

STATE OF NEW HAMPSHIRE

Department of Energy Intra-Department Communication

DATE: June 5, 2024

FROM: Division of Enforcement, Audit Staff

SUBJECT: Unitil Energy Systems, Inc.
DE 24-033 2023 Annual Major Storm Cost Reserve Fund Report
Final Report

TO: Thomas Frantz, Director, Regulatory, NH Department of Energy
Elizabeth Nixon, Electric Director, Regulatory, NH Department of Energy
Stephen Eckberg, Analyst, Regulatory, NH Department of Energy
Mary Schwarzer, Attorney, NH Department of Energy

INTRODUCTION

The New Hampshire Department of Energy Audit Staff has reviewed the Unitil Energy Systems, Inc. (UES) Major Storm Cost Reserve Fund (MSCR or Fund) and the Storm Recovery Adjustment Factor (SRAF) Reconciliation Reports for the calendar year ending December 31, 2023, as filed with the PUC on February 28, 2024, and docketed as DE 24-033. The Fund was approved on April 26, 2011, by Order 25,214 in Docket DE 10-055.

Qualifying Criteria for Recovery of Major Storm Costs

Commission Order 25,214 approved the Settlement Agreement which defined a major storm event by the following statement:

*“Qualifying major storms include severe weather events causing **16 concurrent troubles (interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted, or 22 concurrent troubles, in either the Capital or Seacoast regions, as well as costs associated with planning and preparation activities in advance of severe weather if a qualifying major storm is likely to occur. A qualifying major storm will be considered likely to occur if the power disruption index (“PDI”) from the Company’s professional weather forecaster reaches a PDI level of 2 or greater with a “high” (greater than 60 percent) level of confidence.**” (bolding added)*

Language within the Major Storm Report uses “number of outages” and “customers interrupted”. For clarity, language should reflect the terms used in the Settlement Agreement, relative to the “troubles”. Audit reads the report as Outages having the same meaning as troubles. Audit requested clarification of how many of the reported outages were on primary lines and how many were on secondary lines. The Company noted that the outages are not tracked in that manner.

Within the Settlement Agreement in DE 21-030, signed 2/11/2022 and approved in part by Order 26,623 on May 3, 2022, relating to a prior Audit related issue:
11.4 Matter Communications (Formerly Calypso) Invoices: The Company had deferred certain costs relating to the work of Matter Communications s part of the Major Storm Cost Reserve Fund reports for 2017, 2018, 2019, and 2020. The Settling Parties agree that the Company may recover \$73,1605 of deferred costs pertaining to Calypso in its next Schedule EDC through the External Delivery Charge, a uniform rate per kWh, in the Company’s next scheduled EDC rate change effective August 1, 2022. The Settling Parties further agree that a normalized amount of \$18,290, shall be considered media and communication expenses included in the Company’s permanent revenue requirement to account for these costs in the future.”

External Contractors

Audit requested copies of external contractor contracts outlining rates, etc. for work done during storm events. Unitil informed Audit that contracts between Unitil and outside contractors do not specifically contain language related to storm restoration. Rather, work done by the external contractors is considered storm-related if the work is done during a storm event.

A mutual aid agreement among utilities and the North Atlantic Mutual Assistance Group (NAMAG) from Canada to Pennsylvania was provided to Audit. The agreement is part of the annual filing of the Electric Emergency Response Plan (ERP) sent to the Enforcement division within the DoE. The extensive plan contains nine specific sections with twelve detailed attachments. For UES, Attachment 10 of the overall 2023 plan is the North Atlantic Mutual Assistance Group Guidelines (last revised 11/01/2018) detailing specifics of:

- the mission,
- NAMAG member information (for NH, Unitil Corp and Eversource are listed as participating members),
- general guidelines for personnel safety, maintenance, code of conduct, confidentiality, communication with contractors, definitions of the emergency assistance period,
- rules of engagement,
- requesting company responsibilities
- responding company responsibilities
- liability
- US/Canada border crossing
- governance

Number of Customers in the Capital and Seacoast Regions during 2023

Audit requested and was provided with the chart below, showing the number of customers in each region during the calendar year 2023.

Month	UES-Capital	UES-Seacoast	UES-Total
Jan	30,946	46,880	77,826
Feb	30,939	46,899	77,838
Mar	30,936	46,880	77,816
Apr	30,920	47,002	77,922
May	30,915	48,165	79,080
Jun	30,924	48,188	79,112
Jul	30,902	48,222	79,124
Aug	30,921	48,233	79,154
Sep	30,948	48,043	78,991
Oct	31,000	47,123	78,123
Nov	31,030	47,116	78,146
Dec	31,023	47,091	78,114

MSCR Fund Reconciliation

The following represents the MSCR Fund Reconciliation, as of 12/31/2023, documented on page 4 of the filed Report (GL indicates general ledger):

<u>Date</u>	<u>Description</u>	<u>Surplus (Deficit)</u>
12/31/2022	MSCR Balance as filed 2/28/2023	\$(2,482,939) Under-recovery
	<u>Adjustments to 2022 Report as Filed</u>	
12/24/2022	Wind Event Adjustment	\$ (437,410)
	Adjusted Opening Balance 1/1/2023	<u>\$(2,920,349)</u>
	<u>2023 Deferred Charges</u>	
01/23/2023	Winter Storm	\$ (342,427)
03/04/2023	Winter Storm Quest	\$ (149,457)
03/14/2023	Winter Storm Sage	\$ (552,840)
09/08/2023	Thunderstorm Event	\$ (1,300)
09/15/2023	Hurricane Lee	\$ (352,862)
12/18/2023	Wind Event	<u>\$ -0-</u>
	Subtotal of deferred charges	<u>\$(1,398,886)</u>
2023	Current Annual Recovery Rate	<u>\$ 800,000</u>
2023	Carrying Charges	<u>\$(135,127)</u>
12/31/2023	MSCR Balance Under-recovery bal.	<u>\$(3,654,362)</u>

The noted beginning balance agrees with the prior year's reported ending balance and with the Audit report of the 2022 MSCR Fund reconciliation. The general ledger beginning balance was reconciled to deferred accounts 10-20-00-00-173-10-00 and 10-20-00-00-182-10-00 as well as Construction Work in Progress account 10-20-00-00-107-00-00. The actual balance held in the deferred accounts is an asset (positive balance). The report reflects the rolling

information as deficits. The noted deficit and activity was traced to the Unutil Accounting Department Master Model, the tracking mechanism used for the MSCR.

The Net activity for the December 2022 storm was verified to account 10-20-00-00-182-10 as a reversing accrual of \$(675,000) and posted activity of \$437,409.61. The net in the general ledger, therefore, was noted as a credit of \$(237,590.39).

Timing differences relating to posting of certain storm costs resulted in the interest (carrying charge) varying from the general ledger to the amount on the filing which is \$4,041.29 higher.

The ending balance of the filing, \$(3,654,363) representing the amount owed to UES, is less than the ending balances of the combined accounts below:

10-20-00-00-173-10-00	\$ 800,000.00
10-20-00-00-182-10-00	<u>\$2,857,829.12</u>
General Ledger	\$3,657,829.12 higher than report by \$3,466

Refer to the General Ledger section of this report for additional specific account details.

\$800,000 was identified in the testimony of Christopher Goulding and Daniel Nawazelski as the annual recovery amount included “*in base distribution rates, to deal with more frequent storms that are generally not considered to be extraordinary in magnitude. This level of recovery was approved in Docket DE 13-065 in Order No. 25,502 issued on April 29, 2013.*”

Audit summarized the reported general ledger total, adjustment, and 2023 storms in further detail:

	GL	12/23/22	1/23/23	3/4/23	3/14/23	9/8/23	9/15/23	TOTALS
12/31/2022 balance of 10-20-00-00-182-10-00	\$ 1,682,939							
12/31/2022 balance of 10-20-00-00-173-10-00	\$ 800,000							
Payroll		\$ 338,600	\$ 81,810	\$ 20,154	\$ 176,747	\$ 11,278	\$ 30,581	\$ 320,570
Materials and supplies		\$ 66,928	\$ 7,384	\$ -	\$ 19,744	\$ 5,197	\$ 979	\$ 33,304
Transportation		\$ 42,343	\$ 10,868	\$ -	\$ 20,127	\$ 6,548	\$ 10,240	\$ 47,783
Contractor Invoices and Other		\$ 608,220	\$ 276,991	\$ 129,303	\$ 481,705	\$ 29,665	\$ 316,354	\$ 1,234,018
Less Amount Capitalized		\$ (618,681)	\$ (34,626)	\$ -	\$ (145,483)	\$ (51,388)	\$ (5,292)	\$ (236,789)
	\$ 2,482,939	\$ 437,410	\$ 342,427	\$ 149,457	\$ 552,840	\$ 1,300	\$ 352,862	\$ 1,398,886
Adjusted 12/31/22 Balance	\$ 2,920,349							
Total of 2023 Events	\$ 1,398,886							
Annual Revenue	\$ (800,000)							
Reported Carrying Charges	\$ 135,127							
12/31/2023 Reported MSCR	\$ 3,654,362							

