

STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: August 17, 2023

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

SUBJECT: Liberty Utilities (Granite State Electric) Corp.
2022 Storm Fund Report, DE 23-035
FINAL Audit Report

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

Introduction

On May 15, 2023, 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 2022. The filing was docketed as DE 23-035 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.*”

Establishment and Terms of the Storm Fund

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 understands that the Company is also allowed to recover, through the storm fund, the planning and preparation costs for storms that are subject to specific conditions when 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 was 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"*.

2022 Storm Fund Report

Attachment 1, on Bates page 033 of the DE 23-035 filing, provides an overview of the (over)/under collection of storm related funds at Liberty and the activity which occurred during 2022. The reported activity for the year is summarized as follows:

Beginning Balance a/o 1/1/2022 over collection	\$(2,730,554.31)
Base Rate Contribution	\$(1,500,000.00)
SRA Factor	\$ -
Prior Period Adjustments	\$ (8,753.61)
Interest Expense (Income)	\$ (114,384.94)
Storm Costs	<u>\$ 2,485,539.79</u>
2022 Ending Balance over collection	\$(1,868,153.07)

Audit deemed the \$(0.01) variance between the filed total of \$(1,868,153.06) and the summarized reported activity as immaterial and expected, as amounts are typically rounded when calculated.

The following depicts the summarized 2022 storm charges, per filed Attachment 2, Bates page 034:

Pre-stage Winter Storm Kenan, Job #2202	01/29/2022	\$ 214,809.67
Pre-stage Winter Storm Landon, Job #2203	02/04/2022	\$ 384,228.69
Pre-stage Winter Storm Oaklee, Job #2205	02/25/2022	\$ 142,316.60
Pre-stage Severe Weather Event, Job #2208	07/25/2022	\$ 92,960.27
Qualifying Winter Storm Diaz, Job #2209	12/16/2022	\$ 1,020,130.68
Qualifying Winter Storm Elliot, Job #2210	12/23/2022	<u>\$ 631,093.88</u>
Total Filed Pre-stage and Qualifying Storm Costs		\$ 2,485,539.79

Beginning and Ending Balances

Audit verified that the reported 2022 beginning balance of \$(2,730,554.31) (over) collection agrees with the 2021 ending balance, as reported in Attachment 1 on Bates page 021 of the 2021 annual Storm Fund Report. The reported ending balance at 12/31/2022 of an (over) collection of \$(1,868,153.06) was reconciled to general ledger balances, inclusive of certain general ledger entries posted from January through April 2023, relating to the 2022 storms:

	<u>-10-1930-1825</u>	<u>-20-2142-2548</u>	<u>NET</u>
Actual General Ledger Beginning Balances	\$ 808,490	\$ (3,470,968)	\$ (2,662,478)
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)
2022 Storm #2202 Pre-stage Storm Kenan posted 2022	214,810	-	214,810
2022 Storm #2203 Pre-stage Storm Landon posted 2022	384,943	-	384,943
2022 Storm #2205 Pre-stage Storm Oaklee posted 2022	142,317	-	142,317
2022 Storm #2208 Pre-stage Severe Storm posted 2022	92,960	-	92,960
2022 Storm #2209 Winter Storm Diaz posted 2022	597,060	-	597,060
2022 Storm #2210 Winter Storm Elliot posted 2022	510,780	-	510,780
2022 Monthly interest per PIVOT	60,113	(173,620)	(113,507)
2022 Monthly revenue per PIVOT	-	(1,500,000)	(1,500,000)
GL Balance a/o 12/31/22 (rounded)	\$ 2,754,867	\$ (5,144,588)	\$ (2,389,721)
Audit / Prior Period Adjustments	\$ (8,754)	-	\$ (8,754)
Storm expenses for #2209 posted in 2023	423,070	\$ -	423,070
Storm expenses for #2210 posted in 2023	120,314	-	120,314
2022 GL Storm Accts through 3/31/2023 (rounded)	\$ 3,289,497	\$ (5,144,588)	\$ (1,855,091)
Storm Report 12/31/2022 Ending (over) collection			\$ (1,868,153)
Difference of 2022 Storm Report minus the General Ledger (rounded)			\$ (13,062)

Audit calculated a difference of \$(13,062) from the 2022 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:

2021 Audit Report Difference Storm Report minus the General Ledger	\$ (11,471)
2022 Storm #2203 manual reclass posted 2022	(714)
2022 Interest Difference Between the Filing minus the General Ledger	(878)
2022 Net Variance (rounded)	\$ (13,063)
2022 Difference of the Filed Storm Fund Report minus the General Ledger (rounded)	\$ (13,062)
immaterial variance	\$ (1)

Audit deemed the \$(1) variance as both immaterial and expected when amounts are reported as rounded. The Company explained the \$714 variance as journal entries that were reclassified manually for storm #2203 and were not reported in the filing. Refer to section 2/4/2022 Job #2203 – Pre-Stage for Winter Storm Landon of the report for further details.

