

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

**Docket No. DE 23-017
Unitil Energy Systems, Inc.
Annual Major Storm Cost Reserve Fund Report 2022**

Technical Statement of Stephen R. Eckberg and Mark P. Toscano
Department of Energy, Division of Regulatory Support

August 31, 2023

The New Hampshire Department of Energy (“DOE”) has reviewed Unitil Energy System Inc.’s (“UES” or “the Company”) annual *Major Storm Cost Reserve Fund Report 2022* (“2022 Report”), filed February 28, 2023, and the DOE Final Audit Report (“Audit Report”) issued by DOE’s Enforcement Division on April 17, 2023. UES is requesting to recover storm preparation costs related to two storm events whose direct costs UES reported as totaling \$85,009 through the Major Storm Cost Reserve (MSCR) fund. The 2022 Report provides reconciliation detail on the Company’s MSCR fund and on the Storm Recovery Adjustment Factor (SRAF) which, during 2022, completed the approved collection of funds related to an extraordinary storm event which occurred in March 2018. The Company reported its MSCR fund balance as of December 31, 2022, to be in a deficit (under-collected) position of (\$2,482,939). There is no rate adjustment triggered by this filing.

As described herein, in the opinion of the DOE, the 2022 Report is accurate as filed on February 28, 2022. While the Audit Report did identify three Audit Issues, those were reporting and/or accounting issues, none of which ultimately had an impact on the final MSCR balance as reported by UES. The DOE recommends that the Commission accept and approve the 2022 Report, and to accept and approve the MSCR balance as (\$2,482,939), which includes the \$85,009 in storm preparation costs described in the 2022 Report. In the opinion of the DOE, if the Commission accepts DOE’s recommendation, and approves the balance of the MSCR as stated, no further process is necessary, and the docket may be closed.

Procedural Background

On February 28, 2023, UES filed its annual report for calendar year 2022 in this docket.¹ The Company explained that this filing is made pursuant to the Company’s Rate Plan Settlement in Docket No. DE 10-055, as approved by Commission in Order No. 25,214 issued on April 26, 2011 and in Order No. 25,351 issued on April 24, 2012 in Docket No. DE 11-277 (requiring UES to file annual reports on the storm reserve fund and storm recovery updates for those storms where costs are

¹ References to the reserved amounts will be to the “Major Storm Cost Reserve,” (MSCR), consistent with UES’s filing and DOE’s Audit Report. For clarity, the DOE notes that, in the past, the Commission has referenced the actual report as the “MSCRF Report.” See Commission’s Procedural Order (April 25, 2022) (Emphasis added). It appears that the references to “MSCR” and “MSCRF” are essentially interchangeable.

recovered through the SRAF), and Order No. 25,502 issued on April 29, 2013 in Docket No. DE 13-065 (revising Settlement terms).² The Commission requested that DOE provide its recommendation and the DOE Audit Report to the Commission by August 31, 2023.³ This Technical Statement and the attached Audit Report, included as Attachment 1, address that request as DOE has provided both documents this day.

History of the MSCR and SRAF

The Major Storm Cost Reserve (MSCR) is intended to provide for recovery of advance preparation and/or recovery costs of qualifying major storms, which are more significant than standard weather events. The Commission-approved MSCR annual amount of \$800,000 is included in the Company's base distribution rates. The SRAF⁴ is intended to recover costs associated with infrequent storms of extraordinary magnitude on an individual basis. Individual storms that may qualify for amortized recovery via the SRAF are the subject of specific Commission review, and then if approved by the Commission, a storm specific amortization amount, period, and rate. *See, e.g.*, Order No. 26,236 (April 22, 2019) in Docket No. DE 19-043 (approval of amortization of costs related to a specific storm of extraordinary magnitude).

DOE's Analysis and Recommendation

The DOE's analysts reviewed each section of the 2022 Report; reviewed the DOE Audit Report; discussed the Audit Report with the Enforcement Division audit team; confirmed additional details with the audit team related to determination of major storm status; and confirmed the storm amortization rates comprising the SRAF rate.

There are storm preparation costs related to two (2) major storm events included in the 2022 Report. There are no actual storm *recovery* expenses included for either of the two storm events as the storms did not cause a sufficient number of system outages to qualify for recovery costs to be included in the MSCR. Audit confirmed, and Regulatory Staff concurs, that each of the major storm events was appropriately categorized by the Company as a major storm event for purposes of recovery of storm preparation expenses. Those preparation expenses totaled \$85,009 (\$20,648 and \$64,361).⁵

The 2022 Report states that "Beginning May 1, 2022, revenue included in the SRAF decreased by \$0.00047 per kWh." Further, "[t]he resulting SRAF effective May 1, 2022 is \$0.00000 per kWh, as there are no storms currently being recovered through the SRAF." *See* 2022 Report at 2. Audit verified that the SRAF rate in effect for January – April 2022 was \$0.00047 per kWh per Tariff page 69. *See* Attachment 1, Audit Report at 10. Effective April 30, 2022, the SRAF collection rate expired, and the rate was reduced by \$0.00047 per kWh resulting in an SRAF rate of \$0.00000 per kWh. The rate of \$0.00047 per kWh was approved in Order No. 26,236 (April 22, 2019) for a three-year period from May 1, 2019 through April 30, 2022. The DOE analysts confirmed these are appropriate rates for 2022 as a single approved storm amortization rate was in effect.