Prior Year Adjustment

The \$(437,410) adjustment from the 12/31/2022 filed balance to the 1/1/2023 balance was reported to relate to Winter Storm Elliot, 12/23/2022, described within the filing on pages 7 through 10 and summarized on page 10 as follows:

Payroll	\$ 338,600
Materials and supplies	\$ 66,928
Transportation	\$ 42,343
Contractor Invoices and Other	\$ 608,220
Less Amount Capitalized	<u>\$(618,681)</u>
Total to Storm Reserve	\$ 437,410

The general ledger account 10-20-00-00-182-10-00 reflected activity associated with this storm as:

December 2022 accrual	\$ 675,000.00
January 2023 accrual reversal	\$(675,000.00)
February – April 2023	\$ (80,567.12)
June 2023	\$ 520,974.45
September 2023	<u>\$ (2,997.72)</u>
Total	\$ 437,409.61

The summary on page 7 reflects:

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	153	98	9,579	6,039	12.50%
Capital	262	154	26,663	15,857	51.20%

Based on the reported outages/troubles, the associated percentages of customers interrupted, the Energy Event Index, and the high confidence level, the storm qualifies for recovery for costs incurred from December 22, 2022 through restoration December 26, 2022. While page 7 indicates that communication and outreach began on December 19, 2022, the storm did not qualify until December 22, 2022. Audit appreciates the timing (just prior to Christmas), and the noted resource constraints which caused the restoration to be a challenge. However, the Settlement Agreement outlines the conditions for which costs can be included in the Major Storm Fund. Audit was not able to determine if any payroll costs were included in the total for the days December 19, December 20, or December 21.

Included in the Report was the detail of resources available:

Normal contingent of internal crews	10
On system contractors	8
Tree crews	14
Additional contractor line crews	3
Emergency Operation Center (EOC) was activated with support staff on site	

Audit was provided with the detail of the workorders, and compared that detail to the report.

	Dec 23, 2022 C-220103-20226190 Capital Restoration	Dec 23, 2022 E-220103-20226617 Seacoast Restoration	Total UES	Total per Filed Report	Workorder total vs Rpt variance
Payroll	\$ 129,463.54	\$ 83,202.16	\$ 212,665.70		
Payroll OH	\$ -	\$ -	\$ -		
Salary DOC USC Time & Expenses	\$ 48,047.73	\$ -	\$ 48,047.73		
Affiliate Payroll	\$ 44,694.41	\$ 33,192.20	\$ 77,886.61	\$ 338,600	
M&S	\$ 23,263.24	\$ 16,788.97	\$ 40,052.21		
M&S OH	\$ 13,193.50	\$ 13,681.83	\$ 26,875.33	\$ 66,928	
Transportation	\$ 27,776.75	\$ 14,566.25	\$ 42,343.00	\$ 42,343	
Contractor Invoices & Other	\$ 263,535.34	\$ 261,714.16	\$ 525,249.50		
Tree Trimming Invoices	\$ 76,540.50	\$ 86,996.98	\$ 163,537.48	\$ 608,220	\$ 80,566.98
Fairpoint	\$ -	\$ -	\$ -	\$ -	
Total Costs	\$ 626,515.01	\$ 510,142.55	\$ 1,136,657.56	\$ 1,056,091	\$ 80,566.98
Total Capitalized Costs	\$ 384,924.65	\$ 153,058.67	\$ 537,983.32		
Total COR Allocated	\$ 57,738.70	\$ 22,958.80	\$ 80,697.50	\$ 618,681	
Total Expensed	\$ -	\$ -	\$ -		
Total Deferred	\$ 183,851.66	\$ 334,125.07	\$ 517,976.73	\$ 437,410	\$ 80,566.73
Total Costs	\$ 626,515.01	\$ 510,142.54	\$ 1,136,657.55	\$ 1,056,091	\$ 80,566.73
cost type vs. GL type	\$ -	\$ 0.01	\$ 0.01	\$ (0)	

Audit requested clarification of the variance of \$80,566.98 between the work order level detailed documentation and the filing, which was less. The Company indicated that the difference was due to the amount of tree trimming billed to third parties. The billed amounts were removed from the cost of the storm. Audit reviewed the six invoices until issued to telecommunication companies, based on work performed by Asplundh Tree and Lucas Tree. The invoices sum to \$80,567.12 which varies from the noted difference due to rounding. The invoices were associated with work order 20226190 and one associated with 20226617.

Documentation for a payment to Alan's of Boscawen, Inc. \$13,351.10 was requested and provided. The invoice reflected 190 breakfasts, 160 lunches, and 170 dinners, tax and gratuity on December 27, 2022 delivered to the Capital Distribution Operations Center in Concord. The payment was posted 1/10/2023 to CWIP, account 10-20-00-00-107-00-00 and transferred to the storm deferral account in March 2023.

Documentation for a payment to Hi Volt Line Construction & Maintenance, Inc. \$88,612.53 was requested and provided. The invoice reflected 33 hours for working foremen, line workers, drivers, equipment operators, heavy duty bucket trucks, digger trucks, pole trailer and a pickup truck, and 31 hours for two working foremen, two line workers, an equipment operator, and a diesel fuel charge. Hourly rates were reviewed and recalculated. The invoice was for the week ending 12/31/2022. Supporting timesheets show specific workers' hours for 12/23/2022, 12/24/2022, 12/25/2022 and 12/26/2022. Also supporting the charge were UES Capital DOC Overhead Construction Work Orders. The original journal entry was posted 1/10/2023:

Debit CWIP 10-20-00-00-107-00-00	\$88,612.53	
Credit Accounts Payable 10-20-00-00-232-01-00		\$(88,612.53)

The transfer out of CWIP into the deferred 182 account posted in March 2023.

Audit also went to the Unutil headquarters and met with Human Resources representatives, as well as Accounting representatives, to gain an understanding of the Storm Policy outlining that salaried employees (below the level of Director), when called for storm duty outside of the normal working hours, are paid straight time. A random selection of two salaried employees was made for work done on this storm, and the Human Resources representatives was able to show the specific pay rate, hours worked in excess of 40 hours, authorization for the salaried person to be paid straight time for storm duty, and the specific general ledger accounts associated with the time codes entered into the system. The Accounting representatives review the accounts, and post the dollars to the account associated with the time coded for the salaried employees. There were no issues identified. Salaried workers are paid monthly in arrears, so the posting to the general ledger took place in January 2023 for the December 2022 hours worked.

January 23, 2023 Winter Storm \$(342,427) – Restoration costs Seacoast region only

Page 12 of the Major Storm Report reflects overall restoration costs of:

Payroll	\$ 81,810
Materials and supplies	\$ 7,384
Transportation	\$ 10,868
Contractor Invoices and Other	\$276,991
Less Amount Capitalized	<u>\$ (34,626)</u>
Total to Storm Reserve	\$342,427

The report did not include details from the Energy Event Index. On page 12, section 2.5, the Company noted: *“Although this event did not reach the exclusionary criteria for preparation (weather), the impacts of the event met the exclusionary criteria...for restoration recovery in the Seacoast Region. Accordingly, the Company has proposed to recover restoration costs for only the Seacoast Region through the MSCR...”*

Audit agrees that the storm does not qualify for inclusion in the MSCR as the requirements for preparation and/or restoration outline a PDI of 2 or greater, with a high level of confidence. However, as noted within the report itself, reference to the 2011 settlement agreement includes:

8.2 The parties recognize that certain weather events may result in extraordinary expenditures to prepare for, or recover from, storms or natural disasters that do not meet the defined criteria for a qualifying major storm. The Company may petition the Commission to recover the extraordinary costs of such events from the Major Storm Cost Reserve and has the burden to demonstrate the reasonableness of its expenditures.

(underline added for emphasis)

The general ledger account 10-20-00-00-182-10-00 reflected activity associated with this storm as:

March – June 2023	\$ 344,387.48
September 2023	<u>\$ (1,960.67)</u>
Total	\$ 342,426.81

On page 11, the Company reported:

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	136	72	10,529	6,130	12.80%
Capital	41	11	5,439	1,998	6.50%

Included in the Report was the detail of resources available:

Normal contingent of internal crews	10
On system contractors	5
Tree crews	2
Wires down personnel	4
Crew guides	3
Emergency Operation Center (EOC) was activated with support staff on site	

Based on the number of [peak] outages, it appears that the burden has been met to include the restoration costs incurred (for the Seacoast region) in the MSCR fund. The detailed cost summary for multiple work orders associated with Seacoast Restoration demonstrated:

Payroll	\$ 55,845.13	
Salary DOC USC Time	<u>\$ 25,964.91</u>	
Reported Payroll		\$ 81,810.04
Materials and Supplies	\$ 4,127.80	
Materials OH	<u>\$ 3,256.13</u>	
Materials and Supplies		\$ 7,383.93
Transportation	\$ 10,867.50	
Contractor Invoices + Other	\$250,473.46	
Tree Trimming	<u>\$ 53,052.94</u>	
		\$314,393.90
Less Non-recoverable trimming	\$ (26,535.46)	
Less Amount Capitalized	<u>\$ (34,625.56)</u>	<u>\$ (61,161.02)</u>
Total to Storm Reserve		\$342,426.85

As with the December 2022 storm, Audit requested clarification of inclusion of Salaried distribution operations center (DOC) and Unitil Service Corp (USC) employees, and was provided with documentation outlining the Unitil policy of allowing “*certain salaried employees*”

[labor grades 14 through 18]...to receive extra pay for hours worked in excess of 40 hours in a week during storm emergencies, as determined by the Incident Commander (IC).” Those employees are “paid at straight time for these hours.” Human Resource policy HR 1.50 (G) dated January 1, 2019; superseding HR 1.50 (G) dated July 1, 2017.