The Company confirmed that the interest variance of \$878 is due to “[...]the timing of all adjustments versus when charges were originally posted to the general ledger[...]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 does not 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.”

Base Rate Contribution

Order 25,638 in Docket DE 13-063 approved the annual base rate contribution of \$1,500,000. Audit reviewed the 2022 general ledger and confirmed that monthly revenue—in the amount of \$125,000—was credited to liability account 241400, CRL Storm Cost. Audit tied the 2022 general ledger annual base rate contribution of \$1,500,000 to Attachment 1 on Bates page 033 of the filing.

SRA Factor

The Storm Recovery Adjustment (SRA) factor column on Attachment 1, Bates page 033, reflects no activity during 2022. 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 \$114,385. 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 filed amount for the monthly interest entries to the net general ledger interest entries; thereby, noting a variance of \$878.17 between the 2022 net general ledger interest entries and the total interest expense reported in the filing. The following depicts the calculation, denoting the variance:

Month	GL Storm Costs account - 1825 (SAP 171500)	GL Current Reg Liab Storm Costs account - 2548 (SAP 241400)	Combined GL	Interest per Filing	GL minus Filing
1/31/2022	\$2,189.66	(\$9,569.81)	(\$7,380.15)	(\$7,564.52)	\$184.37
2/28/2022	\$3,103.90	(\$9,934.27)	(\$6,830.37)	(\$7,010.34)	\$179.97
3/31/2022	\$4,076.11	(\$10,299.72)	(\$6,223.61)	(\$6,328.38)	\$104.77
4/30/2022	\$4,103.90	(\$10,666.15)	(\$6,562.25)	(\$6,596.52)	\$34.27
5/31/2022	\$4,076.85	(\$11,033.58)	(\$6,956.73)	(\$6,991.09)	\$34.36
6/30/2022	\$4,088.46	(\$11,402.01)	(\$7,313.55)	(\$7,348.00)	\$34.45
7/31/2022	\$5,045.77	(\$14,487.91)	(\$9,442.14)	(\$9,484.66)	\$42.52
8/31/2022	\$5,134.01	(\$14,952.87)	(\$9,818.86)	(\$9,861.53)	\$42.67
9/30/2022	\$5,275.92	(\$15,419.38)	(\$10,143.46)	(\$10,186.27)	\$42.81
10/31/2022	\$7,352.24	(\$21,845.24)	(\$14,493.00)	(\$14,552.05)	\$59.05
11/30/2022	\$7,385.94	(\$22,518.28)	(\$15,132.34)	(\$15,191.67)	\$59.33
12/31/2022	\$8,280.25	(\$21,490.56)	(\$13,210.31)	(\$13,269.91)	\$59.60
2022 Total	\$60,113.01	(\$173,619.78)	(\$113,506.77)	(\$114,384.94)	\$878.17

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 noted that the filing includes only the activity for the 2022 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. Audit understands the explanation regarding the timing of the interest postings to the GL and thereby considers the variance to be relatively immaterial.

The following represents the calendar year 2022 interest rates, per Attachment 1 on Bates page 033 of the filing: 3.25% for the first and second quarter; 4.00% for the third quarter; and 5.50% for the fourth quarter. 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 Department of Energy website, found through the following link: [Utility Deposits | NH Department of Energy](#). Audit reviewed the Interest Rate for Utility Deposits and confirmed the 2022 prime rates to the filing:

- The fourth quarter rate is 5.50% for the period October 1, 2022 through December 31, 2022
- The third quarter rate is 4.00% for the period July 1, 2022 through September 30, 2022
- The second quarter rate is 3.25% for the period April 1, 2022 through June 30, 2022
- The first quarter rate is 3.25% for the period January 1, 2022 through March 31, 2022

Staff Memo and Commission Orders

On June 16, 2022, in Docket DE 21-073, the DOE (previously Commission Staff) issued a Memorandum recommending the disallowance of specific 2019 and 2020 storm costs, stating that these costs “[do] not meet the major storm criteria as approved in Order No. 24,777 and Order No. 25,738.” Additionally, Staff recommended that Liberty terminate its practice of capitalizing transportation depreciation through the burden rate in future storm cost filings and calculate and submit a Storm Recovery Adjustment Factor (SRAF) rate, to return to ratepayers the Storm Fund balance of \$1,861,474.