² *See* 2022 Report, p. 2.

³ *See* Procedural Order (July 3, 2023) (extending prior June 30, 2023 deadline).

⁴ *See* Unil Energy Systems, Inc Tariff No. 3, Ninth Revised Page 69 and Original Page 69-A.

⁵ *See* 2022 Report at 8, 11.

Audit inquired about the 2021 final over-collection SRAF reconciliation balance of (\$72,410). See Attachment 1, Audit Report at 10. The Company stated it included the total SRAF reconciliation balance (over-collection ending balance) in the External Delivery Charge (EDC) filing. The EDC matter was filed with the Commission on June 20, 2022, docketed as DE 22-038, and includes the SRAF over-collection described herein. See Dkt. No. DE 22-038 Prefiled Testimony of Linda S. McNamara (June 20, 2022), Schedule LSM-2 Page 4 of 7, footnote 1 (Bates 0024), which says “Beginning balance includes the following items: (\$72,556) Forecasted July 31, 2022 SRAF balance.” See also Dkt. No. DE 23-057, Prefiled Testimony of Linda S. McNamara (June 16, 2023), Schedule LSM-2, Page 3 of 12, footnote 1 (Bates 0023), which shows that the actual balance of (\$72,410), an over-collected amount, was included in the EDC. DOE Regulatory Staff finds this to be a satisfactory method of returning this over-collection to ratepayers.

Conclusion

In conclusion, the DOE recommends that the Commission approve UES’ 2022 Report which shows the MSCR balance as of December 31, 2022 as (\$2,482,939), i.e., under collected in that amount. This balance includes the \$85,009 in 2022 storm preparation costs described in the 2022 Report. Further, the DOE recommends that the Commission affirm that UES has completed the authorized amortization of extraordinary storm costs through the SRAF and returned the minor over-collection to ratepayers via the Company’s EDC rate element as explained above. In the opinion of the DOE, if the Commission approves this report and the MSCR balance, no further process is necessary, and the docket may be closed.

STATE OF NEW HAMPSHIRE

Department of Energy Intra-Department Communication

DATE: April 17, 2023

FROM: Division of Enforcement, Audit Staff

SUBJECT: Unitil Energy Systems, Inc.
DE 23-017 2022 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 was requested to review the Unitil Energy Systems, Inc. (UES) Major Storm Cost Reserve Fund (MSCR or Fund) and the Storm Recovery Adjustment Factor (SRAF) Reconciliation Reports (Report) for the calendar year ending December 31, 2022, as filed with the PUC on February 28, 2023, and docketed as DE 23-017. The Fund was approved on April 26, 2011, by Order #25,214 of 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.”

The Company confirmed that the planning and preparation activities made in advance of severe weather forecasts include the coordination of pre-staging crews, any stand-by arrangements made with external contractors, the incremental compensation of employees, and any other costs that may be incurred to prepare for a major qualifying storm.

MSCR Fund Reconciliation

The following represents the MSCR Fund Reconciliation, as of 12/31/2022, documented on page 3 of the filed Report:

<u>Date</u>	<u>Description</u>	<u>Surplus (Deficit)</u>
12/31/2021	MSCR Balance as filed 2/28/2022	\$ (3,140,898) Under- Recovery
	<u>Adjustments to 2021 Report</u>	
03/01/2021	Tropical Storm Isaias Calypso Adjustment	<u>67,626</u>
	Adjusted Opening Balance 1/1/2022	<u>\$ (3,073,272)</u>
	<u>2022 Deferred Charges</u>	
01/17/2022	Nor'easter	\$ (20,648)
01/29/2022	Nor'easter	(64,361)
12/23/2022	Wind Event	<u>(0)</u>
	Total Deferred Charges	<u>\$ (85,009)</u>
2022	Current Annual Recovery Rate	<u>\$ 800,000</u>
2022	Carrying Charges	<u>\$ (124,658)</u>
12/31/2022	MSCR Balance	<u>\$ (2,482,939) Under-Recovery</u>

The noted beginning balance agrees with the prior year's ending balance and with the Audit report of the 2021 MSCR Fund reconciliation.

