

**STATE OF NEW HAMPSHIRE
BEFORE THE NEW
HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DE 24-054
Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
2023 Annual Storm Fund Report**

Technical Statement of
Mark P. Toscano and Jacqueline Trottier, Utility Analysts
NH Department of Energy, Division of Regulatory Support

August 15, 2024

Introduction and Background

The Department of Energy (“DOE”) has reviewed the joint testimony of Anthony Strabone and Robert Garcia, which serves as the 2023 Annual Storm Fund Report filed on April 1, 2024 by Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty (“Liberty” or “the Company”) with the Public Utilities Commission (“Commission”) in Docket No. DE 24-054. In this filing, Liberty is requesting recovery of costs related to two pre-staging events, two storm events, as well as carry-over costs and for two storms occurring in 2022¹. The DOE has also reviewed the *Liberty 2023 Storm Fund Report DE 24-054 Final Audit Report* (hereinafter “2023 Audit Report”) issued by DOE’s Enforcement Division on June 13, 2024. *See* Attachment 1. DOE has also reviewed the subsequent filing made by the Company, specifically Liberty’s *Revised Storm Fund Total Attachments* (August 7, 2024). The total costs that the Company identified to be collected through its Storm Fund in this docket amount to \$2,442,251 (as of December 31, 2023). Testimony of Strabone and Garcia at 7. There is no rate adjustment triggered by this filing as the Company’s collection of \$1.5 million annually for the Storm Fund is included in base distribution rates, and any over/under spend of that amount is recorded in appropriate Storm Fund-related accounts.

The Settlement Agreement approved in Order No. 24,777² established a Storm Fund to recover approved costs associated with qualifying major storms that meet certain criteria. That criteria was later modified in Order No. 25,638³ to include the recovery of pre-staging costs for storms that meet certain weather forecast criteria. Currently the criterion for recovery is as follows:

¹ Docket No. DE 23-035- Technical Statement of Stephen R. Eckberg and Final Audit Report, Attachment 1 2022 Storm Fund Report Final Audit Bates 26 (identifying additional 2022 weather event costs of \$42,690.87 and plan to file for recovery in the 2023 storm fund filing to avoid confusion within Docket No. DE 23-035); Testimony of Strabone and Garcia (April 1, 2024) Bates page 11 (referencing 2022 weather event expenses) and Attachment 2 Bates page 28 ; 2023 Audit Report page 4 (showing Winter Storm Diaz and Elliot from 2022, with charges \$18,870 and \$23,110 for total charges of \$41,980.

² Docket No. DG 06-107, Order No. 24,777 (July 12, 2007), pages 13 and 14.

³ Docket No. DE 13-063, Order No. 25,638 (March 17, 2014) at 13.

Major Storm	If Major Storm requirements are not met, then...
<p>“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.”</p>	<p>“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.”</p>

As described herein, in the opinion of the DOE, the 2023 Annual Storm Fund Report as filed on April 1, 2024, reflecting the Storm Fund adjusted ending balance as of December 31, 2023, is accurate with those exceptions identified in DOE’s 2023 Audit Report, all of which the Company has addressed. Accordingly, DOE recommends that the Commission accept and approve the Company’s 2023 Annual Storm Fund Report, with the exceptions identified in the 2023 Audit Report. Specifically, DOE recommends that \$82,228⁴ be removed from the direct costs reported by the Company.

DOE Analysis and Recommendation

The 2023 Annual Storm Fund Report details expenses related to two pre-staging events and two storm events from 2023, along with carry-over costs for two storm events from 2022. A summary of these costs is presented below.

Table 1 Summary of Costs (Information from Company's Attachment 2 Bates page 028)

Event	Costs
Winter Storm Olive – February 22, 2023 - (Pre-Staged)	\$ 162,711
Winter Storm Quest – March 3, 2023 - (Pre-Staged)	\$ 279,154
Winter Storm Sage – March 13, 2023 - (Qualifying Storm)	\$ 1,575,858
Wind Event – December 18, 2023 - (Qualifying Storm)	\$ 382,549
Winter Storm Diaz – December 15, 2022 – (Qualifying Storm)	\$ 18,870
Winter Storm Elliot – December 23, 2022 – (Qualifying Storm)	\$ 23,110
Total	\$ 2,442,251

DOE analysts reviewed the weather forecasts and outage statistics for each storm event included in the Company's filing. Based on this information, as well as review of the findings in the 2023 Audit report, the pre-staging and major storm recovery costs for the listed events qualify for recovery through the Storm Fund. Based on this information, as well as review of the findings in the 2023

⁴ See pg. 26 of Attachment 1, 2023 Audit Report

Audit report, the pre-staging and major storm recovery costs for the listed events qualify for recovery through the Storm Fund.

Table 2 Summary of Event Qualifiers (Information from Testimony of Strabone and Garcia Bates pages 10-19)

	Winter Storm Olive (pre-staged)	Winter Storm Quest (pre-staged)	Winter Storm Sage	Wind Event
Qualifier	EEI level 3 High confidence	EEI level 3 High confidence	EEI level 3 High confidence & 68 Troubles	70 Troubles

The 2023 Audit Report identified five audit issues, four of which recommend adjustments to the costs allocated for recovery, which the Company accepted as identified below.

Table 3 Summary of Audit Issues (Information from 2023 Audit Report at 26)

Audit Issue No.	Event(s)	Description	Adjustment
1	February 22, 2023 Winter Storm Olive	Outside of period storm costs	\$ (14,686.06)
2	February 2023 Winter Storm Olive and March 2023 Storm Quest	Coding errors: No cost impact	\$ -
3	March 4, 2023	Outside of period storm costs	\$ (60,841.63)
4	March 14, 2023	Outside of period storm costs and adjustments	\$ 872.00
5	December 18, 2023	Outside of period storm costs	\$ (8,172.20)
Total			\$ (82,827.89)

Conclusion

In conclusion, the DOE recommends that the Commission approve the 2023 Annual Storm Fund Report as filed on April 1, 2024, reflecting the Storm Fund adjusted ending balance as of December 31, 2023, with the exceptions identified in DOE’s 2023 Audit Report all of which were addressed by the Company. The amount recommended for approval is reflected below.

Table 4 Summary of Costs Recommended for Approval

	Costs
Two Pre-Staged Events	\$441,865
Two Major Storm Events	\$1,958,407
Two 2022 Carryover Events	\$41,980
Company's Requested Recovery	\$ 2,442,251
DOE Audit Adjustments	\$(82,827)
DOE Recommended Recovery	\$2,359,424

The Company has indicated that, depending on the timing of the audit of 2023 expenditures, it expects to file a Storm Recovery Adjustment Factor (SRAF) with the Commission in the summer of 2024.⁵ In such a filing, which DOE anticipates will be made in a new docket, the Company has expressed a desire to revisit discussions regarding the optimal balance to maintain in the Storm Fund. The DOE looks forward to participating in those discussions.

If the Commission approves the 2023 Annual Storm Fund Report and adopts the DOE's recommendation, subject to the Commission's requirement that Liberty, the DOE, and any interested parties confer regarding whether additional process and/ or a hearing will be necessary, it is the DOE's view that no further action is necessary. In the opinion of the DOE the Commission could issue an order *nisi* consistent with the DOE's recommendation and the docket could be closed. *See* Procedural Order Re: Applicable Deadlines (April 9, 2024).

⁵ See Testimony of A. Strabone and R. Garcia Bates 25, Line 14.

STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: June 13, 2024

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

SUBJECT: Liberty Utilities (Granite State Electric) Corp.
2023 Storm Fund Report, DE 24-054
Final Audit Report

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

Introduction

On April 1, 2024, 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 2023. The filing was docketed as DE 24-054 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"*.

2023 Storm Fund Report

Attachment 1, on Bates page 027 of the DE 24-054 filing, provides an overview of the (over)/under collection of storm related funds at Liberty and the activity which occurred during 2023. The reported activity for the year is summarized as follows:

Beginning Balance a/o 1/1/2023 over collection	\$ (1,868,153)
Base Rate Contribution	\$(1,500,000.00)
SRA Factor	\$ 1,397,052
Prior Period Adjustments	\$ (29,503)
Interest Expense (Income)	\$ (47,272)
Storm Costs	\$ <u>2,442,251</u>
2023 Ending Balance under collection	\$ 394,375

The following depicts the summarized 2023 storm charges, per filed Attachment 2, Bates page 028:

Pre-stage Winter Storm Olive, Job #2302	02/22/2023	\$ 162,711
Pre-stage Winter Storm Quest, Job #2303	03/03/2023	\$ 279,154
Qualifying Winter Storm Sage, Job #2304	03/13/2023	\$ 1,575,858
Qualifying Wind Event, Job #2308	12/18/2023	\$ 382,549
Qualifying Winter Storm Diaz, Job #2209	12/15/2022	\$ 18,870
Qualifying Winter Storm Elliot, Job #2210	12/23/2022	\$ <u>23,110</u>
Total Filed Pre-stage and Qualifying Storm Costs		\$ 2,442,251

Beginning and Ending Balances

Audit verified that the reported 2023 beginning balance of \$(1,868,153) (over) collection agrees with the 2022 ending balance, as reported in Attachment 1 on Bates page 33 of the 2022 annual Storm Fund Report. The Storm Liability account 241400-10254000 account began 2023 with a (\$2,398,474) over collection beginning balance while the filing has a (\$1,868,153) over collection beginning balance. This is a (\$530,321) difference that is the result of 2022 storm activity in 2023 included on the 2022 filing, manual reclassification entries not included on the 2022 filing, interest variance, and 2021 audit report variance differences.