On November 18, 2022, Order No. 26,724 within Docket DG 06-107 approved the recovery of all reported 2019 and 2020 costs from the Storm Fund, as the Commission does “not find that the qualifications of a ‘major storm’ have been misapplied by Liberty.” The Commission elaborated on the decision through the following statement: “[...]we do not agree ‘concurrent’ should be pinpointed to a single moment in time as the DOE proposes. Such an interpretation would sever any trouble from a storm event once a restoration event occurs despite the trouble being caused by the storm and needing to be tracked for purposes of the storm report. As such, we find Liberty’s interpretation of ‘concurrent troubles’ as the sum of all troubles from the start of the first trouble to the start of the last trouble within a storm event or events to be reasonable.” The Commission further ordered that, “The Department of Energy’s request to withdraw without prejudice its request related to transportation equipment

depreciation charges in the burden rate is GRANTED.” It was footnoted that, by agreement of the parties, the issue related to the transportation equipment depreciation charges would be addressed in a future rate case.

Order No. 26,777—issued on 2/23/2023 in Docket DE 23-006—approved Liberty’s request “[...]to credit its retail delivery service customers \$1,861,474 through the Storm Recovery Adjustment Factor credit in the amount of (\$0.00202) per kWh between March 1, 2023, and February 29, 2024, as proposed in its January 20, 2023 filing[...]and it is further ordered, that Liberty shall file properly annotated tariff pages for these rates in compliance with this order no later than 20 days from the issuance date of this order, as required by N.H. Code Admin. Rules, PART Puc 1603.” On 3/15/2023, Liberty issued a letter, filed in Docket DE 23-006, requesting a deadline extension for the filing of compliance tariff pages, as pursuant to Order No. 26,777. Through a Procedural Order, issued on 3/20/2023, the Commission “[...]grants Liberty’s request to extend the compliance filing deadline required by Order No. 26,777 to April 14, 2023.” Audit confirmed that on 4/14/2023, Liberty filed electronic copies of compliance tariff pages.

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. Order No. 26,724 within Docket DG 06-107 the issue related to the transportation equipment depreciation charges would be addressed in a future rate case. Refer to the Staff Memo and Commission Orders 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

Prior to October 2022, the Company was using the Great Plains (GP) accounting software system. The Company's new general ledger system is through the SAP accounting software, which was implemented in October 1, 2022. As such, Audit's review included the 1/1/2022 – 9/30/2022 general ledger that was generated through the Great Plains accounting software, as well as the 10/1/2022 – 4/30/2023 general ledger that was generated through the new SAP accounting software. The following represents the Great Plains general ledger accounts and their SAP equivalent:

<u>Account Description</u>	<u>GP Account No.</u>	<u>SAP Account No.</u>
Storm Costs	8830-2-0000-10-1930-1825	171500-10182300
Current Regulatory Liability Storm Costs	8830-2-0000-20-2142-2548	241400-10254000
Maintenance of Overhead Lines	8830-2-9851-56-5010-5930	500000-10593000
Maintenance of Overhead Lines-Veg Management	8830-2-9851-56-5210-5932	505000-10593000
Property Insurance	8830-2-9820-69-5280-9240	501010-10924000

The following describes the activity in the storm cost expense and revenue accounts (GP/SAP), as well as the expense and/or capital accounts impacted by the 2022 storms:

- 8830-2-0000-10-1930-**1825** / 171500 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** / 241400 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** / 500000-10593000 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** / 505000-10593000 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** / 501010, Property Insurance.

Cost Elements

Prior to October 2022, the Company posted activity to the GP general ledger accounts using cost elements that correspond to a cost code description for the specific type of cost. After September 2022, the Company explained that the GP cost element codes “[...]are no longer used in SAP and have been accumulated within the Cost Centers.” The following represents the GP cost element numbers and their cost code descriptions, as applied through September 2022:

- 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

2022 Pre-Staging and Qualifying Weather Events per the Storm Fund Report

The filed 2022 Storm Fund Report details the 2022 storm cost total of \$2,485,540. Audit compiled the following summary—by storm event and expense type—per Attachment 2 on pages 3-8, as reported within the filing:

	Pre-stage Storm Kenan 1/29/2022	Pre-stage Storm Landon 2/4/2022	Pre-stage Storm Oaklee 2/25/2022	Pre-stage Severe Event 7/25/2022	Qualifying Storm Diaz 12/16/2022	Qualifying Storm Elliot 12/23/2022	Total Weather Event Costs
Payroll + OH	\$ 98,600	\$ 170,077	\$ 50,438	\$ 26,044	\$ 564,992	\$ 333,509	\$ 1,243,661
Non-labor Costs	\$ 116,209	\$ 214,152	\$ 91,878	\$ 66,916	\$ 455,139	\$ 297,585	\$ 1,241,879
Total (rounded)	\$ 214,810	\$ 384,229	\$ 142,317	\$ 92,960	\$ 1,020,131	\$ 631,094	\$ 2,485,540

The Company provided Audit with the work order summaries—consisting of the storm costs for each weather event—as subject to the Storm Fund activity detailed on Bates page 034 of the filing. The work order summaries were categorized by weather event and consisted of detailed transactions for the total expense deferred to the storm fund. Audit verified the total costs for each of the weather events to the amount filed and noted a total variance of \$17,484 (rounded) between the \$2,485,540 in storm costs filed and \$2,503,025 in storm costs reported on the workorders:

	Pre-stage Storm Kenan 1/29/2022	Pre-stage Storm Landon 2/4/2022	Pre-stage Storm Oaklee 2/25/2022	Pre-stage Severe Event 7/25/2022	Qualifying Storm Diaz 12/16/2022	Qualifying Storm Elliot 12/23/2022	Total Weather Event Costs
Total (rounded)	\$ 214,810	\$ 384,229	\$ 142,317	\$ 92,960	\$ 1,030,994	\$ 637,715	\$ 2,503,025

The rounded variance of \$17,484 was identified as being comprised of transactions that totaled \$10,862.79 for the qualifying Storm Diaz and a transaction of \$6,620.89 for the

qualifying Storm Elliot. Refer to *Audit Issue #1* within the report for details regarding the variance.

1/29/2022 Job #2202 – Pre-Stage for Winter Storm Kenan \$214,810

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 [“EEI”] level of 3 or greater with a high probability of occurrence.*” Attachment 3 on Bates page 042 of the filing included the weather forecast from January 28th, as outlined in summaries provided by the Data Transmission Network (DTN). According to the Energy Event Index Definition, the weather forecast for 1/29/2022 was described with a “high” probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation greater than 12 inches in the Southern region of the state.

Audit confirmed that the preparation costs for the winter storm Kenan weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the *1/22/2014 Settlement Agreement 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 following depicts the total pre-staging costs (rounded) reported for winter storm Kenan:

Payroll and Overheads	\$ 98,600
Non-labor Costs	<u>116,209</u>
Total (rounded)	\$ 214,810

The provided work order details included a summary of the pre-stage Storm Kenan costs, as well as a pivot table of the general ledger activity. The \$214,810 total in pre-staging costs submitted through the work order detail was verified to Bates page 036 of the filing, as well as to the general ledger. Audit sampled eight expenses to review totaling \$159,325 or 75% of the total storm costs for the Winter Storm Kenan pre-stage weather event. The Company provided copies of receipts and/or invoices in support of the sampled charges—which included expenses for lodging, meals, crews, and equipment. Audit reviewed the dates of the invoices, as well as the total amount charged on the receipts and/or invoices to the general ledger entries. No exceptions were noted.

An amount of \$54,837.46 for storm overheads posted to the general ledger on 2/28/2022. The Company provided the journal entry that debited 8830-2-0000-10-1930-1825 and credited 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The 2022 overhead rates were provided and Audit confirmed that the \$54,837.46 entry was calculated based on the 2022

overhead rate of 128.9%. Audit recalculated the overhead rate applied to the Storm-Exp-2202 sum of payroll charges—that totaled \$42,542.64—and verified that the overhead entry represented 128.9% of storm labor. Audit confirmed that the \$42,542.64 is the sum of payroll charges for the pay periods that occurred during the storm Kenan pre-stage event. Refer to the *Staff Memo and Commission Orders* section and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit confirmed the \$42,542.64 sum of payroll to the general ledger and reviewed sampled payroll entries by the individual employee number, noting that separate entries per employee number were made for each wage earnings category. The general ledger employee payroll entries were verified to the \$42,542.64 sum of payroll, with no exceptions 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 reviewed the Company’s policy regarding the storm duty responsibilities of salaried employees and confirmed that non-union employees have storm duty responsibilities and may earn incremental compensation for hours worked in excess of 40 hours per week. 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.

2/4/2022 Job #2203 – Pre-Stage for Winter Storm Landon \$384,229

Bates page 044 of the filing included the weather forecast from February 3rd, as outlined in summaries provided by the DTN. According to the Energy Event Index Definition, the weather forecast for 2/4/2022 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 Northern and Western regions of the state. Additionally, the forecast described a high probability of reaching EEI Level 4, as determined by snow accumulation greater than 12 inches for the Northwest region of the state. Audit confirmed that the preparation costs for the winter storm Landon weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the 1/22/2014 Settlement Agreement 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 Winter Storm Landon pre-stage weather event are represented in the following, as reported on Bates page 037 of the filing:

Payroll and Overheads	\$ 170,077
Non-labor Costs	<u>214,152</u>
Total (rounded)	\$ 384,229

The \$384,229 total in pre-staging costs was verified to Bates page 037 of the filing, as well as the general ledger. Audit noted a variance of \$714 between the \$384,229 in total storm costs filed and the \$384,943 total that posted to the 2022 general ledger. The Company explained that costs were included in the GL data *“that were not included in the Storm Filing because they were not recoverable costs for Storm 2203.”* Audit confirmed that the \$714 variance was for materials expenses that were excluded from the Storm #2203 Filing total of \$384,229.