The \$67,626 adjustment to the 2021 report was referenced in the filing to the Department of Energy's 9/2/2022 Technical Statement in DE 22-008. That statement summarized the storm fund and attached the Final Audit report of the 2021 Storm filing. The Audit identified certain Clean Harbor invoices that had been misclassified as storm related charges. The Company agreed, and subsequently identified additional misclassified Clean Harbor invoices. The total agreed amount to exclude from the 2021 storm costs is the \$67,626.

General Ledger

The following general ledger accounts were reviewed by Audit, with reported balances as of December 31, 2022:

<u>Account</u>	<u>Description</u>	<u>Balance</u>
10-20-00-00-173-10-00	Accrued Revenue: Major Storm Reserve	\$ 800,000 debit
10-20-00-00-182-10-00	Regulatory Asset: Major Storm Reserve	<u>2,274,662 debit</u>
	MSCR GL Balance a/o 12/31/2022	<u>\$ 3,074,662 debit</u>
10-20-10-00-419-09-00	Interest Income – Major Storm Reserve	\$(126,836) credit
10-20-10-00-407-31-00	Amortization – Storm	\$ 800,000 debit

Audit reviewed the activity in each of the accounts above. Account -173-10-00 had no activity during the 2022 calendar year.

Account -182-10-00 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 -407-31-00 Amortization – Storm account.

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 real time in the specific month any GL entries and adjustments were done.

The filing has a 2022 beginning balance of \$3,140,898 compared to \$3,070,720 on the revised master model. This is a \$70,178 difference that is due to \$67,626 2021 summer storm report Audit Issue #1 adjusting entry that was not done until May 2022. The remaining \$2,552 difference is because of interest related to the audit issue adjustment.

Audit was able to verify the \$800,000 Accrued Revenue to general ledger account 10-20-00-00-173-10-00 and the revised master model the Company maintains. The Company booked \$2,274,662 to the Regulatory Asset Major Storm Reserve account. This was verified to the working model. For the two storm accounts the Company had a combined 2022 \$3,074,662 storm ending balance. This is a \$591,724 difference compared to the \$2,482,938 ending balance on the filing and revised master model. The reason for the difference was the (\$67,626) prior year Audit Issue #1 was not removed from the working model until May 2022. There was a \$69,732 difference between the working and master model because of timing. The two January 2022 storms were not closed out to plant until February 2023. The storms do not appear on the working model until they are fully closed to plant. The Company should not have to take nearly a year to close out two small winter storms that are only for preparation costs. **Audit Issue #1** There was a \$675,000 accrual for the 12/2022 storm activity that will not appear in the working model until they are fully closed to plant sometime in 2023. Lastly, there was a (\$373) difference related to interest fluctuations. See the summary below.

\$69,732	Master vs. Working Model difference.
(\$67,626)	Adjustment Audit Issue #1 2021 Storm Report
(\$20,648)	January 17 th 2022 Nor’easter
<u>(\$64,361)</u>	January 29 th 2022 Nor’easter
(\$82,903)	subtotal as of 12/2022 Storms
	Interest timing difference related to when revenue/expenses hit GL
\$675,000	Accrual for December 24 th , 2022 Nor’easter will be in 2023 storm filing in 2024
<u>(\$373)</u>	Interest fluctuations from adjustments made.
\$591,724	

Audit reviewed the general ledger account 10-20-10-00-419-09-00, Interest Income-Major Storm Reserve, noting a year-end balance of \$126,836. The MSCR Filing Schedule reported the 2022 interest calculation total of \$124,658. The revised master model had a \$127,209 in interest calculations. This is a variance of \$2,178, between the general ledger year-end balance for the Interest Income account and the filed interest calculation amount, due to the timing in which the payments are hitting the Working Model schedule vs. when they are

recognized in the Master Model schedule. The Company confirmed that the timing issue that resulted in the variance will be trued-up in 2023. The \$2,551 difference between the filing and revised master model is the \$2,551 prior period interest adjustment associated with Audit Issue #1 in the 2021 storm report.

The Fund was established by Order #25,214 of Docket No. DE 10-055, at a recovery rate of \$400,000 per year. Commission Order #25,502, of Docket No. DE 13-605, approved an increase to distribution rates through a step adjustment to recover the costs associated with increasing the Fund from \$400,000 to \$800,000 per year. Audit reviewed the 2021 journal entries on account 10-20-10-00-407-31-00, Amortization – Storm, noting the year-end balance of \$800,000. Audit confirmed monthly debits for the expense portion of \$66,666 per month, which totaled the annual revenue amortization of \$800,000. Offsetting credits were verified to account 10-20-00-00-182-10-00, Regulatory Asset – Major Storm Reserve Long Term.

