ -
Employee Expenses	\$ <u>6,053</u>
Total (rounded)	\$ 402,945

The following depicts the \$402,945 in costs, as reported per month:

June 2021	\$ 35,815
July 2021	342,945
August 2021	11,983
October 2021	<u>12,202</u>
Total (rounded)	\$ 402,945

The provided work order details included a summary of the 6/30/2021 pre-stage storm costs, as well as a pivot table of the general ledger activity. The following is a representation of these costs, which were reviewed by Audit:

WS Job Number	Cost Element	Account Number	Description	Amount	Number of Entries
STORM-VGMT-2113	4	8830-2-9851-56-5210-5932	Maint of Overhead Lines - Veg Mgmt	\$ 36,148.49	21
STORM-EXP-2113	1	8830-2-9851-56-5010-5930	Maint of Overhead Lines	63,428.64	127
STORM-EXP-2113	2	8830-2-9851-56-5210-5930	Maint of Overhead Lines	2,624.53	89
STORM-EXP-2113	4	8830-2-9851-56-5210-5930	Maint of Overhead Lines	145,210.30	28
STORM-EXP-2113	6	8830-2-0000-10-1930-1825	Storm Costs	<u>158,157.20</u>	3
			Total	\$ 405,569.16	

Audit noted the variance of \$2,624.53 between the \$402,945 of total costs filed for the June 30<sup>th</sup> pre-stage event and the \$405,569 total costs from the work order summary. Refer to the 2021 Pre-Staging Events per the Storm Fund Report section of the report for details regarding the \$2,625 variance.

The \$402,945 total in pre-staging costs was verified to Bates page 025 of the filing, as well as the general ledger, with no exceptions noted. Audit selected nine charges to review, totaling \$297,404 or 74% of the total storm costs for the June 30<sup>th</sup> pre-stage weather event. The Company provided copies of receipts and/or invoices in support of the selected charges. Reviewed invoices included expenses for hotels, meals, crews, police services, bucket trucks, digger trucks, pick-up trucks, and equipment. Audit verified the dates of the invoices, as well as the total charged. Two exceptions were noted:

Salem, Town of – Audit requested documentation in support of a \$4,290 storm voucher expense that posted on 8/31/2021. The Company provided an invoice from the town of Salem for police services. Audit recalculated the amounts charged to the June 30<sup>th</sup> pre-stage event. Comprising the \$4,290 that was charged to the storm fund, were two charges—totaling \$1,200 and in the amount of \$600 each—for police services rendered on 7/13/2021; thereby, post-dating the 6/30/2021 pre-stage weather event. **AUDIT ISSUE #3**

Storm Labor – Audit noted four payroll entries, totaling \$1,081, that were for the pay period of 07/11/2021 to 7/14/2021; thereby, post-dating the 6/30/2021 pre-stage weather event. The Company stated that, “The employees who charged the storm for these dates worked on June 30, 2021, but did not enter their time in the period that was open for payroll. They entered



*the payroll the week of July 12, 2021, but did not fill out the payroll adjustment form to apply those charges to the date they worked; instead, they entered it for July 13, 2021.*” Without the payroll adjustment form, Audit was not able to verify that the total of \$1,081 in employee earnings was for work performed during the June 30<sup>th</sup> pre-stage event. **AUDIT ISSUE #3**

A charge in the amount of \$157,251.11, cost element 6, Storm Overheads, was posted on 7/31/2021. The Company provided the detailed 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 151.07% of storm labor. Audit recalculated the 151.07% 8830 OH Rate applied to Storm-Exp-2113 balance of \$104,091.22, verifying the overhead entry of \$157,251.11. The \$104,091.22 is the sum of payroll charges for the periods of 06/20/2021 to 07/03/2021 and 07/04/2021 to 07/14/2021. Refer to *Audit Issue #3* for details regarding payment periods that post-date the June 30<sup>th</sup> pre-stage weather event. Refer to the Staff recommendation regarding the 2019 Storm Fund and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit further reviewed the supporting documentation for the \$104,091.22 sum of payroll charges that posted on 7/31/2021 for the June 30<sup>th</sup> pre-stage event. The Company provided a report detailing the employee payroll entries that comprised the total sum of payroll. The general ledger employee payroll entries were verified to the \$104,091.22 sum of payroll. Audit sampled payroll entries by the individual employee number, confirming the amount and date to the corresponding timecards. No exceptions were noted.

Refer to the Incremental Pay details in section *2/1/2021 Job #2102 – Pre-Stage for Winter Storm Orlena* for information regarding the allowance of incremental compensation.