Audit requested clarification of “non-recoverable tree trimming” and was provided with this explanation:

“In reference to the sundry process, the location of where work is performed determines which telephone company shares cost responsibilities. When there is no location listed, such as for storm standby where a crew is not actively performing work, that cost is not billed to the telephone company. In terms of recoverable and non-recoverable, Engineering determines if a storm has met the criteria to be deemed recoverable. Forestry follows the same guidelines as Operations, when a storm is deemed recoverable, all charges to the identified (recoverable) CWOs are charged to the sundry recoverable account. All other storm costs are applied to the non-recoverable sundry account.”

The capitalized total of \$34,625.56 is the sum of twelve CWO capitalization figures of \$29,956.95 and cost of removal of \$4,668.61. The amount is shown as a deduction from the amount deferred.

The CWO details for the Seacoast DOC reflect:

January 23 2023 - Storm				
CWO	Cost Record Total	Capitalized Amount	Cost of Removal	Recoverable Amount
20236512	\$ 788.27	\$ 670.03	\$ 118.24	\$ -
20236513	\$ 798.37	\$ 382.49	\$ 57.37	\$ 358.51
20236514	\$ 16,271.14	\$ 10,759.72	\$ 1,613.96	\$ 3,897.46
20236515	\$ 11,845.87	\$ 3,144.22	\$ 471.63	\$ 8,230.02
20236516	\$ 570.63	\$ 485.04	\$ 85.59	\$ -
20236517	\$ 579.57	\$ 492.63	\$ 86.94	\$ -
20236518	\$ 808.69	\$ 687.39	\$ 121.30	\$ -
20236519	\$ 1,790.20	\$ 1,521.67	\$ 268.53	\$ -
20236520	\$ 318,825.83	\$ 1,893.66	\$ 284.05	\$ 316,648.12
20236521	\$ 48,065.76	\$ 7,163.13	\$ 1,074.47	\$ 39,828.16
20236522	\$ 964.91	\$ 820.17	\$ 144.74	\$ -
20236523	\$ 2,278.59	\$ 1,936.80	\$ 341.79	\$ -
	\$ 403,587.83	\$ 29,956.95	\$ 4,668.61	\$ 368,962.27
capitalized			\$ 34,625.56	
			\$ 368,962.27	
sundry revenue			\$ 26,535.46	
Reported Recoverable			\$ 342,426.81	

In addition to the payroll review discussed above, Audit randomly selected two specific entries for review.

\$6,872.70 posted February 2023 for Bank of America Visa to 10-20-00-00-107-00-00 (CWIP) was verified to a commercial credit card statement of a Unitil employee for:

Food such as

Dunkin, 1/24/2023	\$82.38	
Benson's Café 1/25/2023	\$89.57	
Dano's Pizza 1/25/2023	<u>\$28.44</u>	total food
		\$ 200.39

Lodging

1/23/2023 Fairfield Inn & Suites Exeter 3 rooms @ \$150.82 each	\$ 452.46
1/24/2023 Fairfield Inn & Suites Exeter 1 room	\$ 150.82
1/24/2023 through 1/25/23Exeter Inn 10 room nights @ 139.97	\$1,399.70
1/24/2023 Fairfield Inn & Suites Exeter 1 room	\$ 118.27
1/24/2023 through 1/25/2023 Hampton Inn 20 room nights	\$3,292.46
1/27/2023 Springhill Suites Hampton 10 rooms @ \$125.86 each	<u>\$1,258.60</u>
	Total lodging
	<u>\$6,672.31</u>
	Total Visa
	\$6,872.70

\$124,095.78 posted February 2023 for costs invoiced to Unitil by Gagnon Line Construction, Inc., from New Brunswick Canada. Details of the invoice dated 2/2/2023 for storm work January 23, 2023 through January 26, 2023 were:

57 employees and vehicles:

Foreman/general	\$ 18,915.00
Bucket trucks	\$ 73,720.00
Digger	\$ 16,975.00
Safety	\$ 5,216.25
Mechanic truck	\$ 6,875.00
	subtotal
	\$ 121,701.25
Meals	\$ 674.14
Fuel	\$ 1,720.39
	Total
	\$ 124,095.78

Detailed invoices for both samples selected were reviewed, supporting the above noted costs associated with the January 23, 2023 storm.

March 4, 2023 Winter Storm Quest – Preparation Costs -Seacoast and Capital regions

Page 15 of the Major Storm Report reflects overall preparation costs of:

Payroll	\$ 20,154
Contractor Invoices and Other	<u>\$129,303</u>
Total to Storm Reserve	\$149,457

The general ledger account 10-20-00-00-182-10-00 reflected activity associated with this storm as:

March 2023	\$ 59,643.34
April 2023	\$ (59,643.34)
June 2023	\$148,819.15
September 2023	<u>\$ 638.10</u>
Total	\$149,457.25

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	7	3	438	325	0.00%
Capital	-	-	-	-	0.00%

Included in the Report was the detail of resources available:

Normal contingent of internal crews	9
On system contractors	11
Tree crews	14
Additional contractor line crews	12
Wires down personnel	8

Emergency Operation Centers (EOC) were activated 3/4/23 to monitor the storm's progression

The report indicated that internal communication began 2/28/2023, with EEI level 3 in the Seacoast and level 4 in the Capital, both with high confidence. Concurrent troubles did not meet the criteria, so the report includes costs for preparation only.

The Company provided the following summary information, along with details supporting all line items:

	Capital DOC <u>C-230103-20236038</u>	Seacoast DOC <u>E-231003-20236534</u>	<u>TOTAL</u>
Payroll	\$ 8,640.65	\$10,081.75	\$ 18,722.40
Salary DOC USC	\$ -0-	\$ 1,431.85	\$ 1,431.85
Contractor + Other	\$ 96,119.78	\$10,820.65	\$106,940.43
Tree Trimming	<u>\$ 9,183.16</u>	<u>\$13,179.41</u>	<u>\$ 22,362.57</u>
Total	\$113,943.59	\$35,513.66	\$149,457.25

Audit randomly selected four invoices for detailed testing:

Alliance Power	\$80,094.17	4/2023 Capital Region
Lucas Tree	\$ 1,330.00	4/2023 Capital Region
Lucas Tree	\$ 1,330.00	4/2023 Capital Region
Fouhey, W	\$ 198.55	3/2023 Seacoast Region

The \$80,094.17 invoice from the Alliance Power Group, LLC was dated 3/4/2023 for “Storm restoration services 3/3/23-3/4/23 Concord NH”. Timesheets for 12 Alliance Power employees, pick up trucks, bucket trucks, and diggers along with fuel charges and meal costs were provided in support of the invoice total. The specific details show the 12 employees all worked 10 hours on both 3/3/2023 and 3/4/2023. All information on the contractor’s invoice indicates “restoration”. However, given the dates and hours worked, preparation is reasonable.

Both Lucas Tree invoices of \$1,330 were reviewed. Each indicated standby work on weekend date 03/04/2023 7 hours for specifically names arborist trainee, foreman, and a bucket truck.

The expense reimbursement of \$198.55 was verified to a charge for the Hampton Inn in Exeter for check in 3/3/2023, check out 3/4/2023. Accounting information on the personal expense record demonstrates this USC employee’s expense related to Emergency and Storm Restoration, and initially posted to the CWIP account

March 14, 2023 Nor’easter – Preparation and Restoration Costs

Page 19 of the Major Storm Report reflects overall preparation and restoration costs of:

Payroll	\$ 176,747
Materials and supplies	\$ 19,744
Transportation	\$ 20,127
Contractor Invoices and Other	\$ 481,705
Less Amount Capitalized	<u>\$(145,483)</u>
Total to Storm Reserve	\$ 552,840

The general ledger account 10-20-00-00-182-10-00 reflected activity associated with this storm as:

March 2023	\$ 410,000.00
April 2023	\$(411,469.51)
May 2023	\$ (2,212.25)
June 2023	\$ 550,322.54
September 2023	<u>\$ 6,199.28</u>
Total	\$ 552,840.06

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	55	26	2,492	1,804	3.80%
Capital	105	37	6,318	2,808	9.10%

Included in the Report was the detail of resources available with the opening of all emergency operations centers at 6:00am on Tuesday March 14, 2023.