Prior Year Adjustments

The 2021 prior year filed MSCR balance, as of 12/31/2021, totaled \$(3,140,898) under-collection. The 2022 adjusted opening balance filed, as of 1/1/2022, totaled \$(3,073,272) under-collection. The \$67,626 difference between the 2021 prior year MSCR balance filed and the 2022 opening balance filed, is depicted by the following:

03/01/2021	2021 Audit Issue #1 Wind Event Adjustment	<u>67,626</u>
	Total Adjustments to 2021 Report as Filed	\$ 67,626

The \$67,626 adjustment relates to 14 Clean Harbor invoices identified as Audit Issue #1 in the 2021 audit report. The 14 Clean Harbor invoice expenses that were charged to the storm fund post-dated the March 1, 2021 windstorm event. The Company provided the adjusting entry done in May 2022 that debited out the work orders and credited the Major Storm Reserve Account 10-20-00-00-182-10-00 both for \$67,626.

UES and Outside Contractor Expenses

The following represents a breakdown of the UES and Outside Contractor expenses charged to the storm reserve, excluding the Utility Plant Additions:

<u>Expense Category</u>	<u>Percent</u>	<u>Description</u>	<u>Cost</u>
UES Payroll, Materials & Transportation	18%	Total Internal	\$ 15,241
Outside Contractors & Other	<u>82%</u>	Total Contractor	<u>\$ 69,768</u>
	100%	Total Charges	\$ 85,009

Audit reviewed the contractor invoices charged to the storm reserve, which detailed the employee hourly wage rates and hours worked during the qualifying storm events. Supporting employee weekly time reports, comprised of the days and hours worked per contracted employee, were reviewed by Audit along with weekly payroll reports for employee straight-time and over-time pay. Straight-time paid included wages for line-workers and technician employees and over-time paid including wages for inspector, stock clerk, projects coordinator, and meter technician employees. Transportation and materials expenses were verified to reports that detailed the vehicles utilized, by hour/rate amount, as well as the materials utilized by type,

quantity, amount, and entry date. Audit verified the dates and the amounts of the expenses accrued.

Deferred Charges \$209,667

The following represents the filed Summary of 2021 MSCR Capitalized and Deferred Charges, as of 12/31/2021:

<u>Storm Event</u>	<u>Storm Costs</u>	<u>Capitalized</u>	<u>Deferred</u>
01/17/2022 Nor'easter	\$ 20,648	\$ 0	\$20,648
01/29/2022 Nor'easter	<u>64,361</u>	<u>0</u>	<u>64,361</u>
Total	\$ 85,009	\$ 0	\$85,009

2022 Carrying Charges \$124,658

Total 2022 Deferred Charges \$209,667

The 2022 filed UES MSCR Report (Report) identified the recovery of costs, from the MSCR, that were associated with the preparation for two qualifying major storm events. For power preparation services performed during each of the two storm events, the filed costs incurred totaled \$209,667. The total \$209,667 was comprised of \$85,009 for the total storm event costs, plus \$124,658 in associated carrying charges.

Capitalized Costs \$0

UES did not capitalize any storm costs in 2022.

Deferred 2022 Storm Costs seeking recovery in MSCR.

The Company provided Audit with the Cost Record Reports of storm costs, for each major storm or storm preparation event, as subject to the filing and listed within the MSCR Fund Report. The cost records were categorized by work order and expense type. The Storm Detail Timestamps for Restoration details were also provided, which verified the storm costs to the MSCR Fund Report.

January 17, 2022 Nor'easter \$20,648

The filing page 6 indicates the Company began preparing for the Nor'easter on January 13th that was initially forecast for a strong system with snow, sleet, rain, and strong hazardous winds January 16th and January 17th. The forecast model predicted high winds of up to 65 mph on the seacoast with 4-8 inches of heavy wet snow in the capital region. The actual result of the storm was elevated winds of up to 49 mph and 1 to 8 inches of snow through the UES service territory. The Summary of the Extent of the Storm Damage indicates there were only 2 outages in the Concord region with 0.06% of customer affected. There were 21 total outages, 9 peak outages, 4,366 total number of customers affected, 2,856 peak customers interrupted, and 5.98% peak number of customers affected.

The Company sought recovery of \$20,648 in storm preparation expenses, incurred during the January 17th Nor'easter, as filed on page 8 of the MSCR Fund Report. The DTN weather report for the weather event described a "high" probability (i.e., 60%) of reaching EEI Level 3,

as determined by hazardous wind, in the Seacoast region of the state. Page 7 of the filed MSCR Fund Report states that, regarding the Exclusionary Criteria for the January 17th Nor'easter, this event qualified for recovery of preparation costs (due to the Energy Event Index (EEI) of 3) for hazardous wind gusts in the Seacoast Region with a high probability. This meets the requirement for recovery of storm preparation costs consistent with Commission Order 25,214.

The Company incurred a total of \$20,648 in costs during the January 17th Nor'easter, for the purpose of power restoration to UES' Capital region customers. Audit reviewed the general ledger, as well as the Working Model, and recalculated the total storm costs of \$20,648. The detailed journal entry for the transfer of \$20,648 to the recovery account was also reviewed and Audit confirmed that the \$20,648 of costs incurred for the January 17th Nor'easter was debited to account 10-20-00-00-182-10-00, REG Asset – Major Storm Reserve Long Term.