1/1/2023 GL B. Balance	(\$2,398,474)
Storm Fund Filing B. Balance	<u>(\$1,868,153)</u>
Difference	(\$530,321)

2022 Storm activity in 2023 included in 2022 filing	\$543,384
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2022 Manual Reclass entries not in 2022 filing	(\$714)
2022 Interest Variance filing vs GL	(\$878)
2021 Variance per Audit Report (Interest + Adj)	<u>(\$11,471)</u>
Total Difference	\$530,321

The reported ending balance at 12/31/2023 of an under collection of \$394,375 was reconciled to general ledger balances, inclusive of certain general ledger entries posted from January through April 2024, relating to the 2023 storms:

	171500- 10182300	241400- 10254000	Net
Actual 1/1/2023 General Ledger Beginning Balances	\$ -	\$ (2,398,474)	\$(2,398,474)
1/31/2023 Reversal December 2022 entry reclassing Asset to Liability	\$ 2,002,617	\$ (2,002,617)	\$ -
2021 Storm 2102 posted in 2023	\$ 1,476		\$ 1,476
2022 Storm 2202 Prestaging Storm Kenan posted in 2023	\$ 3,296		\$ 3,296
2022 Storm 2203 Prestaging Storm Landon posted in 2023	\$ (3,411)		\$ (3,411)
2022 Storm 2205 Prestaging Storm Oaklee posted in 2023	\$ 115		\$ 115
2022 Storm 2209 Winter Storm Diaz posted in 2023	\$ 441,940		\$ 441,940
2022 Storm 2210 Winter Storm Elliot posted in 2023	\$ 113,884		\$ 113,884
2023 Storm 2302 Prestaging Winter Storm Olive Posted in 2023	\$ 162,711		\$ 162,711
2023 Storm 2303 Prestaging Winter Storm Quest posted 2023	\$ 279,058		\$ 279,058
2023 Storm 2304 Winter Storm Sage posted in 2023	\$ 1,576,730		\$ 1,576,730
2023 Storm 2308 Wind Event posted in 2023	\$ 283,255		\$ 283,255
Storm Interest Posted in 2023	\$ 334,179	\$ (376,401)	\$ (42,222)
Storm Recovery Adjustment Factor posted in 2023		\$ 1,397,052	\$ 1,397,052
Storm Revenue posted in 2023		\$ (1,500,000)	\$(1,500,000)
2024 GL activity Prestaging Winter Storm Quest	\$ 96		
2024 GL activity Wind Event 2308	\$ 99,294		
12/31/2023 GL Ending Balance	\$ 5,295,240	\$ (4,880,440)	\$ 414,800
Filing Attachment 1 Bates pg 27 12/31/2023 Ending Balance			\$ 394,375
Difference			\$ (20,425)

Explanation of \$20,425 GL and filing 12/31/2023 ending balance

Interest Variance	(\$5,052)
2022 Audit Variance	(\$13,063)

Charges to Reclass from GL	<u>(\$2,310)</u>
Total Difference	(\$20,425)

Audit calculated a difference of \$20,425 from the 2023 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.

Interest per 1825 GL account	\$334,180
Interest per 2548 GL account	<u>(\$376,400)</u>
Total Interest per storm deferral	(\$42,221)
Interest per 2023 storm filing	<u>(\$47,272)</u>
Timing Difference	(\$5,052)

The other differences are a (\$13,063) 2022 storm cost audit report variance and a (\$2,310) charges reclass from the GL. The following chart below depicts the calculation representing the noted difference for the (\$13,062) difference from the 2022 storm report:

2021 Audit Report Difference Storm Report minus the General Ledger	\$ <u>(11,471)</u>
2022 Storm #2203 manual reclass posted 2022	(714)
2022 Interest Difference Between the Filing minus the General Ledger	<u>(878)</u>
2022 Difference of the Filed Storm Fund Report minus the General Ledger (rounded)	\$ <u>(13,062)</u>

The Company explained the \$714 variance as journal entries that were reclassified manually for storm #2203 and were not reported in the filing.

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.”

The remaining (\$2,310) net difference is the result of (\$1,438) 2021 and 2022 storm cost corrections and (\$872) 2023 March 13th winter storm Sage incorrect cost adjustments.

2021 and 2022 Storm Cost adjustments	\$1,437
Winter Storm 2304 Sage reclass	<u>\$872</u>
Total Reclass	\$2,310

On the 2023 Storm reconciliation provided to Audit there was a net \$1,437 in GL costs that needed to be reclassified that were for a \$710 invoice and \$727 labor charge. The Company stated to Audit “During the preparation of the 2023 Annual Storm Fund filing, it was found that an invoice for \$710.65 and a labor charge of \$727.00, totaling \$1,437.65, were incorrectly charged to Winter Storm Elliot - Storm 2210 and included in the storm deferral account. The

costs were not included in the storm fund filing. A journal entry was recorded in April 2024 to transfer the charges from the storm deferral account to operations expense". Audit reviewed the April 2024 adjusting entry that debited the outside services account 500300-10923000 for \$710 and credited the storm cost 10182300 regulatory account for the same amount. On the labor adjustment the Company debited the salaries and wages account 500000-10920000 for \$727 and credited the storm cost regulatory account for the same amount.

The March 13th winter storm Sage 2304 per the 2023 storm cost filing is \$1,575,858 while the GL cost is \$1,576,730. This is an \$872 difference that is the result of a \$452 May 2023 labor cost difference and \$420 in Hunter North Associates, LLC traffic control services. The Company specified, "the labor charge of \$452.40 was misidentified during the preparation of the storm filing when the settled storm costs were compared to the general ledger activity. It was subsequently determined that the labor charge is correct and should be included in the storm costs". As a result of the error the March 13th 2023 winter storm Sage should include an additional \$872 in storm costs. **Audit Issue #4** The Company in a subsequent response as a result of a coding error an additional \$9,938 in travel expenses will need to be added to the storm cost. **Audit Issue # 2**

Prior Period Adjusting Entries (\$29,503)

The filing schedule Attachment 1 Bates Page 27 column H includes January 2023, March 2023, and December 2023 (\$29,503) net prior period audit issue adjusting entries.

- (\$212) 2021 Storm AI #1 Disallow Restaurant charge
- (\$600) 2021 Storm AI #3 Disallow Police Detail charge
- (\$600) 2021 Storm AI #3 Disallow Police Detail charge
- (\$1,081) 2021 Storm AI #3 Disallow Labor charge
- (\$2,493) 2021 January 2023 Total Storm Audit Report audit issue #1 and #3 adjustments
- \$1,475 2021 winter storm 2102 GL reclass because of incorrect charge adjustments in March 23
- (\$30,978) Dec 2023 2022 Storm audit issue #2-disallowance of out of period contractor invoice
- \$2,493 Dec. 2023 Salary and Wages reclass to regulatory account
- (\$28,485)
- (\$29,503) Net of All Adjustments

Audit reviewed the (\$2,493) January 2023 adjusting journal entry that debited the 505000-10920000 Equipment and Machine Rentals account for \$2,493 and crediting the LTRA Storm Costs 171500-10182300 for the same amount.

Audit reviewed the March 2023 \$1,475 adjustment reclass entry that debited the 171500-10182300 Storm Costs deferral account for \$1,475 and credited the Balance Sheet offsetting account 702000-10182300 for the same amount.

Audit reviewed the December 2023 (\$30,978) JCR Construction invoice disallowance adjusting entry identified as audit issue #2 in the 2022 Major Storm audit report. The Company debited the outside services account 500300-10593000 for \$30,978 and credited the Storm Costs account 171500-10182300 for the same amount.

Audit reviewed the December 2023 \$2,493 wages and salaries reclass adjusting entry. The Company debited the storm costs account 171500-10182300 for \$2,493 and credited the salaries and wages account 500000-1016760699 for the same amount.

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 027 of the filing.

SRAF Factor

As part of DE 23-006 on February 23, 2023 Commission Order 26,677 the Commission approved a \$1,861,474 credit to residential rate payers March 1, 2023 through February 29, 2024. The Order indicates the Company is to refund residential rate payers (\$0.00202) per kWh. The Storm Recovery Adjustment (SRA) factor column on Attachment 1, Bates page 033, reflects no activity for January and February 2023 and (\$0.00202) March-December 2023. Audit reviewed the Summary of Rates, pages 126 – 127 of the tariffs, verifying the SRA factor of \$0.000 for January/February 2023 and (\$0.00202) March-December 2023. Audit verified February 2023, May 2023, July 2023, and September 2023 residential customer bills to verify the SRAF monthly credit was calculated correctly. Other than the 2023 Commission Order there has not been an SRAF since the DE 13-063 rate case order, Order No. 25,638, was issued in 2014. The SRAF costs are booked to the 241400-10254000 Storm Costs Liability account.