Audit sampled nine charges to review and totaling \$260,792 or 68% of the total storm costs for winter storm Landon pre-stage weather event. The Company provided copies of receipts and/or invoices in support of the sampled charges. Reviewed invoices included expenses for hotels, meals, crews, and equipment. Audit verified the dates of the invoices, as well as the total charged. Audit noted a PCard charge journal entry in the amount of \$10,064.56 and with a posting date of 3/31/2022. Audit reviewed the dates and totals of the supporting documentation and recalculated the \$10,064.56 in hotel and meal receipts.

A charge in the amount of \$103,689 for storm overheads was posted on 2/28/2022. 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 128.9% of storm labor. Audit recalculated the 128.9% 8830 OH Rate applied to Storm-Exp-2203 balance of \$80,441, verifying the overhead entry of \$103,689. The \$80,441 is the sum of payroll charges for the pay periods included between 01/30/2022 to 02/12/2022 and was confirmed to the detailed general ledger. Refer to the Staff Memo and Commission Orders section and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit confirmed the \$80,441 sum of payroll to the general ledger and reviewed sampled payroll entries by the individual employee number. Audit noted that separate entries per employee number were made for each wage earnings category. The general ledger employee payroll entries were verified to the \$80,441 sum of payroll. For details regarding incremental compensation, refer to section 1/29/2022 Job #2202 – Pre-Stage for Winter Storm Kenan.

2/25/2022 Job #2205 – Pre-Stage for Winter Storm Oaklee \$142,317

Bates page 047 of the filing included the weather forecast from February 24th, 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 snow accumulation greater than 8 inches in the Northern, Northwestern, Southern, and Western regions of the state. Audit confirmed that the preparation costs for the winter storm Oaklee weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the 1/22/2014 Settlement Agreement 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 Winter Storm Oaklee pre-stage weather event are represented in the following, as reported on Bates page 038 of the filing:

Payroll and Overheads	\$ 50,438
Non-labor Costs	<u>91,878</u>
Total (rounded)	\$ 142,317

The \$142,317 total in pre-staging costs was verified to Bates page 038 of the filing, as well as the general ledger, with no exceptions noted. Audit selected seven charges to review, totaling \$80,347 or 56% of the total storm costs for the winter storm Oaklee 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, and equipment. Audit reviewed the dates of the invoices, as well as the total charged.

PCard Charges – Audit requested documentation in support of a \$11,074.05 journal entry that posted on 4/30/2022. The Company provided invoices and receipts for hotel and meal expenses incurred. Audit reviewed the dates and total amount of the supporting documentation.

An amount of \$28,403 was for storm overheads and posted to the general ledger on 3/31/2022. The Company provided the journal entry that debited 8830-2-0000-10-1930-1825 and credited 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The entry represented overhead calculated at 128.9% of storm labor. Audit recalculated the 128.9% 8830 OH Rate applied to Storm-Exp-2205 the sum of payroll of \$22,035.13, verifying the overhead entry of \$28,403. Audit confirmed the \$22,035 sum of payroll to the detailed general ledger and reviewed sampled payroll entries by the individual employee number. Audit noted that separate entries per employee number were made for each wage earnings category. The general ledger employee payroll entries were verified to the \$22,035 sum of payroll, with no exceptions noted. For details regarding incremental compensation, refer to section 1/29/2022 Job #2202 – Pre-Stage for Winter Storm Kenan. Refer to the Staff Memo and Commission Orders section and related BRD overhead that includes capitalization of depreciation on transportation assets.

7/25/2022 Job #2208– Pre-Stage for Severe Weather Event \$92,960

Bates page 049 of the filing included the weather forecast from July 25th, 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 wind/gust greater than 45/50 mph, in the Southern region of the state. Audit confirmed that the preparation costs for the Severe Weather Event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. Refer to the 1/22/2014 Settlement Agreement 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 preparation costs for the Severe Weather Event are represented in the following, as reported on Bates page 039 of the filing:

Payroll and Overheads	\$ 26,044
Non-labor Costs	<u>66,916</u>
Total (rounded)	\$ 92,960

The provided work order details included a summary of the pre-stage expenses for the Severe Weather Event, as well as a pivot table of the general ledger activity. The \$92,960 total in pre-staging costs was verified to Bates page 039 of the filing, as well as the general ledger,

with no exceptions noted. Audit selected charges to review for the pre-stage of the severe weather event. The Company provided copies of receipts and/or invoices in support of the selected charges. Expenses were for meals, crews, and equipment. Audit reviewed the dates of the invoices/receipts, as well as the total charged.