Audit reviewed one hundred percent of the costs charged to the storm reserve for the January 17th Nor'easter. Invoices, meal receipts, and labor billing reports, were provided. Of the invoices reviewed, services were provided from Asplundh Tree, High Volt Line Construction and Maintenance, I C Reed and Sons, Bank of America Purchase Card charges, O'Donnell Line Construction, and Northern NH/ME mutual aid charges. Charges were for labor, equipment, and meals needed for the restoration of power in the Capital region of the state. Audit tied the amounts of the charges to the cost record and verified the dates of the charges to the 1/17/2022 Nor'easter.

Audit reviewed the contracted wage schedules and verified the hourly rate calculations to the \$1,828 payroll expenses. This was broken out as \$734 straight time and \$1,094 overtime. Audit recalculated all other payroll amounts paid to employees with no exceptions noted.

January 29th, 2022 Nor'easter \$64,361

The Company began preparing for a Nor'easter on January 24th with the forecast predicting a powerful coastal storm with potential to produce 8-18 inches of heavy wet snow and strong winds with gusts up to 55 mph on January 28-29th. The Company did not sustain any impact to their system. The Company sought recovery of \$64,361 in storm preparation expenses, incurred during the January 29th Nor'easter, as filed on page 11 of the MSCR Fund Report. The exclusionary criteria on page 9 of the filing indicates the storm qualified for recovery of preparation costs only due to an EEI of 4 greater than 12 inches of snow in the Seacoast region and 3 in the Capital region for greater than 8 inches of snow based on a high confidence level (i.e., 60%). A review of the actual EEI DTN weather reports indicates the Seacoast region had an EEI of 4 with high probability, while the Capital region had an EEI of 3 with only medium probability (i.e., 30-60%). This means the Capital region would not meet the criteria to qualify for recovery of preparation costs. The Company indicated to Audit the Capital Region was included in the filing in error and only the Seacoast Region meets the eligibility criteria for recovery of preparation costs. The Company did not include any charges in preparation costs for recovery for the Capital region. **Audit Issue # 2**

The Company incurred a total of \$64,361 in preparation costs during the January 29th Nor'easter, in the UES Seacoast region. Audit reviewed the general ledger, as well as the revised master model, and recalculated the total storm costs of \$64,361. The detailed journal entry for the transfer of \$64,361 to the recovery account was also reviewed and Audit confirmed that the \$64,361 of costs incurred for the January 17th Nor'easter was included in the \$64,361 total storm costs debited to account 10-20-00-00-182-10-00, REG Asset – Major Storm Reserve Long Term.

Audit reviewed one hundred percent of the costs charged to the storm reserve for the January 28th Nor'easter. Invoices, meal receipts, and labor billing reports, were provided. Of the invoices reviewed, services were provided from Asplundh Tree ACRT, Fairfield Inn, Utility Service and Associates, High Volt Line Construction and Maintenance, I C Reed and Sons, Bank of America Purchase Card charges, Liberty Lane, and O'Donnell Line Construction. Charges were for labor, equipment, and meals needed for the restoration of power in the seacoast region of the state. Audit tied the amounts of the charges to the cost record and verified the dates of the charges to the 1/28/2022 Nor'easter.

Audit reviewed the contracted wage schedules and verified the hourly rate calculations to the \$9,524 payroll expenses. This was broken out as \$32 straight time and \$9,492 overtime. Audit recalculated all other payroll amounts paid to employees with no exceptions noted.

December 23, 2022 Winter Storm Elliot

The Company is not seeking recovery of this storm in 2022 due to timing as the storm was at the end of 2022 and the Company is still presently accounting for them. The recovery of Winter Storm Elliot will be included in the 2023 MSCR filing in 2024. Winter Storm Elliot on December 23 and 24th brought nearly two inches of rain with up to 60 mph winds throughout NH. The event did not qualify for preparation costs, but the filing indicates the event qualifies for recovery of restoration costs only. The storm event had a considerable impact to the area. Because of strong wind conditions. Prudent measures reportedly had to be taken to coordinate operations, acquire resources and prepare for possible impact. The Company met the criteria for recovery in both the Seacoast (98 concurrent outages) and Capital (154 concurrent outages and 51.42 percentage of customers) regions.

Internal Audit Report

Audit requested the internal Audit reports on the 2022 MSCR. The Company indicated that, "Internal Audit did not audit the 2022 MSCR."