Normal contingent of internal crews 11
 On system contractors 13
 Tree crews 11
 Additional contractor line crews 8
 Wires down personnel 20
 Emergency Operation Centers (EOC) were activated 3/14/2023

The Storm report indicated that the preparation for the storm began approximately one week prior to the storm. Restoration efforts began 3/14/23 as wires were down due to heavy snow and motor vehicle accidents.

Unitil provided a summary of the preparation and restoration costs by region, as follows:

March 14, 2023	Capital DOC - Prep	Capital DOC - Restrtn	Seacoast DOC - Prep	Seacoast DOC - Restrtn	Total UES
	Summary of All Charges March 14, 2023 C-230103-20236047	Summary of All Charges March 14, 2023 C-230103-20236048	Summary of All Charges March 14, 2023 E-231003-20236538	Summary of All Charges March 14, 2023 E-231003-20236537	
	Recoverable	Recoverable	Recoverable	Recoverable	
Total Costs	Capital (Prep)	Capital (Restoration)	Seacoast (Prep)	Seacoast (Restoration)	
Payroll	\$ 6,061.85	\$ 54,657.37	\$ 6,503.83	\$ 34,548.21	\$ 101,771.26
Payroll OH's	\$ -	\$ -	\$ -	\$ -	\$ -
M&S	\$ -	\$ 8,036.64	\$ -	\$ 3,139.55	\$ 11,176.19
M&S OH's	\$ -	\$ 6,850.71	\$ -	\$ 1,716.70	\$ 8,567.41
Transportation	\$ -	\$ 14,211.75	\$ -	\$ 5,915.00	\$ 20,126.75
Contractor Invoices & Other	\$ 48,959.60	\$ 255,932.77	\$ 19,566.29	\$ 110,582.83	\$ 435,041.49
Tree Trimming Invoices	\$ 27,317.84	\$ -	\$ -	\$ 23,027.86	\$ 50,345.70
Salary DOC USC Time	\$ 125.00	\$ 440.54	\$ 12.50	\$ 43,187.00	\$ 43,765.04
Affiliate Payroll & Expenses	\$ -	\$ 18,316.76	\$ -	\$ 12,893.91	\$ 31,210.67
Total Costs	\$ 82,464.29	\$ 358,446.54	\$ 26,082.62	\$ 235,011.06	\$ 702,004.51
	\$ 82,464.29	\$ 358,446.54	\$ 26,082.62	\$ 235,011.06	\$ 702,004.51
Total Capitalized Costs	\$ -	\$ 97,018.06	\$ -	\$ 29,488.59	\$ 126,506.65
Total COR Allocated	\$ -	\$ 14,552.71	\$ -	\$ 4,423.29	\$ 18,976.00
Total Deferred Costs	\$ 82,464.29	\$ 246,875.77	\$ 26,082.62	\$ 201,099.18	\$ 556,521.87
	\$ 82,464.29	\$ 358,446.54	\$ 26,082.62	\$ 235,011.06	\$ 702,004.51

The total deferred cost figure of \$556,521.87 was reduced by \$3,681.76 in “non-recoverable” tree trimming costs, resulting in the reported amount deferred \$552,840.11.

Audit reviewed the following randomly selected storm entries for detailed review:

\$301.62 employee reimbursement to W. Fouhey was reported as a Seacoast region preparation cost 3/2023, and was verified to a personal expense record for the period 3/13/2023 through 3/14/2023 hotel reimbursement.

\$6,439.92 posted 4/2023 related to the Capital region restoration. The figure was verified to an invoice from Alan’s Restaurant in a total amount of \$7,459.42. The invoice was split between two work orders, with \$6,439.20 allocated to CWO 20236048 Capital region restoration and \$1,020.00 allocated to CWO 20236047 Capital region preparation. The detail of the catered food included 120 breakfasts, 135 lunches, 50 dinners, tax and gratuity. Dates of food service were noted to be 3/14/23 and 3/15/23.

A miscellaneous plant adjustment related to the Capital restoration was booked in 5/2023 for \$18,316.76, identified as NU Maine storm assistance. Detailed timesheets for specific employees, dates, and references to wires down were provided to support the amount.

\$54,275.16 relating to work order 20236048 Capital region restoration and \$41,301.03 relating to work order 20236047 Capital region preparation were verified to an invoice dated 3/30/2023 from Northline Utilities, LLC. The total invoice was \$95,576.09, and the detail included on the invoice reflected six specific employees of Northline, 4 of whom worked a total of 28 hours each, and 2 worked a total of 112 each. Digger derrick, mechanic truck, bucket truck, pickup truck and single axle pole trailer were included on the invoice, along with 36 meals and fuel on 3/14/2023.

\$2,033.87 was reflected as 202303 Payroll straight time for E-231003-20236538, Seacoast preparation. Audit requested the detail by employee job title and was provided with a listing of 2 Utility Lineworkers II, DER Analyst, Electric Operations Coordinator, 2 Stock Clerk II, and Specialist Operations Technologies. Each was identified by employee ID and reflected hours worked for the pay period ending 3/18/2023.

Work order E-231003-20236537, Seacoast restoration, reflected miscellaneous plant adjustments posted 8/2023 in the amounts of \$8,448.01 and \$33,107.43. Audit requested support for both line items, and an explanation for the five months it took to move the figures from CWIP to the Storm deferral account. The explanation was not provided, but the documentation supporting each entry was.

- A net journal entry posted payroll of \$7,669.37 and two different temporary employee totals (Nagler Group and Robert Half Technology) that sum to \$878.64 total the \$8,448.01. Detailed timesheets were provided to support each figure.
- In support of the \$33,107.43, the Company provided details of :

Liberty Lane Catering, Inc.	\$ 4,156.93	3/14/23 – 3/16/23 Storm Meals
D. Larson (mileage)	\$ 46.88	Mileage Boston to Hampton and return
Robert Half Technology	\$ 1,076.04	Temporary employees
Bank of America	\$ 634.33	Lodging
Bank of America	\$ 204.70	Constant Contact 3/14/23 storm email 72%
Salary DOC USC Time	<u>\$26,988.55</u>	employee ID, dates, etc. provided.
March 14, 2023 Storm	\$33,107.43	

Specific detailed receipts and backup for all costs was provided.

September 8, 2023 Thunderstorm – Seacoast Restoration Costs only

Page 21 of the Major Storm Report reflects overall restoration costs of:

Payroll	\$ 11,278
Materials and supplies	\$ 5,197
Transportation	\$ 6,548
Contractor Invoices and Other	\$ 29,665
Less Amount Capitalized	<u>\$(51,388)</u>
Total to Storm Reserve	\$ 1,300

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	30	20	7,881	6,666	13.80%
Capital	4	3	272	269	0.00%

Based solely on the Seacoast reported outages of 30, the restoration costs appear to comply with the qualifying major storm definition of “22 concurrent troubles”.

UES noted that this storm did not close until 2024, and thus was not posted in the deferred general ledger account as of 12/31/2023. Unitil indicated that as of the date of this report, the storm had not been closed by Plant accounting, and therefore costs remain in 10-20-00-00-107-00-00, Construction Work in Progress.

Included in the Report was the detail of resources available:

- Normal contingent of internal crews 10
- On system contractors 10
- Tree crews 8
- Additional support staff to respond as necessary

Seacoast DOC

September 8, 2023

Summary of All Charges

September 8, 2023

E-231003-20236597

Recoverable

Total Costs	Seacoast (Restoration)	Total UES
Payroll	11,277.74	11,277.74
Payroll OH's	-	-
M&S	2,744.91	2,744.91
M&S OH's	2,452.17	2,452.17
Transportation	6,548.00	6,548.00
Contractor Invoices & Other	25,414.94	25,414.94
Tree Trimming Invoices	4,250.61	4,250.61
Salary DOC USC Time	-	-
Affiliate Payroll & Expenses	-	-
Fairpoint	-	-
Total Costs	52,688.37	52,688.37
	52,688.37	52,688.37
		-
Total Capitalized Costs	44,685.52	44,685.52
Total COR Allocated	6,702.83	6,702.83
Total Expensed		-
Total Deferred Costs	1,300.02	1,300.02
	52,688.37	52,688.37

Audit noted that the capitalized costs is a calculation using 85% of the reported total average installed costs. Specific detail of the asset/inventory installed was noted to sum to \$44,685.52. 15% of that figure was then calculated to be the cost of removal \$6,702.83. The net result of the total costs less the capitalized and cost of removal results in the \$1,300.02 to allocate to the deferred storm fund account.