An amount of \$14,666 was for storm overhead and posted to the general ledger on 8/31/2022. The Company provided the journal entry that debited 8830-2-0000-10-1930-1825 and credited 8830-2-9851-69-5200-9220, Admin Expenses Transferred. The entry represented overhead calculated at 128.9% of storm labor. Audit recalculated the 128.9% 8830 OH Rate applied to Storm-Exp-2208 sum of payroll of \$11,377.91, verifying the overhead entry of \$14,666. Audit confirmed the \$11,377.91 sum of payroll to the detailed general ledger and reviewed sampled payroll entries by the individual employee number. Audit noted that separate entries per employee number were made for each wage earnings category. The general ledger employee payroll entries were verified to the \$11,377.91 sum of payroll, with no exceptions noted. For details regarding incremental compensation, refer to section 1/29/2022 Job #2202 – Pre-Stage for Winter Storm Kenan. Refer to the Staff Memo and Commission Orders section and related BRD overhead that includes capitalization of depreciation on transportation assets.

12/16/2022 Job #2209 – Qualifying Winter Storm Diaz \$1,020,131

The Company sought recovery of \$1,020,131 in power restoration expenses incurred during the Winter Storm Diaz weather event, as reported on Attachment 2 of the filing. The Summary for Outage Statistics—on Bates page 026 of the filed direct testimony of A. Strabone and H. Tebbetts—documented that the state experienced 99 trouble events during Winter Storm Diaz. Audit reviewed the Company’s Incident Report and identified that the first outage trouble was dispatched at 7:00 12/16/2022, with the final restoration time reported at 10:00 on 12/20/2022. The reported troubles noted as concurrent, were predominantly due to a broken tree and/or contact limb. Through review of the Incident Report, Audit verified the concurrency of the 99 troubles reported within the filing of the 2022 Storm Fund Report. No exceptions were noted.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and thereby subject to the recovery of the storm restoration costs through the Major Storm Contingency Fund (“the Storm Fund”). Refer to the 5/15/2007 Settlement Agreement Approved by Order 24,777 in Docket DG 06-107 section of the 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 Winter Storm Diaz are represented in the following, as reported on Bates page 040 of the filing:

Payroll and Overheads	\$ 564,992
Non-labor Costs	<u>455,139</u>
Total (rounded)	\$ 1,020,131

The provided work order details included a summary of the costs incurred that related to power restoration during the Winter Storm Diaz, as well as a pivot table of the general ledger activity. The work order summary for storm #2209 totaled \$1,030,994. Audit noted the \$10,863 (rounded) variance between the filed storm total of \$1,020,131 and the work order summary total of \$1,030,994. The Company explained that, “*A review of the GL detail shows that the original Storm Filing did not include certain qualifying transactions totaling \$10,862.79 which were included in the GL data[...]but were inadvertently not included in the filing. The detail of the transactions which should be added to the Storm Filing is provided[:]*”

Labor included in GL deferral account but not included in Storm Filing in error	\$ 302.96
Labor included in GL deferral account but not included in Storm Filing in error	403.92
Travel Exp/Accommodations on GL deferral acct but not in Storm Filing in error	<u>10,155.91</u>
Total transactions to be added to the Storm Filing	\$ 10,862.79

Audit reviewed the 2023 general ledger and confirmed that the aforementioned transactions, totaling \$10,862.79, were posted to the storm costs account 171500-10182300. Invoices/receipts and/or other documentation was not provided as support for the \$10,862.79 in expenses that the Company is proposing to be added to the Storm Filing. **AUDIT ISSUE #1**

The Company also stated that they discovered “[...]an additional \$8,007.06 of costs have been recorded for Storm 2209.” Invoices/receipts and/or other documentation was not provided as support for the \$8,007.06 in expenses that the Company is proposing to be added to the Storm Filing. **AUDIT ISSUE #1**

Audit selected charges to review for the qualifying winter storm Diaz. The Company provided copies of receipts and/or invoices in support of the selected charges. An amount of \$301,799.51 was for storm overhead and posted to the general ledger on 12/31/2022. The Company provided the journal entry that debited storm cost SAP account 171500 and credited SAP account 505100, Admin Expenses Transferred. The entry represented overhead calculated at 128.9% of storm labor. Audit recalculated the 128.9% 8830 OH Rate applied to Storm-Exp-2209 labor charges of \$234,134.61, verifying the overhead entry of \$301,799.51. Refer to the *Staff Memo and Commission Orders* section and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit reviewed sampled payroll entries by the individual employee ID number, noting that separate entries per employee number were made for each wage earnings category. The work date, pay amount, pay code, and storm description were confirmed for each entry reviewed,

with no exceptions noted. For details regarding incremental compensation, refer to section 1/29/2022 Job #2202 – Pre-Stage for Winter Storm Kenan.

12/23/2022 Job #2210 – Qualifying Winter Storm Elliot \$631,094

The Company sought recovery of \$631,094 in power restoration expenses incurred during the Winter Storm Elliot weather event, as reported on Attachment 2 of the filing. The Summary for Outage Statistics—on Bates page 031 of the filed direct testimony of A. Strabone and H. Tebbetts—documented that the state experienced 107 trouble events during Winter Storm Diaz. Audit reviewed the Company’s Incident Report and identified that the first outage trouble was dispatched at 02:57 on 12/23/2022, with the final dispatch reported at 23:00 on 12/24/2022. The reported troubles noted as concurrent, were predominantly due to a fallen/broken tree and/or contact limb. Through review of the Incident Report, Audit verified the concurrency of the 107 troubles reported within the filed 2022 Storm Fund Report.