2022 Carrying Charges \$124,658

Audit reviewed the calculation and reconciliation for the carrying charges as filed, to the Master Model. Below is the formula that was used for Calendar Year 2022:

Monthly Carrying Charge = (((Average Monthly Balance * 5.22 Jan-May 2022 %) / 365) * # of days month)

(((Average Monthly Balance * 4.01 June-Dec 2022 %) / 365) * # of days month)

Audit noted that there was a \$2,511 variance between the \$124,658 in carrying charges filed, versus the \$127,209 in interest income reported on the Master Model. The Company indicated the variance is because of Audit Issue #1 on the 2021 report that indicated 14 Clean Harbor invoices post-dated the 3/1/2021 windstorm. The adjusting entry was done in May 2022.

The interest rate for carrying charges was 5.22% January-May 2022. The interest rate was calculated per DE 10-055 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 per DE 10-055	7.15%
Tax Effect (1 - 27.00%) = .7300	<u>x 0.7300</u>
MSCR Carrying Charge Rate (Costs Net Deferred Taxes)	5.22%

On June 1, 2022 per DE 21-030 the interest rate was lowered from 5.22% to 4.01% 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%

Matter Communications (Formerly Calypso Communications)

Commission Order 26,623 approved the DE 21-030 UES rate case settlement agreement that in section 11.4 included the recovery of \$73,160 2017-2020 deferred costs pertaining to Matter Communications (formerly Calypso) in the August 1, 2022 EDC rate. The Company provided the journal entry that showed the recovery of the of deferred communications charges. The entry from September 1, 2022 debited the 10-20-00-32-173-00-00 Deferred Costs Matter Communications for \$73,160 and credited the 10-20-00-00-173-00-00 for the same amount. Section 11.4 of the settlement agreement authorizes a normalized amount of \$18,290 that shall be considered media/communications expenses included in the Company's permanent revenue requirement to account for these costs in the future.

SRAF SUMMARY

The Storm Recovery Adjustment Factor (SRAF) was approved by Order #25,214. Its purpose is to recover the cost of major, infrequent storms of extraordinary magnitude. Audit requested the SRAF calculation of the revenue recovered during 2022. The Company provided the monthly revenue reports for the total billed to the customer. Audit noted the SRAF at

\$0.00047 per kWh for the months of January-April 2022 which was verified to the Tariff. 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.

Refer to the SRAF Revenue section of the report for the testing of billed kWh by rate class.

The 2022 SRAF master model for the reconciliation of storm recovery to revenues was reviewed. Audit notes that SRAF model has a net (\$74,570) year-end over-collection ending balance for all the combined storms. The filing indicates the last remaining charges were collected in July 2022. Since all the charges are now fully recovered the Company should update the master model so that it reflects zero charges at 12/31/2022 as the GL shows that the balance is zero as of 9/01/2022. **Audit Issue #3**

2008 Ice Storm and 2010 Windstorm	(\$212,368)
2017 Hurricane Irene	\$58,255
2018 Winter Storm Quinn	<u>\$79,543</u>
Total	(\$74,570)

The 2022 filed MSCR Fund Report, page 4, listed the 07/31/2022 SRAF balance as \$(72,410), summarized by Audit below:

Beginning Balance 1/1/2022 under-collection	\$ 130,419
Total Costs	0
Total Revenue	(202,653)
Calculated Net Interest	<u>(176)</u>
Rounded SRAF over-collected balance a/o 6/30/2022	<u>\$ (72,410)</u> this
amount was debited to account 10-20-00-47-173-00-00 on 9/01/2022 June is the EDC month, then refer to the detail about the entry.	

The beginning balance agrees with the 12/31/2021 ending balance of the 2021 SRAF Reconciliation and to the beginning 2022 balance in the general ledger account 10-20-00-47-173-00-00, Accrued Revenue Storm Recovery Adjustment.

Credits to the -173 account, identified as Revenue in the filing, were offset with debits to account 10-29-10-47-407-00-00, Amortization Storm Recovery.

The Total Revenue was also verified to the following revenue general ledger accounts. Each showed activity primarily from January 2022 through May 2022, with correcting entries noted for immaterial amounts in the first two accounts. The adjusting entries net to zero:

10-29-01-47-440-00-00	Electric REV-Storm Recovery ADJ	\$ (83,045.41)
10-29-01-47-440-30-00	Elec REV RES-Storm Recovery ADJ EXT SUP	\$ (7,972.64)
10-29-01-47-442-01-00	Elec REV REG GEN-Storm Recovery ADJ	\$ (29,940.66)
10-29-01-47-442-02-00	Elec REV Large GEN-Storm Recovery ADJ	\$ (8,625.43)
10-29-01-47-442-31-00	Elec REV REG GEN-Storm Recovery ADJ EXT SUP	\$ (26,950.89)

10-29-01-47-442-32-00	Elec REV Large GEN-Storm Recovery ADJ EXT SUP	\$ (45,035.10)
10-29-01-47-444-01-00	Elec REV Unmetered Sales Storm Recovery ADJ	\$ (627.35)
10-29-01-47-444-31-00	Elec REV Unmetered Sales Storm Rec ADJ EXT SUP	\$ (451.96)
10-29-01-47-445-31-00	Municipal REG GEN Storm Recovery ADJ EXT SUP	\$ (3.27)
	SRAF Total Revenue	\$ (202,652.71)