While the calculation above, and the information about the actual installed assets (poles, anchors, brackets, insulators, grounds, services, etc.) was detailed, the use of the average cost to move the dollars from CWIP to plant in service could not be tied back to the categories of invoiced costs. Overall, the total of \$52,688.37 was verifiable to cost record. However, Audit cannot conclude that the capitalization figures, nor the resulting amount moved to the deferred account are accurate.

September 15, 2023 Hurricane Lee – Proposed Preparation and Recovery Costs

Page 26 of the Major Storm Report reflects overall preparation and recovery costs of:

Payroll	\$ 30,581
Materials and supplies	\$ 979
Transportation	\$ 10,240
Contractor Invoices and Other	\$316,354
Less Amount Capitalized	<u>\$ (5,292)</u>
Total to Storm Reserve	\$352,862

Section 6.2, the Summary of the Extent of the Storm Damage reflects the Capital region as suffering higher outages and customer interruptions than the Seacoast region, which, as shown below, would not qualify for inclusion in the MSCR.

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	9	4	137	39	0.00%
Capital	23	11	6,983	3,984	12.80%

In section 6.5 on page 23 of the Storm report, the Company states : *“Because it was reasonable and prudent for the Company to undertake these planning and preparation activities, the associated costs that were incurred to prepare for this storm should be recoverable through the MSCR and the Company respectfully requests approval for recovery of these costs.”*

The report did not include an EEI index, rather, included information from *“professional weather forecasters”*. (report page 23). The Company provided Audit with additional information about the forecast, and the reasons that preparation costs were incurred:

“Although the EEI is an important predictive tool—and a valuable indicator of both the possibility and severity of a particular weather event—it is not the only information used to guide the Company’s planning and preparation efforts. The Company considers numerous factors including, but not limited to, forecasts and data

from multiple sources (e.g., American Model, European Model, National Weather Service; National Oceanic and Atmospheric Administration (and its National Hurricane Center division); etc.); coordination with state agencies; historical experience with other storm events; time of year (hot weather, cold weather, holiday, etc.); whether the event is expected to have a regional or widespread impact (e.g., New England, the Eastern seaboard, etc.) or will be limited to the Company's service territory; and the likelihood that crews will be available once the storm system passes. These last two considerations are especially relevant to securing external resources to assist with restoration efforts. When a weather event is expected to have a wide geographical impact, the demand for contract line crews and other resources increase, with the number of available local contractors decreasing as the predicted storm event approaches. As the availability of local contractors decreases, utility companies must reach out to secure crews located farther and farther away from their service territories, which can impact restoration timelines and increase the total cost to respond to an event. In Unutil's case, if crews local to New England are not available, the Company must seek contractors or mutual assistance from Canada, the Midwest and even farther, which is generally more expensive and delays restoration due to travel times...in the days leading up to Hurricane Lee's landfall there was significant regional demand for contractor crews to assist with the restoration efforts anticipated for a storm of this magnitude."

[T]he Company's planning and preparation for storms also is informed by its historical experience with other storm events. Despite the availability of sophisticated weather models and data, the Company's experience has been that the ever-changing nature of significant weather events makes it difficult to predict with complete certainty the scope, scale, track, and ultimate impact of these storms. For example, Hurricane Earl, which was forecast to directly impact New England, ultimately weakened before it reached the region and the impacts to the Company's system were minor. Nevertheless, the Company took prudent and reasonable steps to prepare for the storm based on the best information available at the time. Notably, as part of the Settlement Agreement in DE 10-055, the parties agreed that the reasonably incurred costs of this event could be charged to the MSCR. Unutil Energy Systems, Inc., Docket No. 10-055, Settlement Agreement on Permanent Distribution Rate, at § 8.3 (Feb. 23, 2011). Hurricane Irene (2011) and Super Storm Sandy (2012) present different cases where the weather forecasts ultimately turned out to be reasonably accurate and the Company sustained significant damage to its system with over 30,000 power outages in each storm (over 42% of its NH customers). These three events demonstrate that storms, and hurricanes in particular, are unpredictable and can deviate from the forecasts of professional weather forecasters. Nonetheless, based on the best information available at the time, all these events were likely to occur and impact the Company's electric distribution system. Therefore, in all three cases, it was prudent for the Company to plan and prepare for those impacts.

Given the uncertainty associated with hurricanes and hurricane forecasts, the only prudent course in the case of Hurricane Lee was the one undertaken by the Company. Namely, to plan and prepare for significant impacts to its electric distribution system and to take proactive steps to mitigate that impact for the benefit of customers, all of which was grounded in the best information available at the time, and the Company's judgment based on experience... Accordingly, the Company prudently planned and prepared for power outages on a company-wide basis for both its Capital and Seacoast regions.

Unitil provided detailed work orders for both preparation and restoration for the Seacoast for costs associated with Hurricane Lee:

September 16, 2023	Seacoast DOC		Total UES
	Summary of All Charges September 16, 2023 E-231003-20236599	Summary of All Charges September 16, 2023 E-231003-20236600	
HURRICANE LEE	Seacoast(Prep)	Seacoast (Restoration)	
Total Costs			
Payroll	\$ 10,341.68	\$ 19,649.47	\$ 29,991.15
Payroll OH's	\$ -	\$ -	\$ -
Salary DOC USC Time	\$ 6.25	\$ -	\$ 6.25
Affiliate Payroll & Expenses	\$ 584.08	\$ -	\$ 584.08
M&S	\$ -	\$ 555.67	\$ 555.67
M&S OH's	\$ -	\$ 423.72	\$ 423.72
Transportation	\$ -	\$ 10,240.00	\$ 10,240.00
Contractor Invoices & Other	\$ 291,541.91	\$ 8,141.04	\$299,682.95
Tree Trimming Invoices	\$ 12,768.59	\$ 3,901.77	\$ 16,670.36
Fairpoint	-	-	-
Total Costs	315,242.51	42,911.67	358,154.18
Total Capitalized Costs	-	4,602.21	4,602.21
Total COR Allocated	-	690.33	690.33
Total Deferred Costs	315,242.51	37,619.13	352,861.64
	315,242.51	42,911.67	358,154.18

Despite the reflection of the outages and customers impacted in the Capital region grid in section 6.2, the costs reviewed by Audit support inclusion of the storm for both preparation and restoration as documented by the work orders above for the Seacoast region.

As above, UES noted that this storm did not close until 2024, and thus was not posted in the deferred general ledger as of 12/31/2023. Unitil indicated that as of the date of this report, the storm had still not been closed by Plant accounting, and therefore costs remain in CWIP.

Included in the Report was the detail of resources available:

- Normal contingent of internal crews 10
- On system contractors 11
- Tree crews 8
- Additional external contractors 31
- Emergency Operation Centers (EOC) were activated 9/16/2023

Audit did request and review documentation associated with three line items in the cost record:

- 10/2023 \$ 24,116.28 Bank of America
- 10/2023 \$213,162.96 Gagnon Construction
- 09/2023 \$ 5,847.62 payroll straight time

December 18, 2023 Windstorm – Proposed Seacoast Restoration only

Page 27 of the Major Storm Report reflects overall impact of the storm, but noted on page 28 that “[t]he total amount charged to the storm reserve for this event was not available at the time of this report and will be included in next year’s report.”

Region	Total # Outages	Peak # Outages	Total Customers Interrupted	Peak Customers Interrupted	Percentage Affected (Peak)
Seacoast	131	81	18,615	10,020	20.80%
Capital	27	15	2,191	1,804	5.80%

Included in the Report was the detail of resources available:

- Normal contingent of internal crews 10
- On system contractors 11
- Tree crews 8
- Additional external contractors 31
- Emergency Operation Centers (EOC) were activated 12/18/2023

2023 Carrying Charges \$135,126.55

Audit reviewed the calculation and reconciliation for the carrying charges as filed, to the Master Accounting Model. Below is the formula that was used for calendar year 2023:

$$\text{Monthly Carrying Charge} = (((\text{Average Monthly Balance} * 4.01\%) / 365) * \# \text{ of days month})$$

Audit noted that there was a \$4,041 variance between the \$135,126.55 in carrying charges per the filing, versus the \$131,087 in interest income reported on the Working Accounting Model and general ledger. The Company indicated the variance is due to several storm cost charges that posted to the Working Accounting Model but not the Master Accounting Model, and vice versa. Charges in the Master Accounting Model that are not in the deferred accounts are in the Construction Work in Progress (CWIP) account 107. Storm costs post to CWIP unless the specific work order charge designates the cost as Storm related. The Accounting division at Unitil reviews all storm costs and moves costs out of CWIP and into the deferred account. Refer to the General Ledger section of this report.

