Liberty Utilities (Granite States Electric) Corp.

Review of Accounting Data

As of and for the years ended December 31, 2023 and 2022

April 5, 2024

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1. Purpose, Scope, and Limitations

1.1 Purpose

On May 5, 2023, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty ("Granite State" or the "Company") filed a rate case with the New Hampshire Public Utilities Commission (Docket No. DE 23-039) supporting a revenue increase for the 2023/2024 rate year of approximately $15.5 million. The test year used in the rate case was 2022. The New Hampshire Department of Energy ("DOE") requested the New Hampshire Public Utilities Commission ("Commission") to dismiss the Company's rate filing based on DOE's assertion that the Company's financial records cannot be reasonably relied upon. The DOE's Motion to Dismiss filed on December 13, 2023, contained a number of findings based on their audit of the filing.

The Company's ultimate parent, Algonquin Power & Utilities Corp. ("APUC") has undertaken a system transformation from Microsoft Great Plains ("Great Plains") to the SAP S/4HANA ("SAP") enterprise resource planning ("ERP") system. The conversion for the Company occurred in October of 2022. Both the Company's Generally Accepted Accounting Principle ("GAAP") data and regulatory accounting data (based on the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts, ("FERC USoA")) were part of this conversion. The conversion of the GAAP balances was deemed successful by the Company and supporting consultants. The SAP system requires separate mapping of the GAAP accounts to the FERC USoA and additional procedures were necessary to accomplish this transition.

The Company's Annual Report on FERC Form 1 is based on the FERC USoA and the rate case filing is prepared similarly. However, it was determined that the Company's rate case filing included adjustments to the USoA that differed from the amounts included in the FERC Form 1. This, in part, led to the differences identified by the DOE leading to their request for dismissal. As explained in this Report, due to the conversion and transition to SAP, certain 2022 regulatory balance sheet and income statement accounts were not appropriately reflected in the Company's general ledger. The Company subsequently adjusted its general ledger to correct identified errors and necessary reclassifications, some of which were included in the DOE findings. The Company believes the updated revenue requirement, expected to be filed on approximately April 15, 2024 (the "Updated Filing") provides sufficient 2022 test year accounting data for the Commission to consider in adjudicating the proposed revenue requirement. The Updated Filing was provided to us on April 3, 2024.

We were engaged by the Company to assess the October 2022 conversion of accounting data to SAP and the reliability of the 2022 and 2023 books and records. The engagement is meant to comply with the Commission Order dated February 22, 2024, and aid the Commission in assessing the reliability of the Updated Filing.

This Report includes:

- A description and assessment of the processes and controls the Company used to convert its data to SAP at the cutover date (October 2022) and those processes and controls to identify and record on-going transactions after the cutover date. Additionally, a discussion on how SAP incorporates regulatory accounting is included.

- A review of the adjustments made by the Company to its books and records to derive the revenue requirement in the Updated Filing.

- A discussion of additional testing performed to further evaluate the Company's conclusion that the adjusted and finalized 2022 and 2023 books and records do not contain incremental errors.

- Our conclusion from the results of our procedures is that the Company's converted 2022 accounting records included in the Updated Filing are complete and sufficient for the Commission to use as a basis for decision making. We also provide our conclusion as to whether the procedures performed on 2023 accounting data demonstrate that such accounting records are sufficient for use by the Commission.

Our Services were performed, and this report was prepared solely in connection with our engagement with Liberty Utilities (Granite State Electric) Corp. We performed the services and developed the report for the use and benefit of its client and disclaims any contractual or other responsibility to others based on their access to or use of this report and the information contained herein.

1.2 Scope

This Expert Report is performed under the Statement on Standards for Consulting Services prescribed by the American Institute of Certified Public Accountants ("AICPA Consulting Standards"). The nature and scope of the procedures performed have been described in our Engagement Letter to address the issues raised by the Commission in the February 22, 2024, Order. The general standards of the profession (professional competence, due professional care, planning and supervision and sufficient relevant data) apply to advisory and consulting arrangements such as this Expert Report. Further, under the AICPA consulting standards, if necessary, we are permitted to testify before the Commission to explain the services provided including the scope, approach, findings, and conclusions described in this Expert Report. Said another way, under the AICPA Consulting Standards, we can set a scope, define materiality, and perform testing procedures addressing the specific project and explain the work performed and conclusions reached to the Commission.

An Expert Report prepared under AICPA Consulting Standards differs from an audit (assurance or attestation reporting; (e.g., financial statement audit, audit of internal controls over financial reporting, compliance audits)) which follows the professional standards issued by the AICPA and/or PCAOB (Public Company Accounting Oversight Board). Financial audits provide assurance that the company has presented a "true and fair view of a company's financial position and performance" … "in all material respects". The AICPA audit standards require that an auditor be "independent" of the company (following the rules set forth by the relevant regulatory bodies (i.e., the AICPA, the Securities and Exchange Commission, etc.)) and, as a result, an external auditor is precluded from testifying in a rate proceeding for the company that it audits, as to do so, is a violation of the auditor independence rules. A financial statement audit culminates in an auditor expressing an opinion indicating that reasonable assurance has been obtained that the "financial statements as a whole" are fairly presented in all material respects, and that they are presented in accordance with the relevant accounting standards.