Audit tested the February 2022 calculated revenue recovered for the Seacoast and Capital regions. The revenue is categorized by Rate Class per Billed kWh and the SRAF Rate Calculation. The Company provided the monthly Billing Report from the Billing group that is used to develop the Monthly Revenue Model for the Accounting Department. Audit verified the February SRAF total of \$48,365, as calculated on the monthly Billing Report, to page 4 of the filed 2022 MSCR Fund Report. The following represents the February 2022 calculated revenue recovered through the SRAF:

<u>Rate Class</u>	<u>Billed kWh</u>	<u>SRAF Rate Calculation</u>
Domestic	47,617,490	\$ 22,438
G2 – Private	28,609,124	13,458
G2 – Municipal	880	1
G1 – Private	25,990,364	12,215
OL – Private	<u>558,907</u>	<u>254</u>
Total Billed (Rounded)	102,776,765	\$ 48,365

Audit sampled monthly customer invoices for the period of February 2022 and June – September 2022, noting that the SRAF rate was included within the delivery charge rate. Audit reviewed the authorized Tariff and re-calculated the components that make up the delivery charge rate, as it was applied to the invoices for domestic customers (Class D or Rate Code D). Audit verified the inclusion of the \$0.00047 SRAF Rate for February 2022 bills and \$0.0000 SRAF effective May 1, 2022 for the remaining bills within the delivery charge rate reported on the sampled customer invoices.

Through review of the Tariff, Audit noted that there was a new authorized rate, \$0.0000 effective May 1, 2022, that was reduced from \$0.0047 for January-April 2022. Two customer invoices reviewed for June and August 2022 had a blended rate because of other changes to the External Delivery charge but this did not affect the SRAF rate change that was billed at \$0.0000 with no new storms to bill.

Audit reviewed a \$72,410 a September 1, 2022 entry moving the credit balance in the SRAF account to the External Delivery Charge (EDC) that was approved in the DE 22-038 July 28, 2022 Commission Order 26,655. On the journal entry the Company debited the 10-20-00-47-173-00-00 Accrued Revenue-SRAF for \$72,410 and credited the 10-20-00-32-173-00-00 Accrued Revenue External Delivery for the same amount. The master model shows a (\$74,571) December 31, 2022 credit ending balance that includes an additional \$2,161 in interest charges. Since the SRAF has been fully recovered the fund should have a zero balance. **Audit Issue # 3**

10-20-00-47-182-86-00	Regulatory Asset: Emergency Storm Restoration	<u>0</u>
	Balance a/o 12/31/2021	\$ 0

SRAF Interest \$(176)

Audit verified the reported net interest to the following general ledger accounts:

10-20-01-47-419-00-00, Interest Income Storm Recovery Adj.	\$(734.45)
10-20-01-47-431-00-00, Interest Expense Storm Recovery Adj.	<u>\$ 910.58</u>
Net SRAF Interest Expense	\$ 176.13

Interest entries that posted to the 10-20-00-47-173-00-00 balance sheet account were offset (as applicable) to the Income or Expense accounts above. All activity noted posted monthly from January through July 2022.

The SRAF interest on the account, as of December 31, 2022, totaled \$(734.45). Audit tied this rounded amount to both the filed MSCR Fund Report, as well as the working and master model reports. The interest charges are trued-up periodically to the master model.

Clearing Entry

On August 31, 2022, the Accrued Revenue Storm Recovery Adjustment account balance was cleared to zero via the following entry:

Debit 10-20-00-47-173-00-00 Accrued Revenue Storm Recovery Adj.	\$72,409.90
Credit 10-20-00-32-173-00-00 Accrued Revenue-External Delivery	\$(72,409.90)

The entry moved the remaining overcollection noted in the SRAF to the External Delivery Charge balance sheet account, complies with Order No. 26,655 in DE 22-038, which noted that the balances associated with Winter Storm Quinn, the December 2008 Ice Storm, the February 2010 Windstorm, and the October 2017 Windstorm, totaling (\$72,410), should be moved for final reconciliation in the External Delivery Charge.

Summary

Audit reviewed the filed MSCR Fund reconciliation and report, as well as the supporting schedules, invoices, detailed revenue reports, and journal entries. Based upon Audit's review of the storm expenses incurred, Audit agrees with the (\$2,482,939) 2022 deficit ending balance as filed.

Audit also reviewed the SRAF balance and concurs that it was correctly calculated. The following reflects the 2022 year-end balance for the SRAF on the filing. The SRAF master model had a (\$74,570) credit over recovery ending balance when it should not have any balance as all storms have been recovered. **Audit Issue #3**

Audit Issue #1 **Long Storm Accounting Close Out**

Background

Audit reviewed the MSCR general ledger to the filing and master model and noticed variances.