**7/20/2021 Job #2115 – Pre-Stage for Thunderstorms \$143,018**

Bates page 032 of the filing included the weather forecast from July 20<sup>th</sup>, as outlined in summaries provided by the DTN. According to the Energy Event Index Definition, the weather forecast was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by winds/gusts greater than 50 mph, in the Southern region of the state. Audit confirmed that the July 20<sup>th</sup> pre-stage weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the *Settlement Agreement 1/22/2014, Approved by Order 25,638 in Docket DE 13-063* section of this report for details regarding the qualifying factors that determine whether the recovery of storm costs through the Storm Fund is authorized.

The total costs for the July 20<sup>th</sup> pre-stage weather event are represented in the following, as reported on Bates page 019 of the filing:

Payroll and Overheads	\$ 96,616
Outside Companies	\$ 44,184
Materials and Supplies	\$ -
Employee Expenses	<u>\$ 2,218</u>
Total (rounded)	\$ 143,018

The following depicts the \$143,018 in costs, as reported per month:

July 2021	\$ 116,756
Aug 2021	4,012
Sept 2021	3,425
October 2021	<u>18,825</u>
Total (rounded)	\$ 143,018

The provided work order details included a summary of the 7/20/2021 pre-stage storm costs, as well as a pivot table of the general ledger activity. The following is a representation of these costs, which were reviewed by Audit:

WS Job Number	Cost Element	Account Number	Description	Amount	Number of Entries
STORM-VGMT-2115	4	8830-2-9851-56-5210-5932	Maint of Overhead Lines - Veg Mgmt	\$ 29,207.56	18
STORM-EXP-2115	1	8830-2-9851-56-5010-5930	Maint of Overhead Lines	38,249.23	91
STORM-EXP-2115	2	8830-2-9851-56-5210-5930	Maint of Overhead Lines	-	9
STORM-EXP-2115	4	8830-2-9851-56-5210-5930	Maint of Overhead Lines	17,195.03	20
STORM-EXP-2115	6	8830-2-0000-10-1930-1825	Storm Costs	<u>58,366.56</u>	3
Total				\$ 143,018.38	

The \$143,018.38 total in pre-staging costs was verified to Bates page 026 of the filing, as well as the general ledger, with no exceptions noted. Audit selected six charges to review, totaling \$89,750 or 63% of the total storm costs for the July 20<sup>th</sup> pre-stage weather event. The Company provided copies of receipts and/or invoices in support of the selected charges. Reviewed invoices included expenses for hotels, meals, crews, bucket trucks, a pick-up truck, mileage, and equipment. Audit verified the dates of the invoices, as well as the total charged.

An amount of \$57,715.18 was categorized as cost element 6, Storm Overheads, and posted to the general ledger on 7/31/2021. 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 151.07% of storm labor. Audit recalculated the 151.07% 8830 OH Rate applied to Storm-Exp-2115 balance of \$38,204.58, verifying the overhead entry of \$57,715.84. The \$38,204.58 is the sum of payroll charges for the period of 07/18/2021 to 07/24/2021. Refer to the Staff recommendation regarding the 2019 Storm Fund and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit reviewed the supporting documentation for a sampled payroll entry recorded for the pay period of 7/18/2021 to 7/31/2021, confirming the amount and date to the corresponding timecard. No exceptions were noted. Refer to the Incremental Pay details in section 2/1/2021 Job #2102 – Pre-Stage for Winter Storm Orlena for information regarding the allowance of incremental compensation.

### **Cost of Removal**

Cost element #7, Cost of Removal, was not noted in any of the reported 2021 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 12/31/2020 Storm Fund balance of \$(1,861,473) and the reported 12/31/2021 Storm Fund balance of \$(2,730,554) were reconciled to the following general ledger accounts:

8830-2-0000-10-1930-1825 Storm Costs balance as of <u>12/31/2020</u>	\$ 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 <u>12/31/2020</u>	\$ <u>(1,861,473)</u>
2020 Difference Storm Report minus General Ledger	\$ (9,847)

Audit noted that 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. Refer to the Beginning and Ending Balances section of the report for further details regarding the \$(9,847).