Audit confirmed that the total number of reported troubles qualified this event as a major storm and thereby subject to the recovery of the storm restoration costs through the Major Storm Contingency Fund (“the Storm Fund”). Refer to the 5/15/2007 Settlement Agreement Approved by Order 24,777 in Docket DG 06-107 section of the report for details regarding the qualifying factors that determine whether the recovery of storm costs through the Storm Fund authorized.

The total costs for the Winter Storm Elliot are represented in the following, as reported on Bates page 041 of the filing:

Payroll and Overheads	\$ 333,509
Non-labor Costs	<u>297,585</u>
Total (rounded)	\$ 631,094

The provided work order detail included a summary of the costs incurred that related to power restoration during the Winter Storm Elliot, as well as a pivot table of the general ledger activity. The work order summary for storm #2210 totaled \$637,715. Audit noted the \$6,621 (rounded) variance between the filed storm total of \$631,094 and the work order summary total of \$637,715. The Company explained that, “*A review of the GL detail shows that the original Storm Filing did not include a qualifying transactions in the amount of \$6,620.89 which was included in the GL data[...]but was inadvertently not included in the filing. The transaction which should be added to the Storm Filing is provided[:]*”

Travel Exp/Accommodations on GL deferral acct but not in Storm Filing in error	<u>\$ 6,620.89</u>
Total transactions to be added to the Storm Filing	\$ 6,620.89

Audit reviewed the 2023 general ledger and confirmed that the aforementioned transaction, totaling \$6,620.89, was posted to the storm costs account 171500-10182300.

Invoices/receipts and/or other documentation was not provided as support for the \$6,620.89 in expenses that the Company is proposing to be added to the Storm Filing. **AUDIT ISSUE #1**

The Company also stated that they discovered “[...]an additional \$17,200.13 of costs have been recorded for Storm 2210.” Invoices/receipts and/or other documentation was not provided as support for the \$17,200.13 in expenses that the Company is proposing to be added to the Storm Filing. **AUDIT ISSUE #1**

Audit selected charges to review for the qualifying winter storm Elliot. The Company provided supporting detail for the selected charges. Reviewed receipts/invoices included expenses for meals, crews, and equipment. Audit verified the dates of the invoices, as well as the total charged. The following exception was noted:

JCR Construction Co., Inc – A journal entry—in the amount of \$30,978 with a posting date of 2/28/2023—was reviewed. Audit requested supporting documentation for the charge and the Company provided a copy of the invoice and corresponding work detail report for the amount. Audit noted that the work detail report was for the week ending date of 12/11/2022; thereby, pre-dating the 12/23/2022 qualifying storm event. **AUDIT ISSUE #2**

An amount of \$182,338.46 was for storm overhead and posted to the general ledger on 12/31/2022. Audit confirmed that the journal entry that debited storm cost SAP account 171500 and credited SAP account 505100, Admin Expenses Transferred. The entry represented overhead calculated at 128.9% of storm labor. Audit recalculated the 128.9% 8830 OH Rate applied to Storm-Exp-2210 labor charges of \$141,457.30, verifying the overhead entry of \$182,338.46. Refer to the Staff Memo and Commission Orders section and related BRD overhead that includes capitalization of depreciation on transportation assets.

Audit reviewed sampled payroll entries by the individual employee ID number, noting that separate entries per employee number were made for each wage earnings category. The work date, pay amount, pay code, and storm description were confirmed for each entry reviewed, with no exceptions noted. For details regarding incremental compensation, refer to section 1/29/2022 Job #2202 – Pre-Stage for Winter Storm Kenan.

Cost of Removal

Cost element #7, Cost of Removal, was not noted in any of the reported 2022 storms. The Company confirmed that there are no cost element equivalents in SAP. 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 that are replaced, with the Cost of Removal credited to the appropriate plant in service account.

Ending Balance

Audit verified that the reported 12/31/2021 Storm Fund balance of \$(2,730,554) and the reported 12/31/2022 Storm Fund balance of \$(1,868,153) were reconciled to the following general ledger accounts:

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 Leger	<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)

Audit noted that the \$(11,471) represents the difference between 2021 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 \$(11,471).