Issue

Audit reviewed the 2022 MSCR GL accounts that had a \$3,074,662 ending balance. The filing has a \$2,482,939 2022-year end balance. This is a \$591,724 difference compared to the filing and revised master model.

<u>Account</u>	<u>Description</u>	<u>Balance</u>
10-20-00-00-173-10-00	Accrued Revenue: Major Storm Reserve	\$ 800,000 debit
10-20-00-00-182-10-00	Regulatory Asset: Major Storm Reserve	<u>2,274,662 debit</u>
	MSCR GL Balance a/o 12/31/2022	\$ 3,074,662 debit

The Company explained the reason for the \$591,724 difference that is summarized below:

\$69,732 Master vs. Working Model timing difference not closed Feb 23.
(\$67,626) Adjustment Audit Issue #1 2021 Storm Report
(\$20,648) January 17th 2022 Nor'easter
(\$64,361) January 29th 2022 Nor'easter
\$675,000 Accrual for December 24th, 2022 Nor'easter will be in 23 filing.
(\$373) Interest fluctuations from adjustments made to Audit Issue #1.
\$591,724

The Company explained that the two January 2022 Northeaster's will not be fully closed until February 2023. This will be nearly 13 months' time lapse since the expenses began in January 2022. The Company should not take 13 months to close out small preparation storms.

Recommendation

The Company going forward should account for storm costs in a more timely manner.

Company Response

The Company agrees the small preparation storms should be closed out in a more timely manner, and will endeavor to do so going forward.

Audit Conclusion

Audit appreciates the response and concurs with the Company.

Audit Issue #2

January 29, 2022 Storm Criteria

Background

The Company on page 9 of the filing under section 2.5 Exclusionary Criteria included qualifying criteria for recovery of Capital region preparation costs that did not meet the qualifying criteria.

Issue

The exclusionary criteria on page 9 of the filing indicates the storm qualified for recovery of preparation costs only due to an EEI of 4 greater than 12 inches of snow in the Seacoast Region and 3 in the Capital region for greater than 8 inches of snow based on a high confidence level (i.e., 60%). A review of the actual EEI DTN weather reports indicates the Seacoast region had an EEI of 4 with high probability, while the Capital region had an EEI of 3 with only medium probability (i.e., 30-60%). This means the Capital region would not meet the criteria to qualify for recovery of preparation costs. The Company indicated to Audit the Capital region was included in the filing in error and only the Seacoast region meets the eligibility criteria for recovery of preparation costs. The Company did not include any charges in preparation costs for recovery for the Capital region.

Recommendation

The Company going forward should verify storm costs included in the filing meet the stipulated qualifying criteria.

Company Response

The Company acknowledges that the Capital region was included in the filing in error and only the Seacoast region met the eligibility criteria for recovery of preparation costs, and that there were no charges for preparation costs for recovery for the Capital region included in the MSCR. The Company will endeavor to more thoroughly review the filing prior to submission.

Audit Conclusion

Audit appreciates the response and concurs with the Company.

Audit Issue #3

SRAF Master Model Credit

Background

The Company on page 4 of the SRAF filing indicates the July 2022 account ending balance is a (\$72,410) an overcollection. The Company on the SRAF master model has a December 2022 credit balance.

Issue

Page 4 of the Filing has a July 31, 2022 (\$72,410) over collection ending balance, as all the prior period storms have been fully recovered. Since July 2022 there have not been any other storms that qualify for recovery in the SRAF fund.

Audit reviewed a \$72,410 September 1, 2022 entry moving the credit balance in the SRAF account to the External Delivery Charge (EDC) that was approved in the DE 22-038 July 28, 2022 Commission Order 26,655. On the journal entry the Company debited the 10-20-00-47-173-00-00 Accrued Revenue-SRAF for \$72,410 and credited the 10-20-00-32-173-00-00 Accrued Revenue External Delivery for the same amount. The master model shows a (\$74,571) December 31, 2022 credit ending balance. This includes an additional \$2,161 in accumulated interest since the September 1, 2022 journal entry.

Since all the SRAF storms have been recovered the master model should have a zero-ending balance.

Recommendation

The Company should indicate why there is still a (\$74,571) December 31, 2022 over collection ending balance when all the SRAF storms have been fully recovered. The Company should update the 2022 master model to reflect the zero charges as the EDC entry was done on September 1, 2022.

Company Response

The entry reclassing the credit balance of the SRAF to the EDC was not reflected in the previous version of the 2022 master model. The Company has provided Audit with an updated master model that reflects the adjustment and the resulting balance of zero dollars.

Audit Conclusion

Audit appreciates the response by the Company. Based on a review of the updated Master Model Audit concurs that the resulting ending balance is properly reflected as zero dollars.