Storm Fund Accounting Policies

Audit asked the Company regarding any 2023 internal storm fund accounting policies. The Company provided Audit the Liberty Utilities East Region Employee Management Overtime Premium Pay Policy. The Company provided an 11/23/2020 Procedure for Purchasing of Credits on procurement that applies to all employees, contractors, and consultants sourcing goods and services on behalf of the Company. The policy indicates that there are two storm level credit limits of \$25,000 for level 1 storms and \$50,000 for level 2 storms. The level 1 storms have a \$2,500 transaction limit while level 2 storms have a \$5,000 transaction limit.

Interest Expense (Income)

Attachment 1 of the filing reported the interest income amount of (\$47,272). 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 (\$5,052) between the 2023 net general ledger interest entries and the total interest expense reported in the filing. The following depicts the calculation, denoting the variance:

	Interest per		Interest per GL			Variance
	Storm Filing	171500	241400	Net GL		
Jan-23	\$ (11,223)	\$ 11,677	\$ (26,038)	\$ (14,361)	\$ 3,138	
Feb-23	\$ (11,791)	\$ 13,501	\$ (26,919)	\$ (13,418)	\$ 1,627	
Mar-23	\$ (9,942)	\$ 17,367	\$ (27,805)	\$ (10,438)	\$ 497	
Apr-23	\$ (5,085)	\$ 23,940	\$ (30,782)	\$ (6,843)	\$ 1,758	
May-23	\$ (4,316)	\$ 33,060	\$ (31,136)	\$ 1,924	\$ (6,240)	
Jun-23	\$ (4,165)	\$ 24,670	\$ (31,319)	\$ (6,649)	\$ 2,484	
Jul-23	\$ (1,022)	\$ 39,959	\$ (33,356)	\$ 6,603	\$ (7,625)	
Aug-23	\$ (643)	\$ 32,710	\$ (33,220)	\$ (510)	\$ (133)	
Sep-23	\$ (260)	\$ 32,960	\$ (33,084)	\$ (124)	\$ (137)	
Oct-23	\$ (27)	\$ 34,216	\$ (34,101)	\$ 115	\$ (142)	
Nov-23	\$ 83	\$ 34,480	\$ (34,255)	\$ 225	\$ (143)	
Dec-23	\$ 1,119	\$ 35,640	\$ (34,386)	\$ 1,254	\$ (135)	
Total Interest	\$ (47,272)	\$ 334,180	\$ (376,400)	\$ (42,221)	\$ (5,052)	

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 2023 storms, including the monthly interest that is calculated based on those charges and the resulting monthly balances; whereas the GL reflects all storm charges booked to the GL each month plus the monthly interest based on those charges and the resulting monthly balances.

The following represents the calendar year 2023 interest rates, per Attachment 1 on Bates page 027 of the filing: 7.00% for the first quarter, 7.75% second quarter; 8.25% for the third quarter; and 8.50% 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 8.50% for the period October 1, 2022 through December 31, 2023
- The third quarter rate is 8.25% for the period July 1, 2022 through September 30, 2023
- The second quarter rate is 7.75% for the period April 1, 2022 through June 30, 2023
- The first quarter rate is 7.00% for the period January 1, 2023 through March 31, 2023

Staff Memo and Commission Orders

On February 23, 2023 Commission Order 26,677 the Commission approved a \$1,861,474 credit to residential rate payers March 1, 2023 through February 29, 2024. The Order indicates the Company is to refund residential rate payers (\$0.00202) per kWh. On March 22, 2024 the Commission Order 26,979.

On November 30, 2023 in DE 23-035 DOE Regulatory and Legal Staff filed a technical statement regarding the 2022 Annual Storm Fund costs. The technical statement included the DOE Audit Staff Audit Reports of the 2022 Annual Storm Fund that indicated there were two audit issues. The first audit issue identified an additional \$42,690 in 2022 storm cost that will be included in the 2023 storm filing to avoid confusion. The second audit issue was (\$30,978) JCR Construction invoice from 2/28/2023 that was outside of 2022 qualifying storm recovery events. The Company and DOE Audit Staff concurred on both audit issues and the Company Legal Staff filed a statement indicating there were no further outstanding matters to be resolved. The technical statement indicates the 2022 storm costs were \$2,485,540. Bates page 4 of the technical statement summarizes the filing balance, GL balances, and net audit recommendations to arrive at a (\$1,886,068) 12/31/2022 adjusted recovery figure. On March 22, 2024 Commission Order 26,979 approved the 2022 storm fund (\$1,886,068) 2022 storm fund ending balance and \$2,485,540 in 2022 storm costs.

Internal Audit Reports

The Company indicated that there were not any internal audit reports conducted by the Company on the 2023 storm fund costs.

Contractor Teaming Agreements

Audit asked the Company for the 2023 Major Storm Fund outside contractor teaming agreements and contracts for storm fund responses. The Company provided the storm fund vendor hourly rates for Asplundh, JCR Construction Company Inc., Utility Service and Assistance Inc, and Tempest Energy. The contractual terms included the hourly rates for flaggers, line workers, and equipment such as bucket trucks, trucks, trailers, diggers, and backhoes. The Company indicated that they do not have any specific vendor contractual teaming agreements with regards to the responding to storms. The Company stated, *“Before a storm event, the Company faces strong local competition with other local utility companies for resources, so the objective is to secure the crews and staffing necessary to ensure the restoration work is done quickly. The Company attempts to manage these costs by securing vendors that are in close proximity to our territories, thereby avoiding travel expenses. The Company does review the contractor rates but does not negotiate the rates with a short time period between storm preparations and actual storm work.”*

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

Since October 2022 GSE has been using the SAP for the general ledger accounts. The following represents the SAP general ledger:

<u>Account Description</u>	<u>SAP Account No.</u>
Storm Costs	171500-10182300
Current Regulatory Liability Storm Costs	241400-10254000
Maintenance of Overhead Lines	500000-10593000
Maintenance of Overhead Lines-Veg Management	505000-10593000
Property Insurance	501010-10924000

The following describes the activity in the storm cost expense and revenue accounts (/SAP), as well as the expense and/or capital accounts impacted by the 2023 storms:

- 171500-10**182300** 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 -254000 Regulatory account.
- 241400-10**254000** 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 -182300 Regulatory account. This account also books the SRAF costs.
- 500000-10**593000** 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 -182300 regulatory account. As Storm jobs are opened, they are opened with two associated expense accounts, these 5930 accounts and 5932 below.

- 505000-10**593000** 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 to determine 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 1823 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 501010-10**924000**, Property Insurance.

Cost Elements

Since October 2022, the Company has been using SAP storm WBS project codes. The cost element is derived from the GL account that is used when recording transactions. The cost element identifies the type of expense such as materials, payroll, overhead, and outside services,

<u>Cost Element Cost Center</u>	<u>Cost Element Description</u>
500000	Salaries and Wages
500300	Outside Services
501110	Travel Expenses-Accommodations
501300	Meals and Entertainment
505000	Other Operating Expenses

2023 Pre-Staging and Qualifying Weather Events per the Storm Fund Report

The filed 2023 Storm Fund Report details the 2023 storm cost total of \$2,442,251. Audit compiled the following summary—by storm event and expense type—per Attachment 2 on pages 3-8, as reported within the filing:

	Prestaging Winter Storm Olive 2/22/2023	Prestaging Winter Storm Quest 3/3/2023	Qualifying Winter Storm Sage 3/13/2023	Qualifying Wind Event 12/18/2023	Qualifying Winter Storm Diaz 12/15/2022	Qualifying Winter Storm Elliot 12/13/2022	Total
Payroll +OH	\$ 68,173	\$ 109,795	\$ 417,944	\$ 181,046	\$ 707	\$ -	\$ 777,665
Non-Labor Costs	\$ 94,537	\$ 169,359	\$ 1,157,914	\$ 201,503	\$ 18,163	\$ 23,110	\$1,664,586
Total	\$ 162,710	\$ 279,154	\$ 1,575,858	\$ 382,549	\$ 18,870	\$ 23,110	\$2,442,251
Audit Issue #1 2302	\$ (50,810)						\$ (50,810)
Audit Issue #2 Coding	\$ (9,172)	\$ (766)	\$ 9,938				\$ -
Audit Issue #3 2303		\$ (78,511)					\$ (78,511)
Audit Issue #4 2304			\$ (4,393)				\$ (4,393)
Audit Issue #4 2304							\$ 872
Ad. Costs			\$ 872				\$ 872
Audit Issue #5 2308				\$ (8,172)			\$ (8,172)
Revised Storm Total	\$ 102,728	\$ 199,877	\$ 1,582,275	\$ 374,377	\$ 18,870	\$ 23,110	\$2,301,237

2/22/2023 Job #2302 – Pre-Stage for Winter Storm Olive \$162,711

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 036 of the filing included the weather forecast from February 22 in the afternoon, as outlined in summaries provided by the Data Transmission Network (DTN). According to the Energy Event Index Definition, the weather forecast for 2/22/2023 evening 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 of heavy wet snow in the Northern part of the state specifically the Lebanon and Bath areas of the service territory.