The interest rate for carrying charges was 4.01%, calculated as the Cost of Debt less the New Hampshire Effective Tax Rate:

Federal Income Tax Rate	21.00%
State Income Tax Rate	7.60%
Federal Benefit of State Income Tax	<u>-1.60%</u>
Net NH Effective Tax Rate	27.00%
Cost of Debt pr DE 21-030	5.49%
Tax Effect (1 - 27.00%) = .7300	<u>x 0.7300</u>
MSCR Carrying Charge Rate (Costs Net Deferred Taxes)	4.01%

General Ledger

Unitil (Northern) segments their general ledger through Company identification codes:

- 10-Unitil Energy Systems
- 12-Unitil Service Corp
- 20-Fitchburg Gas and Electric
- 30-Northern NH
- 40-Northern ME

The following general ledger accounts were reviewed by Audit, with reported balances as of December 31, 2023:

<u>Account</u>	<u>Description</u>	<u>Balance</u>
10-20-00-00- <u>173</u> -10-00	Accrued Revenue: Major Storm Reserve	\$ 800,000.00 debit
10-20-00-00- <u>182</u> -10-00	Regulatory Asset: Major Storm Reserve	<u>\$2,857,829.12 debit</u>
	MSCR GL Balance a/o 12/31/2023	\$3,657,829.12 debit

The combined general ledger balance is \$3,467.12 higher than the reported 2023 MSCR total of \$3,654,362. Audit requested clarification of the variance and was provided with:

Accrued Revenue: Major Storm Reserve 10-20-00-00-173-10-00	\$ 800,000.00
Regulatory Asset: Major Storm Reserve 10-20-00-00-182-10-00	<u>\$2,857,829.12</u>
General Ledger at 12/31/2023	\$3,657,829.12
Thunderstorm Event 09/08/2023 Storm will close in 2024	\$ 1,300.02
Hurricane Lee 09/15/2023 Storm will close in 2024	\$ (7,137.36)
Interest Difference-Timing	<u>\$ 2,370.20</u>
Reported MSCR Balance at 12/31/2023	\$3,654,361.98

10-20-10-00-419-09-00 Interest Income – Major Storm Reserve \$(131,086.61) credit

The filing reflects interest income as \$(135,127) which is \$(4,040) higher than the general ledger.

10-20-10-00-407-31-00 Amortization – Storm \$ 800,000.00 debit

Audit reviewed the activity in each of the accounts above. Account 10-20-00-00-173-10-00 had no activity during the 2023 calendar year. Audit requested specific clarification of this account, and was informed that several years ago, Unitil’s Internal Audit staff noted that the first \$800,000 of any storm recovery figure should be considered a current asset, because those costs were known to be recovered over the course of 12 months.

Account 10-20-00-00-182-10-00 as a Regulatory Asset represents the remainder of the cumulative costs that are considered long-term because they may be collected over a longer term than 12 months. The account reflected monthly debits identified as Accrued Revenue-Interest, monthly credits identified as Accrued Revenue Major Storm Reserve/Recovery. These credits were offset to the identical debits in the 10-20-10-00-407-31-00 Amortization – Storm account.

Audit requested supporting documentation for three specific general ledger journal entries that posted to account 10-20-00-00-182-10-00 Reg Asset-Major Storm Reserve Long Term:

- 06/30/2023 \$1,591,039.08 Journal entry code UEGA937-1027932 Accrual for all storm not closed in PowerPlan
- 09/30/2023 \$1,592,918.07 Journal entry code CPA865-1045527 Misc Plant Adjustment
- 12/31/2023 \$360,000.00 Journal entry code UEGA601-1066674 Storm 12/18/23 Accrual for 12/18 Storm

The entry for \$360,000.00 was supported with the actual automatically reversing journal entry itself:

Debit 10-20-00-00-182-10-00	\$360,000.00	
Credit Construction Work in Progress 10-20-00-00-107-90-00		\$(220,000.00)
Credit Accounts Payable-Accrual 10-20-00-00-232-01-01		\$(140,000.00)

The entry represents rounded estimated costs associated with the 12/18/2023 storm, Seacoast region, PowerPlan work order E231003-20236621, noted as:

Seacoast (less overheads)	\$182,907.40
FGE-to be billed	\$ 35,126.24
NUNH- to be billed	\$ 1,396.78
Subtotal	\$219,430.42
Estimated invoices not received	<u>\$137,641.27</u>
Total Estimate	\$357,071.69

The documentation was further supported by specific cost types from the Plant Accounting software. Estimated costs relate to IC Reed, Hi Volt, and Tree Crews. IC Reed and Hi Volt were supported with the cost sheets for 2023, but UES had not yet received invoices for the work performed.

The Company maintains a “Master Accounting Model” which reflects all adjustments to the GL MSCR balance in the month in which the original expense or credit should have been included or excluded. Annual interest true ups are calculated using the Master Model. The Company maintains a “Working Accounting Model” that shows GL adjustments in the specific month any GL entries and adjustments were done. The Master Accounting Model translates to the filing figures.

Audit reviewed the general ledger deferred account 10-20-00-00-182-10-00 which reflected net activity for 2023 of \$583,167.19 and compared the beginning balances, activity, and ending balances of both accounting models.

	<u>12/31/2022</u>	<u>net 2023</u>	<u>12/31/2023</u>
10-20-00-00-173-10-00 Accd Rev MS Reserve	\$ 800,000.00	\$ -	\$ 800,000.00
10-20-00-00-182-10-00 Reg Asset-Major Storm Reserve Long term	\$ 2,274,661.93	\$ 583,167.19	<u>\$2,857,829.12</u>
Total Balance Sheet Deferred Storm Accounts	\$ 3,074,661.93	\$ 583,167.19	<u>\$3,657,829.12</u>

	Working Model/Deferred GL	Master Model/Filing	Difference
Beginning Balance	\$ 3,074,661.93	\$ 2,482,939.04	\$ 591,722.89
Known variances to Beginning Balance			
12/24/22 storm accrual in GL not filing	\$ 675,000.00	\$ -	\$ 675,000.00
1/17/2022 storm final costs in CWIP	\$ -	\$ 20,648.27	\$ (20,648.27)
1/29/2022 storm final costs in CWIP	\$ -	\$ 64,298.58	\$ (64,298.58)
Carrying charge variance due to cost inputs			\$ 1,669.74
Known variances to Beginning Balance			\$ 591,722.89

2023 Activity

01/07/2022 storm CWIP costs moved to deferral	\$ 20,648.27	\$ -	\$ 20,648.27
01/29/2022 storm CWIP costs moved to deferral	\$ 64,298.58	\$ -	\$ 64,298.58
12/24/2022 storm accrual reversal and actual costs	\$ (237,590.39)	\$ 437,409.61	\$ (675,000.00)
01/24/2023 storm costs in deferral and filing	\$ 342,426.81	\$ 342,426.81	\$ -
03/04/2023 storm costs in deferral and filing	\$ 149,457.25	\$ 149,457.25	\$ -
03/14/2023 storm costs in deferral and filing	\$ 552,840.06	\$ 552,840.06	\$ -
09/08/2023 storm costs in CWIP and filing	\$ -	\$ 1,300.02	\$ (1,300.02)
09/15/2023 storm costs in CWIP and filing	\$ -	\$ 352,862.64	\$ (352,862.64)
12/18/2023 accrual in deferral, not filing	\$ 360,000.00	\$ -	\$ 360,000.00
Storm Amortization	\$ (800,000.00)	\$ (800,000.00)	\$ -
Carrying Charges vary due to cost input differences	\$ 131,086.61	\$ 135,127.90	\$ (4,041.29)
2023 Activity	\$ 583,167.19	\$ 1,171,424.29	\$ (588,257.10)

Ending Balance in Deferral Accounts as of 12/31/2023	\$ 3,657,829.12	\$ 3,654,363.33	\$ 3,465.79
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Costs that are not posted to the deferral accounts remain in the 107 CWIP account until the storm is finalized. Those costs, however, are included in the filing. For the 2023 filing, the $\$1,300.02 + \$352,862.64 = \$354,162.66$ remain in the CWIP account at 12/31/2023 rather than the deferral. Those storm costs are offset overall by the accrual for the 12/18/2023 storm, which is in the deferred account, but not included in the filing.

Audit Issue #1 in the 2023 Audit report indicated that the January 2022 storm close outs should have been closed in a more timely manner. The Company concurred. Audit notes that the September 2023 storm costs above were not closed by year-end 2023, which is less than three months after the storm.

SRAF SUMMARY

The Storm Recovery Adjustment Factor (SRAF) was initially approved by Order 25,214 on 4/26/2011. Its purpose is to recover the cost of major, infrequent storms of extraordinary magnitude. Within docket DE 19-043, Order 26,236 issued 4/22/2019, costs associated with Winter Storm Quinn were approved for transfer out of the MSCR and into the Storm Recovery fund, for recovery over 3 years. In May 2022 the SRAF rate was reduced to \$0.0000 effective May 1, 2022 per 51st revised Tariff page 4 due to the complete recovery of Winter Storm Quinn.

Audit requested the Accounting models used for the SRAF, and because the amortization of Winter Storm Quinn had been completed mid-2022, with no additional storms booked for recovery through the SRAF, Unitil confirmed that there is not a model for 2023 as the balance is zero. This information agrees with the Storm Report page 5.