Reported beginning balance 1/1/2022	\$ (2,730,554)
8830-2-0000-10-1930-1825 Storm Costs balance as of 12/31/2022	\$ -
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs 12/31/2022	<u>(2,398,474)</u>
Net Balance 12/31/2022	\$ (2,398,474)
2022 Storm Expenses Posted to 2023 General Leger	<u>543,384</u>
2022 Balance Including 2022 Storm Expenses Posting in 2023 (rounded)	\$ (1,855,090)
Reported Ending Balance as of 12/31/2022	<u>\$ (1,868,153)</u>
Report vs. General Ledger (rounded)	\$ (13,063)

Audit noted that the \$(13,063) represents a manual reclass of \$(714) and the difference of \$(878) between interest posted to the general ledger vs. the reflection of interest in the filed report—as well as the \$(11,471) difference between the filed report of the prior year and Audit adjustments and the amounts actually posted to the general ledger:

2021 Audit Variance	\$ (11,471)
2022 Two manually reclasses entries not reflected in filing	(714)
2022 Interest Difference Between the Filing and the General Ledger	<u>(878)</u>
Net Variance 2022	(13,063)

Refer to the *Beginning and Ending Balances* section of the report for further details regarding the \$(13,063) net variance.

Storm Summary

Below are the adjustments recommended for the 2022 storm report. It was noted that the \$42,691 in adjustments, proposed by the Company during the Audit, could not be verified due to lack of journal entry detail and supporting documentation:

Audit Issue #1	\$ 42,691
Audit Issue #2	<u>(30,978)</u>
Total Adjustment of Costs Recommended (rounded)	\$ 11,713

	Total Cost Filed 12/31/2022	Less: Audit Adjustments	Add: Company Adjustments	Adjusted Storm Balance
01/29/2022 Prestage Winter Storm Kenan	\$ 214,810	\$ -	-	\$ 214,810
02/04/2022 Prestage Winter Storm Landon	384,229	-	-	384,229
02/25/2022 Prestage Winter Storm Oaklee	142,317	-	-	142,317
07/25/2022 Prestage Severe Weather Event	92,960	-	-	92,960
12/16/2022 Qualifying Winter Storm Diaz	1,020,131	-	18,870	1,039,001
12/23/2022 Qualifying Winter Storm Elliot	631,094	(30,978)	23,821	623,937
Total 2022 Storm Costs (rounded)	\$ 2,485,540	\$ (30,978)	\$ 42,691	\$ <u>2,497,253</u>

Audit Issue #1

Additional Storm Costs

Background

The total pre-staging and qualifying storm costs for the 2022 weather events were filed as \$2,485,540. The Company has proposed revising the storm cost total filed to reflect \$42,691 (rounded) in additional storm costs.

Issue

Attachments with the revised totals—based on the storm cost adjustments—will need to be submitted to the actual docket.

Recommendation

Audit recommends that the Company formally submit revised totals to the appropriate Bates pages within the actual docket. Additionally, Audit recommends that invoices and detailed journal entries with offsetting accounts be provided in support of the following additional storm cost adjustments:

Storm #2209 labor included in GL deferral account - not included in Storm Filing error	\$ 302.96
Storm #2209 labor included in GL deferral account - not included in Storm Filing error	403.92
Storm #2209 Travel Exp/Accommodations on GL deferral acct - not in Storm Filing error	<u>10,155.91</u>
	<u>\$ 10,862.79</u>
Storm #2209 Additional Costs Recorded in May and June 2023	\$ 8,007.06
Subtotal Storm #2209 expenses on GL deferral acct but not in Storm Filing error	<u>\$ 18,869.85</u>
Storm #2210 Travel Exp/Accommodations on GL deferral acct - not in Storm Filing error	\$ 6,620.89
Storm #2210 Additional Costs Recorded in May and June 2023	<u>\$ 17,200.13</u>
Subtotal Storm #2210 expenses on GL deferral acct but not in Storm Filing error	<u>\$ 23,821.02</u>
Total Additional Storm Costs Proposed	<u><u>\$ 42,690.87</u></u>

Company Response

To avoid confusion within the docket, the Company will file for recovery of these additional storm costs in its 2023 storm fund filing along with the requested support in the recommendation.

Audit Conclusion

Audit concurs with the Company's response.

Audit Issue #2
Supporting Documentation Pre-dates the Storm Event

Background

A 2/28/2023 journal entry in the amount of \$30,978 was reviewed as part of the Winter Storm Elliot expenses. Audit requested supporting documentation for the charge and the Company provided a copy of the invoice from JCR Construction, as well as the corresponding work detail report.

Issue

Audit noted that the work detail report was for the week ending date of 12/11/2022; thereby, pre-dating the 12/23/2022 qualifying storm event.

Recommendation

Audit recommends removing the following charge from the storm fund:

JCR Construction Co., Inc.	\$ 30,978	12/23/2022 Winter Storm Elliot
Total for Audit Issue #2	<u>\$ 30,978</u>	

Company Response

The Company will remove the \$30,978 from the 2022 Storm Fund for the inadvertent accrual for a JCR invoice that should have been accrued for a different job.

Audit Conclusion

Audit concurs with the Company's response. Supporting journal entries, which remove the disallowed expense from the Storm Fund, are requested as soon as they are booked.