Reported beginning balance 1/1/2021	\$ (1,861,473)
8830-2-0000-10-1930-1825 Storm Costs balance as of 12/31/2021	\$ 808,490
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs 12/31/2021	\$ <u>(3,470,968)</u>
Net Balance 12/31/2021	\$ (2,662,478)
2021 Storm Expenses Posted in 2022 General Ledger	\$ <u>(56,605)</u>
2021 Balance Including 2021 Storm Expenses Posting in 2022	\$ (2,719,083)
Reported Ending Balance as of 12/31/2021	\$ <u>(2,730,554)</u>
Report vs. General Ledger	\$ (11,471)

As noted in the text of this report, the \$(11,471) represents the difference between the interest posted to the general ledger versus the reflection of interest in the filed Report, as well as the difference between the filed report of prior year and Audit adjustments and the amounts that

actually posted to the general ledger. Refer to the Beginning and Ending Balances section of the report for further details regarding the \$(11,471).

As a result of a detailed review of the expenses that incurred during the pre-staging for weather events included in the 2021 Storm Report, Audit recommends removing the following costs from the storm reserve:

Audit Issue #1	\$ 211
Audit Issue #2	6,261
Audit Issue #3	<u>2,281</u>
Total Costs Recommended for Removal (rounded)	<u><u>\$ 8,753</u></u>

	Total Cost 12/31/21	Less: Audit Adjustments	Adjusted Storm Balance
02/01/21 Pre-Stage Winter Storm Orlena	\$ 158,463	\$ (6,472)	\$ 151,991
06/30/21 Pre-Stage Severe Weather Event	402,945	(2,281)	400,664
07/21/21 Pre-Stage Thunderstorms	143,018	-0-	143,018
Total 2021 Storm Costs (Rounded)	<u>\$ 704,426</u>	<u>\$ (8,753)</u>	<u>\$ 695,673</u>

## **Audit Issue #1 No Supporting Documentation**

### **Background**

Audit reviewed the work order details provided by the Company, detailing the expenditures for the storms, and requested the supporting documentation for sampled amounts.

### **Issue**

Supporting documentation was not provided or did not support the amount charged to the storm fund for the selections made by Audit.

### **Recommendation**

Audit recommends removing the following charge (rounded) from the storm fund:

The Fort Exit 18 Restaurant	\$ 211	02/01/21 Pre-Stage
Total for Audit Issue #1	<u>\$ 211</u>	

### **Company Response**

The Company agrees to remove the \$211 from the storm cost recovery total.

### **Audit Conclusion**

Audit agrees with the Company's response for the disallowance of \$211 from the storm cost recovery total. Supporting journal entries, which remove the disallowed expense from the storm fund, are requested as soon as they are booked.

**Audit Issue #2**  
**Costs Not Applicable to the Pre-Stage Event**

**Background**

Audit reviewed invoices, receipts, and timecards in support of the sampled charges incurred for pre-stage event related work.

**Issue**

The Company stated that the \$6,261 charges (rounded) were erroneously charged to storm #2102 and should be charged to storm #2103 (a non-qualifying storm).

**Recommendation**

Audit understands that the Company's finance department transferred the charges from storm #2102 over to the correct storm number #2103. However, the transfer was made on 8/22/2022—after the filing of the storm costs. Therefore, Audit recommends removing the following charge (rounded) from the total requested amount of pre-staging cost recovery:

Storm Overheads	\$ <u>6,261</u>	02/01/21 Pre-Stage
Total for Audit Issue #2	\$ <u><u>6,261</u></u>	

**Company Response**

The Company agrees to remove the \$6,261 from the storm cost recovery total.

**Audit Conclusion**

Audit agrees with the Company's response for the disallowance of \$6,261 from the storm cost recovery total. Supporting journal entries, which remove the disallowed expense from the storm fund, are requested as soon as they are booked.

**Audit Issue #3**  
**Supporting Documentation Not Concurrent with Corresponding Pre-Stage Event**

**Background**

Audit reviewed invoices, receipts, and timecards in support of the sampled charges incurred for pre-stage event related work.

**Issue**

The dates listed on the supporting documentation post-dated the storm event for which they were applied.

**Recommendation**

Audit recommends removing the following charges (rounded) from the storm fund:

Salem, Town of	\$ 1,200	06/30/21 Pre-Stage
Storm Labor	<u>1,081</u>	06/30/21 Pre-Stage
Total for Audit Issue #3	<u><u>\$ 2,281</u></u>	

**Company Response**

The Company agrees with removing the charges totaling \$2,281.

**Audit Conclusion**

Audit agrees with the Company's response for the disallowance of \$2,281 from the storm cost recovery total. Supporting journal entries, which remove the disallowed expense from the storm fund, are requested as soon as they are booked.