Information for future reconciliations of the SRAF should include the general ledger accounts below (known accounts as of 12/31/2023):

10-20-00-47-173-00-00 Accrued Revenue Storm Recovery Adjustment
10-29-10-47-407-00-00 Amortization, Storm Recovery
10-20-01-47-419-00-00, Interest Income Storm Recovery Adjustment
10-20-01-47-431-00-00, Interest Expense Storm Recovery Adjustment
10-29-01-47-440-00-00 Electric REV-Storm Recovery ADJ
10-29-01-47-440-30-00 Elec REV RES-Storm Recovery ADJ EXT SUP
10-29-01-47-442-01-00 Elec REV REG GEN-Storm Recovery ADJ
10-29-01-47-442-02-00 Elec REV Large GEN-Storm Recovery ADJ
10-29-01-47-442-31-00 Elec REV REG GEN-Storm Recovery ADJ EXT SUP
10-29-01-47-442-32-00 Elec REV Large GEN-Storm Recovery ADJ EXT SUP
10-29-01-47-444-01-00 Elec REV Unmetered Sales Storm Recovery ADJ
10-29-01-47-444-31-00 Elec REV Unmetered Sales Storm Rec ADJ EXT SUP
10-29-01-47-445-31-00 Municipal REG GEN Storm Recovery ADJ EXT SUP

Summary

Audit reviewed the filed MSCR Fund reconciliation and report, as well as the supporting schedules, sampled invoices, and certain journal entries. Based on Audit's review of the storm expenses incurred, Audit agrees with the \$(3,654,363.33) 2023 deficit ending balance as filed.

Proposed recovery of the reported \$3,654,362 roll-forward storm deficit, plus additional carrying charges of \$370,433 (from May 2024 through April 2029), for a (rounded) total of \$4,024,800, was noted in the DE 24-033 Schedule CGDN-3 page 5 of 5. The testimony of Mr. Goulding and Mr. Nawazelski indicates the intention to remove the 12/31/2023 MSCR balance into its SRAF and seek recovery effective 5/1/2024, spread over 5 years at 4.01% carrying charge. The testimony also indicated that actual revenue from the SRAF would be applied monthly beginning in May 2024, thus reducing the balance moved to the Storm Fund. The proposed amount to move includes anticipated interest from May 2024 through April 2029.

Audit reviewed the SRAF general ledger balance which reflects \$-0- at 12/31/2023.

Audit is not expressing an opinion regarding the proposed movement or recovery. On May 31, 2024, the PUC issued Order 27,013 approving the transfer of the 2023 ending MSCR balance to the SRAF for recovery over a three-year period.

Unitil Energy Systems, Inc.
Docket No. DE 24-033
MSCR Fund Report/Petition to Increase Storm Recovery Adjustment Factor
Department of Energy Data Requests Set 2

Received: 7/11/24
Request No. DOE 2-3

Date of Response: 7/25/24
Witness: Munguia/Window

Request:

Please provide the EEI index information provided to the Company by its weather forecast contractor related to the September 15, 2023 Hurricane Lee storm event presented in Section 6 of the Storm Report. Note, the EEI index information was not included with the Storm Report as filed.

Response:

The Company has acknowledged that Hurricane Lee does not meet the defined criteria of a qualifying storm as measured by the EEI index. MSCR Annual Report at 23. The Company is seeking recovery of the costs associated with this storm under the second standard of review set forth in the Settlement Agreement requiring the Company to show its actions and expenditures were reasonable and prudent in light of the then-existing conditions. Therefore, the Company did not include the EEI index information with the 2023 MSCR report. However, as requested, the Company has provided the EEI index information below.

Although the EEI index is an important predictive tool—and a valuable indicator of both the possibility and severity of a particular weather event—it is not the only information used to guide the Company's planning and preparation efforts. The Company considers numerous factors including, but not limited to, forecasts and data from multiple sources (e.g., American Model, European Model, National Weather Service; National Oceanic and Atmospheric Administration (and its National Hurricane Center division); etc.); coordination with state agencies; historical experience with other storm events; time of year (hot weather, cold weather, holiday, etc.); whether the event is expected to have a regional or widespread impact (e.g., New England, the Eastern seaboard, etc.) or will be limited to the Company's service territory; and the likelihood that crews will be available once the storm system passes. These last two considerations are especially relevant to securing external resources to assist with restoration efforts. When a weather event is expected to have a wide geographical impact, the demand for contract line crews and other resources increase, with the number of available local contractors decreasing as the predicted storm event approaches. As the availability of local contractors decreases, utility companies must reach out to secure crews located farther and farther away from their service territories, which can impact restoration timelines and increase the total cost to respond to an event. In Unitil's case, if crews local to New England are not available, the Company must seek contractors or mutual assistance from Canada, the Midwest and even farther, which is generally more expensive and delays restoration due to travel times.

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 Request No. DOE 2-3

Date of Response: 7/25/24
 Witness: Munguia/Window

Energy Event Index for UNITIL

Your forecast administrator: ulbanj@unitil.com

Valid Time: September 16, 2023 6:00 AM EDT

Forecaster: jordan.oconnell

Parameter	Region	Day 1	Day 2	Day 3
Wind Speed	Capital	1	1	1
	Fitchburg	1	1	1
	Portland	1	1	1
	Seacoast	1	1	1
Wind/Gust	Capital	2	1	1
	Fitchburg	2	1	1
	Portland	2	1	1
	Seacoast	2	1	1
Confidence Level	Capital	Medium	High	High
	Fitchburg	Medium	High	High
	Portland	Medium	High	High
	Seacoast	Medium	High	High

Energy Event Index

Definition

With Leaves (May 1 - Nov 15)

EI	Wind Speed	Wind/Gust
1	< 30 mph	< 35 mph
2	>= 30 mph	>= 35 mph
3	>= 45 mph	>= 50 mph
4	>= 60 mph	>= 65 mph
5	>= 70 mph	>= 75 mph

Confidence Level	
Low	<30% chance the most likely index level remains at that level through the event
Medium	30-60% chance the most likely index level remains at that level through the event
High	>=60% chance the most likely index level remains at that level through the event

*Note: Confidence is NOT a measure of probability of an event occurring; if you have an accompanying forecast discussion, that information can be found there. Confidence is a measure of how likely the forecasted index level will stay at that level from now through the event, or a way to measure the potential for variability in the forecast. So for example, if it is Monday and there are level 2 gusts forecasted on Wednesday with high confidence, and if your customizable threshold for high confidence is set at 60%, it means the following: There is a >=60% chance the most likely forecasted gusts will remain at level 2 with all updates from now through Wednesday.

Forecast for Unitil from DTN

For Phone Consulting: 1-800-361-4972

Issued Date: 09/16 0600

Forecaster: Jordan O'Connell

Zones (Forecast for next 48 hrs)	SEACOAST	CAPITAL	FITCHBURG	PORTLAND
Event	GUSTS	GUSTS	GUSTS	GUSTS
Event Begin Time	Ongoing	8am Sat	8am Sat	Ongoing
Event End Time	10pm Sat	9pm Sat	7pm Sat	1am Sun
Event Confidence	High	Medium	Medium	High
Thunderstorm Wind Gusts				
Lightning Intensity				
Storm Movement/Direction				
Rain Amount				
Sustained Winds	NW at 20-30 mph	NW at 15-25 mph	NW at 15-25 mph	N-NW at 20-32 mph
Common Wind Gusts	35-45 mph	30-35 mph	30-35 mph	35-45 mph
Peak Gusts	50 mph	45 mph	45 mph	53 mph
Temp. Extremes	77/58	78/54	77/56	76/57

UNITIL SERVICE AREA 48 HOUR OUTLOOK:

SEACOAST: Today, rain and gusty winds are expected as Hurricane/Tropical Storm Lee passes to the east and enters the Gulf of Maine. Rainfall: Up to 0.20", with locally higher amounts possible in heavy rain bands. See Event table above for wind details. Sunday, Lee will be weakening and lifting further northeastward into southeastern Canada leading to dry conditions through the day and night, although, some breezy winds with gusts of 20-25 mph will remain possible through the morning.

Confidence: Confidence is high in hazardous wind gusts occurring today. Chance of EEI-2/3 Wind Gusts today: 80%/30%. Confidence is medium that sustained winds may approach hazard levels today. Chance of EEI-2 Sustained Winds today: 30%. Confidence is currently high in Hurricane/Tropical Storm Lee's track. Confidence is high that no hazards will occur on Sunday.

Unitil Energy Systems, Inc.
Docket No. DE 24-033
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Department of Energy Data Requests Set 2

Received: 7/11/24
Request No. DOE 2-3

Date of Response: 7/25/24
Witness: Munguia/Window

CAPITAL: Today, rain and gusty winds are expected as Hurricane/Tropical Storm Lee passes to the east and enters the Gulf of Maine. Rainfall: Up to 0.10", with locally higher amounts possible in heavy rain bands. See Event table above for wind details. Sunday, Lee will be weakening and lifting further northeastward into southeastern Canada leading to dry conditions through much of the day, although, some breezy winds with gusts of 20-25 mph will remain possible through the morning. Overnight Sunday, some showers may begin to push into the area of an approaching cold front. Rainfall: Trace.