Audit confirmed that the preparation costs for the winter storm Olive 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 Olive:

Payroll and Overheads	\$ 68,173
Non-labor Costs	<u>94,537</u>
Total (rounded)	\$ 162,711

Cost Element	Cost Element Description	Date	Amount
500000	Salaries and Wages Overhead	February and March 2023	\$ 38,177
500300	Outside Services	March 2023-May 2023 and November 2023	\$ 78,191
501110	Travel Expenses-Accommodations	March and April 2023	\$ 12,593
5001300	Meals and Entertainment	March-May 2023	\$ 3,744
505030	Tips/Gratuities	March 2023	\$ 10
800000	Labor Allocations	February 2023-March 2023 and August 2023-September 2023	\$ 29,996
Total Per Filing			\$ 162,711
Audit Issue #1			\$ (50,810)
Coding Error Travel			
Adj Audit Issue #2			\$ (9,172)
Revised Storm Cost			
Total Per GL			\$ 102,729

The provided work order details included a summary of the pre-stage winter storm Olive costs, as well as a detailed breakout of the general ledger activity. The \$162,711 total in pre-staging costs submitted through the work order detail was verified to Bates page 030 of the filing, as well as to the general ledger. Audit sampled eleven expense transactions to review totaling \$111,998 or 69% of the total storm costs for the Winter Storm Olive 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.

Audit reviewed two JCR Construction Invoices one for \$7,385.26 and the other for \$3,380.65 that were from February 9, 2023 for storm work performed the week of January 29, 2023 per the actual invoices. Since the prestaging for winter storm Olive occurred on February 22, 2023 this means the JCR Construction invoice was out of period. Audit also sampled an IHOP \$402.18 invoice that was from March 23, 2023 which is a month after winter storm Olive occurred. **Audit Issue #1**

In addition to the three invoices reviewed above that were out of period Audit noticed eleven other invoice document dates for Lakeside Environmental and Asplundh Tree Experts that were well after the February 22, 2023 winter storm Olive prestaging event. The Company should explain and provide the following invoices that show they were related to winter storm Olive. This means that Audit is recommending that \$50,814 in winter storm Olive invoices be removed from the filing because the invoice charges did not occur during the actual storm dates. This figure includes the JCR Construction and IHOP costs. **Audit Issue #1**

Posting Date	Created on	Document Date	Cost Element	Invoice Total	Cost element descr.	Vendor Name
3/8/2023	3/8/2023	2/10/2023	500300	7,385.26	Outside Services	JCR CONSTRUCTION CO INC
3/8/2023	3/8/2023	2/10/2023	500300	3,380.65	Outside Services	JCR CONSTRUCTION CO INC
4/5/2023	4/5/2023	4/5/2023	500300	1,083.77	Outside Services	Lakeside Environmental
4/13/2023	4/14/2023	4/13/2023	500300	6,743.04	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/14/2023	4/13/2023	500300	3,667.46	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/14/2023	4/13/2023	500300	4,611.92	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/14/2023	4/13/2023	500300	1,275.26	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	3,517.97	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	4,515.92	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	3,109.76	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	4,081.34	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	3,517.97	Outside Services	ASPLUNDH TREE EXPERT CO
4/28/2023	4/28/2023	4/28/2023	500300	3,517.97	Outside Services	ASPLUNDH TREE EXPERT CO
4/28/2023	4/28/2023	4/28/2023	501300	402.18	Meals & Entertainment	
			Total	50,810.47		

Audit sampled a \$4,561.66 out of \$12,593 in hotel travel expenses for winter storm Olive 2302 prestaging event. The hotel charges from March 4, 2023 were for employees staying at a Holiday Inn and associated tax. The March 4, 2023 hotel charges are out of period for the February 22, 2023 winter storm Olive prestaging winter storm event. The Company indicated to Audit that these travel expenses were coded incorrectly to the wrong storms that effected the 2302 February 22 prestaging event, 2303 March 4th prestaging winter storm Quest, and 2304 March 14th winter storm Sage. The three storms \$22,531 total travel expenses did not change but the coding corrections changed the amounts allocated to the three storms changed. **Audit Issue #2**

<u>As Recorded</u>	<u>Coding Corrections</u>
\$12,593 2302 Olive	\$3,421 2302 Olive
\$9,938 2303 Quest	\$9,172 2303 Quest
\$22,531	\$9,938 2304 Sage
	\$22,531

Audit reviewed the \$3,421 prestaging winter storm Olive coding correction and verified the \$3,421 hotel and associated tax during for stays at the Hilton Garden Inn/Best Western were calculated correctly and occurred during the February 22, 2023 storm period.

Audit sampled a \$35,368 storm overhead entry posted to the general ledger on 2/28/2023 out of \$38,177 in storm cost payroll overheads. The Company provided the journal entry that debited 500000-101823000 Storm Costs and credited 505100-10922000, Admin Expenses Transferred. The 2023 overhead rates were provided, and Audit confirmed that the \$35,368 entry was calculated based on the 2023 overhead rate of 132.7%. Audit recalculated the overhead rate applied to the Storm-Exp-2302 sum of payroll charges—that totaled \$27,438—and verified that the overhead entry represented 132.7% of storm labor. Audit verified and confirmed the \$38,177 spent on payroll overhead for the prestaging winter storm Olive.

Audit verified the \$29,996 sum of payroll to the general ledger and reviewed sample payroll entries by the individual employee number, noting that separate entries per employee number were made for each wage earnings category.

3/4/2023 Job #2303 – Pre-Stage for Winter Storm Quest \$279,154

Bates page 039 of the filing included the weather forecast from March 4th, as outlined in summaries provided by the DTN. According to the Energy Event Index Definition, the weather forecast for 3/4/2023 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, Southern, and Western regions of the state. Audit confirmed that the preparation costs for the winter storm Quest prestaging 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 Quest pre-stage weather event are represented in the following, as reported on Bates page 031 of the filing:

Payroll and Overheads	\$ 109,795
Non-labor Costs	<u>169,359</u>
Total (rounded)	\$ 279,154

The \$279,154 total in pre-staging costs was verified to Bates page 031 of the filing, as well as the general ledger.

Cost Element	Cost Element Description	Date	Amount
500000	Salaries and Wages Overhead	Mar-23	\$ 61,241
500300	Outside Services	March 23-May 2023, July 2023, and November 2023	\$ 148,080
501110	Travel Expenses-Accomodations	Apr-23	\$ 9,938
501300	Meals and Entertainment	April 2023-June 2023 and January 2024	\$ 10,159
505030	Tips/Gratuities	April 2023 and June 2023	\$ 32
800000	Labor Allocations	March 2023 and September 2023	\$ 49,705
	Total Per Filing		\$ 279,155
	Audit Issue #3		\$ (78,511)
	Coding Error Travel Adj. Audit Issue #2		\$ (767)
	Revised Storm Cost per GL		\$ 199,877

Audit sampled nine charges to review and totaling \$149,993 or 54% of the total storm costs for winter storm Quest 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. 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.

Audit reviewed two JCR Construction Inc. invoices with the first one being \$50,026.45 and the second one being \$6,547.64 that was invoiced on February 9, 2023 for storm work performed the week of January 29, 2023 per the actual invoices. This was before the March 4, 2023 winter storm Quest prestaging event. The Company did not provide a \$349.17 meals and entertainment sample that was requested and was from May 12, 2023 well after the March 4, 2023 storm period. **Audit Issue #3**

In addition to the three invoices that were out of period there were an additional eight invoices, tips, and meals/entertainment that were well after the March 4, 2023 prestaging event that the Company should explain and provide the invoice backup. With the addition of these invoices Audit is recommending \$78,511.43 be removed from winter storm Quest. **Audit Issue #3**

Posting Date	Created on	Document Date	Post Eleme	Amount	Cost element descr.	Vendor Name
3/8/2023	3/8/2023	2/3/2023	500300	4,835.83	Outside Services	JCR CONSTRUCTION CO INC
3/13/2023	3/13/2023	2/9/2023	500300	50,026.45	Outside Services	JCR CONSTRUCTION CO INC
7/10/2023	7/10/2023	12/31/2022	500300	918.08	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
5/12/2023	5/12/2023	5/12/2023	501300	2,192.27	Meals & Entertainment	
5/12/2023	5/12/2023	5/12/2023	501300	349.17	Meals & Entertainment	
6/13/2023	6/13/2023	6/13/2023	501300	(205.02)	Meals & Entertainment	
6/13/2023	6/13/2023	6/13/2023	501300	7,662.64	Meals & Entertainment	
6/13/2023	6/13/2023	6/13/2023	505030	20.00	Tips / Gratuities	
11/22/2023	11/29/2023	11/22/2023	500300	5,815.20	Outside Services	ASPLUNDH TREE EXPERT CO
3/22/2023	3/22/2023	3/10/2023	500300	6,547.64	Outside Services	JCR CONSTRUCTION CO INC
5/12/2023	5/12/2023	5/12/2023	501300	349.17	Meals & Entertainment	
			Total	78,511.43		

Audit sampled all the \$9,938 in hotel travel expenses for winter storm Quest 2303 prestaging event. The hotel charges from March 4, 2023 were for employees staying at a Holiday Inn and associated tax. The Company indicated to Audit that these travel expenses were coded incorrectly to the wrong storms that effected the 2302 February 22 prestaging event winter storm Olive, 2303 March 4th prestaging winter storm Quest, and 2304 March 14th winter storm Sage. The three storms \$22,531 total travel expenses did not change but the coding corrections changed the amounts allocated to the three storms changed. **Audit Issue #2**

As Recorded

Coding Corrections

\$12,593 2302 Olive	\$3,421 2302 Olive
<u>\$9,938</u> 2303 Quest	\$9,172 2303 Quest
\$22,531	<u>\$9,938</u> 2304 Sage
	\$22,531

Audit reviewed the \$9,172 prestaging winter storm Quest coding correction and verified the \$9,172 hotel and associated tax during for stays at the Hilton Garden Inn were calculated correctly and occurred during the March 4, 2023 storm period.

Audit sampled a \$61,240 storm overhead entry posted to the general ledger on 3/31/2023 out of \$61,240 in storm cost payroll overheads. The Company provided the journal entry that debited 500000-101823000 Storm Costs and credited 505100-10922000, Admin Expenses Transferred. The 2023 overhead rates were provided, and Audit confirmed that the \$61,240 entry was calculated based on the 2023 overhead rate of 132.7%. Audit recalculated the overhead rate applied to the Storm-Exp-2303 sum of payroll charges—that totaled \$53,114—and verified that the overhead entry represented 132.7% of storm labor. Audit verified and confirmed the \$61,240 spent on payroll overhead for the prestaging winter storm Quest.

Audit verified the \$49,705 sum of payroll to the general ledger and reviewed sample payroll entries by the individual employee number, noting that separate entries per employee number were made for each wage earnings category.

3/14/2023 Job #2304 – Prestaging and Qualifying Winter Storm Sage \$1,575,858

Bates page 032 of the filing included the weather forecast from March 13th, 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 Sage weather event met the required criteria, as identified in the Settlement Agreement, to qualify for the recovery of “pre-staging” costs. The Northern Region of the state experienced the most snow with some areas receiving 20 inches and statewide amounts of nearly a foot of heavy wet snow were widely reported. 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 Company sought recovery of \$1,575,858 in power restoration expenses incurred during the Winter Storm Sage weather event, as reported on Attachment 2 of the filing. The Summary for Outage Statistics—on Bates page 021 of the filed direct testimony of A. Strabone and R. Garcia—documented that the state experienced 68 trouble events during Winter Storm

Sage Audit reviewed the Company’s Incident Report and identified that the first outage trouble was dispatched at 8:05 3/14/2023, with the final restoration time reported at 12:00 pm on 3/16/2023. 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.

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 Sage pre-stage/recovery weather event is represented in the following, as reported on Bates page 032 of the filing:

Payroll and Overheads	\$417,944
Non-labor Costs	<u>1,157,914</u>
Total (rounded)	\$1,575,858

The \$1,575,858 total in pre-staging costs was verified to Bates page 032 of the filing, as well as the general ledger. Audit selected seven charges to review, totaling \$1,178,752 or 75% of the total storm costs for the winter storm Sage pre-stage/storm restoration 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. 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.

Cost Element	Cost Element Description	Date	Amount
500300	Outside Services	March 2023-November 2023	\$1,144,736
800000	Payroll	March 2023-November 2023	\$ 187,902
501300	Meals	March and June 2023	\$ 2,346
501230	P.Card	Apr-23	\$ 5,998
	Overheads	March-May 2023	\$ 235,644
702020	Materials-Error	May-23	\$ 104
		Total	\$1,576,730
		Audit Issue #4 Invoices Out of Period	\$ (4,393)
		Audit Issue #4 Additonal Costs ident.	\$ 872
501110	Travel	Additonal Travel-Coding Error Audit Issue #2	\$ 9,938
		Total Revised Storm Costs	\$1,583,147
		Filing	\$1,575,858
		Difference	\$ 7,289

On the storm costs GL detail Audit reviewed four vendor transactions that had a document date of December 18 and December 31, 2022 that is well before the March 14th storm date. The four invoice transactions summed to \$4,393.04. The invoices were for meals from the 99 Restaurant and Pub, and Jake’s Market & Deli Sugar Face & Company, LLC. The Company did provide the \$1,848.30 Jakes Market & Deli Sugar Face & Company but there was no specific date for the purchase of the food items on the invoice. the Company should provide/explain and remove these invoices from the winter storm Sage event as the costs are before the actual storm occurred. **Audit Issue #4**

Posting Date	Created on	Document Date	Cost Element	Amount	Cost element descr.	Vendor Name
7/10/2023	7/10/2023	12/31/2022	500300	1,848.30	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
7/10/2023	7/10/2023	12/31/2022	500300	1,848.30	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
7/10/2023	7/10/2023	12/31/2022	500300	389.52	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
7/19/2023	7/19/2023	12/18/2022	500300	306.92	Outside Services	99 RESTAURANT & PUB
			Total	4,393.04		

Audit sampled all the 9,938 in travel/hotel costs for winter storm Sage 2304 storm event. The hotel charges from March 4, 2023 were for employees staying at a Holiday Inn and associated tax. The March 4, 2023 hotel charges are out of period for the February 22, 2023 winter storm Olive prestaging winter storm event. The Company indicated to Audit that these travel expenses were coded incorrectly to the wrong storms that effected the 2302 February 22 prestaging event, 2303 March 4th prestaging winter storm Quest, and 2304 March 14th winter storm Sage. The three storms \$22,531 total travel expenses did not change but the coding corrections changed the amounts allocated to the three storms changed. **Audit Issue #2**

<u>As Recorded</u>	<u>Coding Corrections</u>
\$12,593 2302 Olive	\$3,421 2302 Olive
<u>\$9,938</u> 2303 Quest	\$9,172 2303 Quest
\$22,531	<u>\$9,938</u> 2304 Sage
	\$22,531

Audit reviewed the \$9,938 winter storm Sage coding correction and verified the \$9,938 hotel and associated tax during for stays at the Hilton Garden Inn, Marriot, and Best Western were calculated correctly and occurred during the March 14, 2023 storm period.

Audit sampled a \$235,644 storm overhead entry posted to the general ledger on 5/31/2023 out of \$235,644 in storm cost payroll overheads. The Company provided the journal entry that debited 500000-101823000 Storm Costs and credited 505100-10922000, Admin Expenses Transferred. The 2023 overhead rates were provided, and Audit confirmed that the \$235,644 entry was calculated based on the 2023 overhead rate of 132.7%. Audit recalculated the overhead rate applied to the Storm-Exp-2304 sum of payroll charges—that totaled \$182,812—and verified that the overhead entry represented 132.7% of storm labor. Audit verified and confirmed the \$235,644 spent on payroll overhead for winter storm Sage.

Audit verified the \$187,902 sum of payroll to the general ledger and reviewed sample payroll entries by the individual employee number, noting that separate entries per employee number were made for each wage earnings category.

12/18/2023 Job #2308– Qualifying Wind Event

Bates page 033 of the filing included the in-power restoration expenses incurred during the qualifying wind event, as reported on attachment 2. The Summary for Outage Statistics—on Bates page 023 of the filed direct testimony of A. Strabone and R. Garcia—documented that the state experienced 70 trouble events during the wind event. Audit reviewed the Company’s Incident Report and identified that the first outage trouble was dispatched at 5:27 AM 12/18/2022, with the final restoration time reported at Noon on 12/19/2023. 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 70 troubles reported within the filing of the 2023 Storm Fund Report.

The total restoration costs for the Wind event are represented in the following, as reported on Bates page 033 of the filing:

Payroll and Overheads	\$181,046
Non-labor Costs	<u>201,503</u>
Total (rounded)	\$382,549

The provided work order details included a summary of the restoration expenses for the Wind event, as well as a detailed breakout of the general ledger activity. The \$382,549 total in pre-staging costs was verified to Bates page 033 of the filing, as well as the general ledger. Audit selected nine sample charges to review \$229,637 or 60% of the \$382,549 in qualifying wind event restoration costs. 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. 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.