Confidence: Confidence is medium in hazardous wind gusts occurring today. Chance of EEI-2 Wind Gusts today: 50%. Confidence is currently high in Hurricane/Tropical Storm Lee's track. Confidence is high that no hazards will occur on Sunday.

FITCHBURG: Today, rain and gusty winds are expected as Hurricane/Tropical Storm Lee passes to the east and enters the Gulf of Maine. Rainfall: Up to 0.10", with locally higher amounts possible in heavy rain bands. See Event table above for wind details. Sunday, Lee will be weakening and lifting further northeastward into southeastern Canada leading to dry conditions through much of the day, although, some breezy winds with gusts of 20-25 mph will remain possible through the morning. Overnight Sunday, some showers may begin to push into the area of an approaching cold front. Rainfall: Tr-0.10".

Confidence: Confidence is medium in hazardous wind gusts occurring today. Chance of EEI-2 Wind Gusts today: 50%. Confidence is currently high in Hurricane/Tropical Storm Lee's track. Confidence is high that no hazards will occur on Sunday.

PORTLAND: Today, rain and gusty winds are expected as Hurricane/Tropical Storm Lee passes to the east and enters the Gulf of Maine. Rainfall: 0.20-0.40", with locally higher amounts possible in heavy rain bands. See Event table above for wind details. Sunday, Lee will be weakening and lifting further northeastward into southeastern Canada leading to dry conditions through the day and night, although, some breezy winds with gusts of 20-25 mph will remain possible through the morning.

Confidence: Confidence is high in hazardous wind gusts occurring today. Chance of EEI-2/3 Wind Gusts today: 80%/40%. Confidence is medium that sustained winds may approach hazard levels today. Chance of EEI-2 Sustained Winds today: 40%. Confidence is currently high in Hurricane/Tropical Storm Lee's track. Confidence is high that no hazards will occur on Sunday.

UNITIL SERVICE AREA 3-5 DAY OUTLOOK: Monday, a cold front will swing across the area and provide scattered showers. Rainfall: 0.30-0.60". Tuesday, dry and hazard-free. Wednesday, dry and hazard-free.

Confidence: Confidence is medium that no hazards will occur on Monday. Confidence is high that no hazards will occur on Tuesday. Confidence is high that no hazards will occur on Wednesday.

DAYS 6-10 EXTENDED OUTLOOK: Drier conditions continue late next week and into next weekend as high pressure remains in the region. Late in the extended period, may need to watch for a system or front bringing precipitation chances back to the region. Currently there is less than a 10% chance for hazardous weather (EEI-2+ impacts) during the 6-10 period. Consider utilizing DTN consulting services for additional risk communication.

NORTHEAST U.S. REGIONAL SUMMARY:

HURRICANE LEE WILL MOVE JUST EAST OF THE NEW ENGLAND COAST THROUGHOUT THE DAY TODAY, BRINGING INCREASED GUSTS, ALONG WITH SCATTERED TO WIDESPREAD RAIN CHANCES. LEE'S PROJECTED LANDFALL FAVORS NOVA SCOTIA, BUT LARGE IMPACTS ARE LIKELY ACROSS PORTIONS OF SOUTHERN NEW BRUNSWICK AND EASTERN MAINE. LEE WILL CONTINUE TO BE MONITORED FOR UPDATES TO ITS CURRENT TRACK. SCATTERED SHOWER AND STORM CHANCES CONTINUE ACROSS THE SOUTHEAST TODAY. SCATTERED STORM AND SHOWERS ALSO REMAIN POSSIBLE ACROSS THE MISSISSIPPI VALLEY.

EAST: Lee's track will continue to be monitored, as the location of Lee's main impacts may change with any shift occurring in its track. Gusty winds and heavier rainfall are expected across eastern portions of Massachusetts, New Hampshire, and Maine. While confidence is higher in Lee's track, any slight shift will change the location of any impacts, potentially increasing/decreasing chances. Another system/cold front may impact East by late this weekend and early next week and will bring increased shower and thunderstorm chances once again. Many areas may trend dry around midweek next week with the exception of Florida where rain and storm chances may continue. These drier conditions may continue for most through late next week, with activity chances returning by next weekend.

Unitil Energy Systems, Inc.
Docket No. DE 24-033
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Department of Energy Data Requests Set 2

Received: 7/11/24
Request No. DOE 2-4

Date of Response: 7/25/24
Witness: Munguia/Window/Sylvain

Request:

Reference the Storm Report at Section 6 beginning on page 22 which describes the Company's experience related to Hurricane Lee. The Report states that the Company began monitoring the tropical depression (i.e. Invest 95L) which developed into Hurricane Lee on September 5, 2023. Please provide additional details on when the Company acted to retain additional external contractor resources for the storm response.

Response:

Hurricane Lee was forecasted to impact the northeastern United States and eastern Canada. MSCR Annual Report at 22. On September 11th, Hurricane Lee was categorized as a Category 3 storm,¹ which is defined as:

Devastating damage will occur: Well-built framed homes may incur major damage or removal of roof decking and gable ends. Many trees will be snapped or uprooted, blocking numerous roads. Electricity and water will be unavailable for several days to weeks after the storm passes.

As late as September 13th, the National Weather Service issued hurricane and tropical storm watches for the entire New England coastline from Rhode Island to Maine. MSCR Annual Report at 22. Consequently, in the days leading up to Hurricane Lee's landfall there was significant regional demand for contractor crews to assist with the restoration efforts anticipated for a storm of this magnitude.

The Company secured 25 external contractor crews on September 11, 2024, at which time (as noted above) Hurricane Lee was designated a Category 3 storm. Moreover, as shown on page 24 of the MSCR Annual Report, on September 11th the NOAA Hurricane Center was predicting a storm path that would impact New England and the Company's service territory. Thus, the Company's decision to secure external crews at that time was reasonable and prudent based on the then-existing facts and circumstances:

- The NOAA and National Weather Service forecasts indicated that Hurricane Lee was going to be a severe and hazardous weather event with the potential to adversely impact the Company's electric distribution system;

¹ On page 22 of the MSCR Annual Report, the Company explained that on September 10th Hurricane Lee was classified as Category 2 storm. However, the storm intensified and was re-classified as a Category 3 storm on September 11th. National Hurricane Center, Tropical Cyclone Report, Hurricane Lee (March 21, 2024), *available at* https://www.nhc.noaa.gov/data/tcr/AL132023_Lee.pdf

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Request No. DOE 2-4

Date of Response: 7/25/24
Witness: Munguia/Window/Sylvain

- The restoration of power is an essential electric utility function and securing the necessary resources and proper pre-staging is an important element in ensuring timely restoration of service;
- Based on information from professional weather forecasters, securing external crews was necessary to ensure service would be restored to customers in a safe and reasonably prompt manner;
- Hurricane Lee was a regional event and there was a significant region-wide increase in demand for contractor crews to assist utilities with restoration efforts ; and
- Any delay to secure contractor crews could have resulted in increased costs to customers (assuming crews were still available at all).

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Department of Energy Data Requests Set 2

Received: 7/11/24
Request No. DOE 2-5

Date of Response: 7/25/24
Witness: Munguia/Window

Request:

Please explain the phrase “exclusionary criteria” as used by the Company in the Storm Report. See, for example, page 23 where the report states “...this event did not ultimately result in a storm that meets exclusionary criteria... .”

Response:

The Settlement Agreement in Docket No. DE 10-055 allows the Company to seek recovery of storm costs under two standards of review.

First, the Company may recover (a) preparation costs associated with qualifying storms that are likely to occur, which are defined, in part, as storms where the EEI index reaches a Level 3 with a “high” level of confidence and (b) restoration costs for qualifying major storms, which include severe weather events causing 16 concurrent troubles and 15 percent of customers interrupted, or 22 concurrent troubles, in either the Capital or Seacoast regions of Unitil. *Unitil Energy Systems, Inc.*, Docket No. 10-055, Settlement Agreement on Permanent Distribution Rate, at § 8.1 (Feb. 23, 2011) (the “*Settlement Agreement*”); Major Storm Cost Reserve Fund Report 2023, at 29-32 (February 28, 2024). If the Company meets these conditions for cost recovery, then it “excludes” recoverable storm costs from Operations and Maintenance expense within the Company’s general ledger system and applies these recoverable storm costs to a regulatory asset account to be included for future recovery in MSCR proceedings.

Second, the Settlement Agreement allows the Company to petition the Commission to recover the costs of certain weather events that do not meet the definition of a qualifying storm. *Settlement Agreement* at § 8.2. In such cases, the Company has the burden to demonstrate the reasonableness of its expenditures. *Id.*