Cost Element	Cost Element Description	Date	Amount
	Outside Services	December 23-February 2024	\$ 199,050
	Overheads	December 23-January 2024	\$ 103,250
	Salaries and Wages	December 23-January 2024	\$ 77,795
	Travel	Jan-24	\$ 2,453
	Total		\$ 382,549
	Audit Issue #5		\$ (8,172)
	Revised Storm Total		\$ 374,377

Posting Date	Created on	Document Date	Cost Element	Amount	Cost element descr.	Vendor Name
1/24/2024	1/24/2024	12/22/2023	500300	8,172.20	Outside Services	JCR CONSTRUCTION CO INC

Audit reviewed a \$8,172.20 JCR Construction Invoice that indicated the storm work was done on December 11, 2023 which is a week before the 12/18 wind event occurred. As a result of the work being done before the actual storm event the Company should remove the costs from the filing. **Audit Issue #5**

Audit sampled a \$96,441 storm overhead entry posted to the general ledger on 12/31/2023 out of \$103,250 in storm cost payroll overheads. The Company provided the journal entry that debited 500000-101823000 Storm Costs and credited 505100-10922000, Admin Expenses Transferred. The 2023 overhead rates were provided, and Audit confirmed that the \$96,441 entry was calculated based on the 2023 overhead rate of 132.7%. Audit recalculated the overhead rate applied to the Storm-Exp-2308 sum of payroll charges—that totaled \$72,665—and verified that the overhead entry represented 132.7% of storm labor. Audit verified and confirmed the \$96,441 spent on payroll overhead for the December 18th, 2023 wind event.

Audit verified the \$77,795 sum of payroll to the general ledger and reviewed sample payroll entries by the individual employee number, noting that separate entries per employee number were made for each wage earnings category.

2022 Winter Storm Costs included in 2023 Filing

The Company on the 2023 Major Storm Costs filing included on attachment 2 page 2 included \$42,690.87 in 2022 additional winter storm costs that were identified as audit issue #1

in the 2022 Major Storm Cost Final Audit Report. The 2022 audit issue #1 indicates that the costs were to be included on the 2023 storm filing. Attachment 2 page 2 breaks out the 2022 additional storm costs for \$18,870 for the December 15, 2022 Winter Storm Diaz and \$23,110 for Winter Storm Elliot December 23, 2022.

Audit reviewed and verified one hundred percent of the \$18,870 Winter Storm Diaz additional costs.

Cost Element	Cost Element Description	Amount
501110	Travel Expenses - Accommodations	\$ 8,515
800000	Labor	\$ 707
501110	Travel Expenses - Accommodations	\$ 1,641
500300	Outside Services	\$ 62
854080	WBS ST Meals-Interco	\$ 18
854085	WBS ST Travel-Interco	\$ 7,927
	Total	\$ 18,870

Audit verified the \$8,515 December 2022 hotel travel expenses that were purchased on the Chase Company Purchase Card that also included the hotel and associated tax invoices for the Holiday Inn, Courtyard, and Residence Inn hotel stays for employees.

Audit verified the \$707 December 2022 line worker payroll costs to the timesheet that consisted of eight hours of regular time and four hours of overtime.

Audit verified the \$1,641 December 2022 hotel travel expenses that were purchased on the Chase Company Purchase Card that also included the hotel and associated tax invoices for the Hilton Garden Inn and Courtyard hotel stays for employees. Audit verified the \$62 99 Restaurant and Pub invoice that was for the purchased of food during the December 2022 storm.

Audit verified the \$7,945 December 2022 WBS InterCompany Meals and Travel costs that consisted of \$18 food costs and \$7,927 in purchased card purchases on hotels. The purchase card included the Courtyard by Marriot hotel and associated tax on the invoice that was verified by Audit.

Audit reviewed and verified one hundred percent of the \$23,110 Winter Storm Elliot additional costs.

The DE 23-035 GSE 2022 Major Storm Report Audit Issue #1 identified an additional \$23,821 winter storm Elliot costs to be included on the 2023 storm filing. The 2023 storm filing indicates the 2022 additional winter storm Elliot Storm costs are \$23,110 that is \$711 different than the audit issue. The Company indicated the reason for the difference the \$711 labor charges included on the 2022 storm filing were determined to be an incorrect labor charges and as a result were excluded from the 2023 storm filing.

Cost Element	Cost Element Description	Amount
501110	Travel Expenses - Accommodations	\$ 6,621
500300	Outside Services	\$ 16,937
505000	Other Operating Expenses	\$ (3,256)
854040	WBS ST Other-Interco	\$ 13
854085	WBS ST Travel-Interco	\$ 2,795
	Total	\$ 23,110

Audit verified the \$6,621 December 2022 hotel travel expenses that were purchased on the Chase Company Purchase Card that also included the hotel and associated tax invoices for the Holiday Inn hotel stays for GSE and Asplundh staff.

Audit reviewed the (\$3,256) 505000 Other Operating Expenses Vegetation Management Accrual entry from April 30, 2023 that was to properly code Asplundh Tree Expert invoices in SAP for the VMP rather than the storm fund.

Audit reviewed the two \$16,937 outside services invoices that consisted of Asplundh Tree Expert and 99 Restaurant food costs. Audit verified the December 2022 \$16,775.63 Asplundh Tree Expert trimming costs were calculated correctly. The invoices labor, supervisory labor, and vehicle costs associated with the tree trimming. Audit verified the \$161.77 99 Restaurant December 2022 invoice was calculated correctly that also included a 20% surcharge because of a large party of six people.

Audit verified the \$13 December 2022 \$13 WBS Other InterCompany costs that were for the purchase of water at the Holiday Inn in Salem in December 2022. Audit verified the \$2,795 WBS Travel InterCompany employee purchase card costs that were for hotel stays in December 2022 at the Holiday Inn in Salem to work on a storm.

Cost of Removal

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.

Summary

DE 24-054 as filed:	Actual Net GL 12/31/2023 Ending Balance	2023 Filing vs. GL 12/31/23 Difference	Filing 2023 Ending Net Balance of GL Adj.	Recommended Audit Adjustment	Net Filing to Recommended Adjustments to GL
Beginning Balance (over) collection	\$ (1,868,153)	\$ (2,398,474)			
Base Rate Contribution	\$ (1,500,000)	\$ (1,500,000)			
SRA Factor	\$ 1,397,052	\$ 1,397,052			
Prior Period Adjustments	\$ (29,503)				
Interest Income	\$ (47,272)	\$ (42,222)			
Storm Costs	\$ 2,342,861	\$ 2,859,054			
2023 Storm Costs booked in 2024	\$ 99,390	\$ 99,390			
2023 Ending Balance (over) collection	\$ 394,375	\$ 414,800			\$ -
2023 GL difference filing vs GL see pages 5 and 6 of Audit Report for Exp.		\$ (20,425)	\$ 394,375		
Audit Issue #1 storm 2302 costs outside period				\$ (14,686)	
Audit Issue #3 storm 2303 costs outside period				\$ (60,842)	
Audit Issue #4 storm 2304 Add. Costs				\$ 872	
Audit Issue #5 storm 2308 costs outside period				\$ (8,172)	
Total Audit Issue Adjustments				\$ (82,828)	
Net Filing and 2023 GL adjusted under collection Ending balance of Audit Issue Adj.					\$ 311,547

Reflection of Storm Cost Filing per Audit Issue Adjustments

	Prestaging Winter Storm Olive 2/22/2023	Prestaging Winter Storm Quest 3/3/2023	Qualifying Winter Storm Sage 3/13/2023	Qualifying Wind Event 12/18/2023	Qualifying Winter Storm Diaz 12/15/2022	Qualifying Winter Storm Elliot 12/13/2022	Total
Payroll +OH	\$ 68,173	\$ 109,795	\$ 417,944	\$ 181,046	\$ 707	\$ -	\$ 777,665
Non-Labor Costs	\$ 94,537	\$ 169,359	\$ 1,157,914	\$ 201,503	\$ 18,163	\$ 23,110	\$1,664,586
Total	\$ 162,710	\$ 279,154	\$ 1,575,858	\$ 382,549	\$ 18,870	\$ 23,110	\$2,442,251
Audit Issue #1 2302	\$ (14,686)						\$ (14,686)
Audit Issue #2 Coding	\$ (9,172)	\$ (766)	\$ 9,938				\$ -
Audit Issue #3 2303	\$ 6,548	\$ (75,052)	\$ 7,663				\$ (60,842)
Audit Issue #4 2304			\$ (307)		\$ 307		\$ -
Audit Issue #4 2304 Ad. Costs			\$ 872				\$ 872
Audit Issue #5 2308				\$ (8,172)			\$ (8,172)
Revised Storm Total	\$ 145,400	\$ 203,336	\$ 1,594,024	\$ 374,377	\$ 19,177	\$ 23,110	\$2,359,423

Based on a review of the DE 24-054 GSE 2023 Storm Cost filing and the SAP GL accounts 171500-101823000 Storm Costs and 241400-10254000 Current Regulatory Liability Storm Costs as well as five audit issues related to storm cost invoices that were out of the storm cost period for specific vendors, reallocations to other storms, and requests for additional invoice clarifications. For **Audit Issues #1, #3, #4, and #5** Audit is recommending that (\$82,228) be removed from the storm cost filing because the storm costs were out of period. Audit notes **Audit Issue #2** is an employee travel coding issue that resulted in a net zero storm cost increase

but the allocation for storms 2302, 20303, and 2304 changed as a result of the adjustment. **Audit Issue #3** in addition to removing some storm costs is reallocating storm costs to winter storm Olive 2302 and winter storm Sage 2304. **Audit Issue #4** reallocates some purchase card costs to winter storm Diaz 2209. Audit recommends a December 31, 2023 \$311,547 under collection ending balance for the filing and GL net of the (\$82,228) 2023 storm cost adjustments.

Audit Issue #1 Out of Period February 22, 2023 Storm Costs

Background

The Company included invoices that were outside the time period of the actual winter storm prestaging event.

Issue

Audit reviewed two JCR Construction Invoices one for \$7,385.26 and the other for \$3,380.65 that were from February 9, 2023 for storm work performed the week of January 29, 2023 per the actual invoices. Since the prestaging for winter storm Olive occurred on February 22, 2023 this means the JCR Construction invoice was out of period. Audit also sampled an IHOP \$402.18 invoice that was from March 23, 2023 which is a month after winter storm Olive occurred.

In addition to the three invoices reviewed above that were out of period Audit noticed eleven other invoice document dates for Lakeside Environmental and Asplundh Tree Experts that were well after the February 22, 2023 winter storm Olive prestaging event. The Company should explain and provide the following invoices that show they were related to winter storm Olive. This means that Audit is recommending that \$50,814 in winter storm Olive invoices be removed from the filing because the invoice charges did not occur during the actual storm dates. This figure includes the JCR Construction and IHOP costs.

Posting Date	Created on	Document Date	Cost Element	Invoice Total	Cost element descr.	Vendor Name
3/8/2023	3/8/2023	2/10/2023	500300	7,385.26	Outside Services	JCR CONSTRUCTION CO INC
3/8/2023	3/8/2023	2/10/2023	500300	3,380.65	Outside Services	JCR CONSTRUCTION CO INC
4/5/2023	4/5/2023	4/5/2023	500300	1,083.77	Outside Services	Lakeside Environmental
4/13/2023	4/14/2023	4/13/2023	500300	6,743.04	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/14/2023	4/13/2023	500300	3,667.46	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/14/2023	4/13/2023	500300	4,611.92	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/14/2023	4/13/2023	500300	1,275.26	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	3,517.97	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	4,515.92	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	3,109.76	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	4,081.34	Outside Services	ASPLUNDH TREE EXPERT CO
4/13/2023	4/18/2023	4/13/2023	500300	3,517.97	Outside Services	ASPLUNDH TREE EXPERT CO
4/28/2023	4/28/2023	4/28/2023	500300	3,517.97	Outside Services	ASPLUNDH TREE EXPERT CO
4/28/2023	4/28/2023	4/28/2023	501300	402.18	Meals & Entertainment	
			Total	50,810.47		

Cost Element	Cost Element Description	Date	Amount
500000	Salaries and Wages Overhead	February and March 2023	\$ 38,177
500300	Outside Services	March 2023-May 2023 and November 2023	\$ 78,191
501110	Travel Expenses-Accommodations	March and April 2023	\$ 12,593
5001300	Meals and Entertainment	March-May 2023	\$ 3,744
505030	Tips/Gratuities	March 2023	\$ 10
800000	Labor Allocations	February 2023-March 2023 and August 2023-September 2023	\$ 29,996
	Total Per Filing		\$ 162,711
	Audit Issue #1		\$ (50,810)
	Coding Error Travel		
	Adj Audit Issue #2		\$ (9,172)
	Revised Storm Cost		
	Total Per GL		\$ 102,729

Recommendation

The Company should explain and provide the additional invoices for the \$50,814 in storm costs illustrated in the chart above as to how they relate to the prestaging winter storm event. Audit recommends that the Company formally submit revised totals to the appropriate Bates pages within the actual docket. The Company should make and provide to Audit any adjusting journal entries on the storm fund.

Company Response

The Company agrees that the following invoices and/or charges were charged incorrectly to Winter Storm Olive and will be removed from the storm fund:

Invoice Date	Vendor	Amount
2/10/2023	JCR Construction Invoice	\$ 7,385.26
2/10/2023	JCR Construction Invoice	\$ 3,380.65
3/23/2023	IHOP #4766 - Pcard	\$ 402.18
4/28/2023	Asplundh Invoice - Duplicate	\$ 3,517.97
	Total costs to remove	\$ 14,686.06

The following invoices were confirmed to have been correctly charged to Winter Storm Olive.

Invoice Date	Vendor	Amount
4/5/2023	Lakeside Environmental	\$ 1,083.77
4/13/2023	Asplundh	\$ 6,743.04
4/13/2023	Asplundh	\$ 3,667.46
4/13/2023	Asplundh	\$ 4,611.92
4/13/2023	Asplundh	\$ 1,275.26
4/13/2023	Asplundh	\$ 3,517.97
4/13/2023	Asplundh	\$ 4,515.92
4/13/2023	Asplundh	\$ 3,109.76
4/13/2023	Asplundh	\$ 4,081.34
4/13/2023	Asplundh	\$ 3,517.97
		<u>\$ 36,124.41</u>

The Company will submit revised storm cost totals within Docket No. DE 24-054 and will provide Audit with copies of the corrected journal entries for the storm fund within two weeks of the issuance of the Final Audit Report.

Audit Conclusion

Audit concurs with the Company response that (\$14,686.06) should be removed from Winter Storm Olive on the DE 24-054 Storm filing and that any correcting entries to the storm fund will be provided to Audit Staff within two weeks issuance of the Final Audit Report.

Audit Issue #2 Coding Error

Background

The Company on the filing schedule booked costs to four storms and made a coding error that to employee hotel accommodation on the storms that changed the allocation between the storm costs.

Issue

Audit sampled a \$4,561.66 out of \$12,593 in hotel travel expenses for winter storm Olive 2302 prestaging event. The hotel charges from March 4, 2023 were for employees staying at a Holiday Inn and associated tax. The March 4, 2023 hotel charges are out of period for the February 22, 2023 winter storm Olive prestaging winter storm event. The Company indicated to Audit that these travel expenses were coded incorrectly to the wrong storms that effected the 2302 February 22 prestaging event, 2303 March 4th prestaging winter storm Quest, and 2304 March 14th winter storm Sage. The three storms \$22,531 total travel expenses did not change but the coding corrections changed the amounts allocated to the three storms changed.

<u>As Recorded</u>	<u>Coding Corrections</u>
\$12,593 2302 Olive	\$3,421 2302 Olive
<u>\$9,938</u> 2303 Quest	\$9,172 2303 Quest
\$22,531	<u>\$9,938</u> 2304 Sage
	\$22,531

Recommendation

The Company going forward should code storm cost travel expenses correctly. The Company should make changes to the filing schedule to adjust the storm cost allocation, so they are properly reflected.

Company Response

The Company will ensure that storm cost expenses are coded correctly going forward. The Company will take this opportunity to improve communication with the proper storm codes prior to and after the storm event to improve accuracy.

Audit Conclusion

Audit concurs with the Company that going forward they will improve communication with the proper storm codes prior to and after the storm event to improve accuracy.

Audit Issue #3 March 4, 2023 Out of Period Storm Costs

Background

The Company included invoices that were outside the time period of the actual winter storm prestaging event.

Issue

Audit reviewed two JCR Construction Inc. invoices with the first one being \$50,026.45 and the second one being \$6,547.64 that was invoiced on February 9, 2023 for storm work performed the week of January 29, 2023 per the actual invoices. This was before the March 4, 2023 winter storm Quest prestaging event. The Company did not provide a \$349.17 meals and entertainment sample that was requested and was from May 12, 2023 well after the March 4, 2023 storm period.

In addition to the three invoices that were out of period there were an additional eight invoices, tips, and meals/entertainment that were well after the March 4, 2023 prestaging event that the Company should explain and provide the invoice backup. With the addition of these invoices Audit is recommending \$78,511.43 be removed from winter storm Quest.

Posting Date	Created on	Document Date	Cost Element	Amount	Cost element descr.	Vendor Name
3/8/2023	3/8/2023	2/3/2023	500300	4,835.83	Outside Services	JCR CONSTRUCTION CO INC
3/13/2023	3/13/2023	2/9/2023	500300	50,026.45	Outside Services	JCR CONSTRUCTION CO INC
7/10/2023	7/10/2023	12/31/2022	500300	918.08	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
5/12/2023	5/12/2023	5/12/2023	501300	2,192.27	Meals & Entertainment	
5/12/2023	5/12/2023	5/12/2023	501300	349.17	Meals & Entertainment	
6/13/2023	6/13/2023	6/13/2023	501300	(205.02)	Meals & Entertainment	
6/13/2023	6/13/2023	6/13/2023	501300	7,662.64	Meals & Entertainment	
6/13/2023	6/13/2023	6/13/2023	505030	20.00	Tips / Gratuities	
11/22/2023	11/29/2023	11/22/2023	500300	5,815.20	Outside Services	ASPLUNDH TREE EXPERT CO
3/22/2023	3/22/2023	3/10/2023	500300	6,547.64	Outside Services	JCR CONSTRUCTION CO INC
5/12/2023	5/12/2023	5/12/2023	501300	349.17	Meals & Entertainment	
			Total	78,511.43		

Cost Element	Cost Element Description	Date	Amount
500000	Salaries and Wages Overhead	Mar-23	\$ 61,241
500300	Outside Services	March 23-May 2023, July 2023, and November 2023	\$ 148,080
501110	Travel Expenses-Accomodations	Apr-23	\$ 9,938
501300	Meals and Entertainment	April 2023-June 2023 and January 2024	\$ 10,159
505030	Tips/Gratuities	April 2023 and June 2023	\$ 32
800000	Labor Allocations	March 2023 and September 2023	\$ 49,705
	Total Per Filing		\$ 279,155
	Audit Issue #3		\$ (78,511)
	Coding Error Travel Adj. Audit Issue #2		\$ (767)
	Revised Storm Cost per GL		\$ 199,877

Recommendation

The Company should explain and provide the additional invoices for the \$78,511 in storm costs illustrated in the chart above with regards to how they relate to the prestaging winter storm event. Audit recommends that the Company formally submit revised totals to the appropriate Bates pages within the actual docket. The Company should make and provide to Audit any adjusting journal entries on the storm fund.

Company Response

The Company has reviewed the additional invoices, as requested. The table below provides a summary of the findings, showing that some corrections to the filed costs for Winter Storm Quest are needed. \$60,841.63 will be removed from the storm fund due to incorrect coding and \$14,210.28 will be reclassified from Winter Storm Quest and added to other recoverable storms.

<u>Invoice Date</u>	<u>Vendor</u>	<u>Amount</u>	<u>Notes</u>
2/3/2023	JCR Construction	\$ 4,835.83	Remove - wrong storm
2/9/2023	JCR Construction	50,026.45	Remove - wrong storm
3/17/2023	Asplundh	5,815.20	Remove - Duplicate
4/5/2023	Pcard - Romano's	349.17	Remove - wrong code
5/8/2023	Pcard - Romano's	(205.02)	Remove - wrong code
5/8/2023	Pcard - Romano's	20.00	Remove - wrong code
		<u>\$60,841.63</u>	
3/13-3/16/2023	Pcard - Meals	\$ 7,662.64	Remove - wrong storm - 2304
3/10/2023	JCR Construction	6,547.64	Remove - wrong storm - 2302
		<u>\$14,210.28</u>	
3/3-3/4/2023	Pcard - Meals	2,192.27	OK
3/4/2023	Jakes Market & Deli	918.08	OK
	Exclude	349.17	Listed twice in DOE file
		<u>\$78,511.43</u>	DOE Total

The Company will submit revised storm cost totals within Docket No. DE 24-054 and will provide Audit with copies of the corrected journal entries for the storm fund within two weeks of the issuance of the Final Audit Report.

Audit Conclusion

Audit concurs with the Company that (\$60,841.63) should be removed from the storm cost filing and that (\$14,210.28) in storm costs should be reallocated to winter storm Olive 2302 and winter storm Sage 2304. Audit has reviewed the remaining \$3,459.22 in storm cost invoices

and concurs with the Company. The Company within two weeks issuance of the Final Audit Report should provide the adjusting entries to Audit.

Audit Issue #4 March 14, 2023 Out of Period Storm Costs

Background

The Company included invoices that were outside the time period of the actual winter storm prestaging event.

Issue

On the storm costs GL detail Audit reviewed four vendor transactions that had a document date of December 18 and December 31, 2022 that is well before the March 14th storm date. The four invoice transactions summed to \$4,393.04. The invoices were for meals from the 99 Restaurant and Pub, and Jake’s Market & Deli Sugar Face & Company, LLC. The Company did provide the \$1,848.30 Jakes Market & Deli Sugar Face & Company but there was no specific date for the purchase of the food items on the invoice. the Company should provide/explain and remove these invoices from the winter storm Sage event as the costs are before the actual storm occurred.

Posting Date	Created on	Document Date	Cost Element	Amount	Cost element descr.	Vendor Name
7/10/2023	7/10/2023	12/31/2022	✓ 500300	1,848.30	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
7/10/2023	7/10/2023	12/31/2022	✓ 500300	1,848.30	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
7/10/2023	7/10/2023	12/31/2022	✓ 500300	389.52	Outside Services	JAKE'S MARKET & DELI SUGAR FACE &COMPANY LLC.
7/19/2023	7/19/2023	12/18/2022	✓ 500300	306.92	Outside Services	99 RESTAURANT & PUB
			Total	4,393.04		

The March 13th winter storm Sage 2304 per the 2023 storm cost filing is \$1,575,858 while the GL cost is \$1,576,730. This is an \$872 difference that is the result of a \$452 May 2023 labor cost difference and \$420 in Hunter North Associates, LLC traffic control services. The Company specified, “*the labor charge of \$452.40 was misidentified during the preparation of the storm filing when the settled storm costs were compared to the general ledger activity. It was subsequently determiend that the labor charge is correct and should be included in the storm costs*”. As a result of the error the March 13th 2023 winter storm Sage should included an additional \$872 in addiotnal costs.

Cost Element	Cost Element Description	Date	Amount
500300	Outside Services	March 2023-November 2023	\$1,144,736
800000	Payroll	March 2023-November 2023	\$ 187,902
501300	Meals	March and June 2023	\$ 2,346
501230	P.Card	Apr-23	\$ 5,998
	Overheads	March-May 2023	\$ 235,644
702020	Materials-Error	May-23	\$ 104
		Total	\$1,576,730
		Audit Issue #4 Invoices Out of Period	\$ (4,393)
		Audit Issue #4 Additional Costs ident.	\$ 872
		Additional Travel-Coding Error Audit Issue #2	\$ 9,938
501110	Travel		
		Total Revised Storm Costs	\$1,583,147
		Filing	\$1,575,858
		Difference	\$ 7,289

Recommendation

The Company should explain and provide the additional invoices for the \$4,393 in storm costs illustrated in the chart above with regard how they relate to the winter storm event. Audit recommends that the Company formally submit revised totals to the appropriate Bates pages within the actual docket. The Company should make and provide to Audit any adjusting journal entries on the storm fund.

Company Response

The Company has reviewed the additional invoices, as requested. The table below provides a summary of the findings, showing that three of the four invoices were correctly charged to Winter Storm Sage and that one invoice should have been charged to 2022 Winter Storm Diaz.

Invoice Date	Invoice #	Posting Date	Amount	Notes
3/14/2023	31423	7/10/2023	\$1,848.30	OK - Storm 2304
3/15/2023	31523	7/10/2023	\$1,848.30	OK - Storm 2304
3/16/2023	31623	7/10/2023	\$389.52	OK - Storm 2304
12/18/2022	464391	7/10/2023	\$306.92	Reclass - Storm 2209
			\$4,393.04	

The Company will submit revised storm cost totals within Docket No. DE 24-054 and will provide Audit with copies of the corrected journal entries for the storm fund within two weeks of the issuance of the Final Audit Report.

Audit Conclusion

Audit concurs with the Company response that (\$306.92) should be removed from the winter storm Sage on the DE 24-054 Storm filing and the invoice will be reclassified to winter

storm Diaz 2209. The Company should provide any correcting entries to the storm fund will be provided to Audit Staff within two weeks issuance of the Final Audit Report.

Audit Issue #5
December 18, 2023 Out of Period Storm Costs

Background

The Company included invoices that were outside the time period of the actual winter storm prestaging event.

Issue

Audit reviewed a \$8,172.20 JCR Construction Invoice that indicated the storm work was done on December 11, 2023 which is a week before the 12/18 wind event occurred. As a result of the work being done before the actual storm event the Company should remove the costs from the filing.

Posting Date	Created on	Document Date	Cost Element	Amount	Cost element descr.	Vendor Name
1/24/2024	1/24/2024	12/22/2023	500300	8,172.20	Outside Services	JCR CONSTRUCTION CO INC

Cost Element	Cost Element Description	Date	Amount
	Outside Services	December 23-February 2024	\$ 199,050
	Overheads	December 23-January 2024	\$ 103,250
	Salaries and Wages	December 23-January 2024	\$ 77,795
	Travel	Jan-24	\$ 2,453
		Total	\$ 382,549
		Audit Issue #5	\$ (8,172)
		Revised Storm Total	\$ 374,377

Recommendation

The Company should remove \$8,172 on December 18, 2023 windstorm event storm costs illustrated in the chart above. Audit recommends that the Company formally submit revised totals to the appropriate Bates pages within the actual docket. The Company should make and provide to Audit any adjusting journal entries on the storm fund.

Company Response

The Company has confirmed that the invoice for \$8,172.20 for JCR Construction was charged incorrectly to the winter wind event (Storm 2308) and should have been charged to a non-qualifying storm event.

The Company will submit revised storm cost totals within Docket No. DE 24-054 and will provide Audit with copies of the corrected journal entries for the storm fund within two weeks of the issuance of the Final Audit Report.

Audit Conclusion

Audit concurs with the Company response that (\$8,172.20) should be removed from the qualifying wind event on the DE 24-054 Storm filing and that any correcting entries to the storm fund will be provided to Audit Staff within two weeks issuance of the Final Audit Report.