1.3 Materiality in an Audit versus Materiality in an Expert Report

We are aware the Commission will evaluate, among other things, whether the 2022 data included in the Company's Updated Filing provides a sufficient foundation for determining the revenue requirement in the rate case.

It is important to note that under Auditing Standards, the auditor cannot and does not obtain absolute assurance that the financial statements are free from material misstatement because of the inherent limitations of an audit. Various benchmarks are used to determine materiality in the context of a financial audit; examples include percentages of pre-tax net income, revenue and/or assets (e.g., 5% of pre-tax net income is a common measure for public company audits). An audit opinion is not a guarantee of an outcome, but rather a statement of professional judgment.

Materiality under AICPA Consulting Standards depends on the scope of the procedures and an engagement-defined materiality level. Thus, compared to an audit, an Expert Report is potentially able to increase the likelihood that financial information and data is sufficient for its intended purpose.

The 2022 data included in the determination of revenue requirements will have a direct impact on the Company's customers. As a result, in this Expert Report we utilized a lower level of materiality for the purposes of determining the nature, timing, and scope of validation procedures than would likely be considered in a financial statement audit; items (and areas of) tested were selected based on relevance to the determination of the revenue requirement. For example, if a 2022 transaction was not considered in the development of rate base or utility operating income, we used a higher level of materiality than for a transaction that directly impacted rate base or utility operating income.

1.4 Limitations & Assumptions

Our work was limited to the specific procedures and analysis applied to Granite State as described in this Expert Report. Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts including fraud or falsifications that may exist. We are not providing an audit, accounting, tax or attest opinion or other form of assurance.

2. Executive Summary

We were engaged to review the Company's conversion to SAP through procedures that included discussions with relevant personnel, and analysis and detailed testing to provide a level of assurance that the Company's 2022 and 2023 accounting records are sufficient for the Commission to use as a basis for utility rate setting. We used the guidance included in the AICPA Consulting standards to establish a scope, testing plan, internal controls review, and other risk-based approaches to form our conclusion. As stated previously, the transactional testing scope of our work under the AICPA Consulting Standards was based on a lower level of materiality (i.e., greater precision) than would typically exist in a financial statement audit due to the eventual use of this Report in assessing the Company's revenue requirement and the resulting impact on ratepayers.

Our work was performed by PwC professionals familiar with internal controls, processes, utility accounting and ratemaking. We also included specialists with experience and knowledge of SAP functionality and who have advised and managed system conversions to SAP.

Our work included the following:

- Gaining an understanding of the Company's processes and controls for the conversion from Great Plains to SAP. This included understanding the Company's data conversion strategy including a thorough understanding of the overall process, roles and responsibilities, timeline, data validation and sign off, defect management, and issue resolution. These procedures involved understanding how the Company identified the population of data objects to be converted as well as obtaining an understanding of the qualifications and expertise of staff and outside consultants involved in data conversion process and subsequent validations. For a sample of data objects, the detailed validation documentation was obtained and reviewed to assess the data conversion against standard data conversion practices. We did not identify any errors or issues with the conversion from Great Plains to SAP. The Company identified issues related to the configuration of SAP for regulatory accounting purposes. **(Section 4)**

- Testing "topside adjustments" (i.e., entries made outside of the system of record, in this case, SAP) resulting from the review of the rate case filing performed by the DOE staff and amounts identified by the Company post filing. This included a thorough review and understanding of the basis for and recording of such adjustments. We found one inaccurate topside adjustment which was corrected in the Updated Filing. No other issues were identified from this procedure. **(Section 5)**

- Performing separate reviews and testing as follows: (1) reviewing the 2022 and 2023 GAAP to FERC trial balance mapping; (2) reviewing the 2022 and 2023 GAAP financial statement to FERC Form 1 reconciliation (a draft version of the 2023 FERC Form 1 was utilized); and (3) testing 2022 and 2023 manual journal entries. These procedures were performed to determine whether any incremental, significant errors were present in the regulatory accounts ultimately used in the Updated Filing. Through the review of 2022 and 2023 GAAP to FERC trial balance mapping, we identified errors. The Company adjusted their Updated Filing for all 2022 errors found to impact the revenue requirement. **(Section 6)**

- Summarizing our work and concluding that the adjusted 2022 and 2023 accounting data reflects recorded transactions under GAAP and regulatory accounting principles (RAP or USoA) and the accounting information included in the Updated Filing provides a sufficient basis for determining the Company's revenue requirement. We also conclude that 2023 accounting data provides a sufficient basis for inclusion in the Company's regulatory filings. (**Section 7)**

3. Qualification of Experts & CARS Practice Overview

Sean P. Riley, Partner

Sean is a 1990 graduate from the University of Vermont and was hired by Coopers & Lybrand (predecessor company to PwC) in 1992 as an auditor focused on the financial statement audits of regulated utilities. PwC is the largest professional services network in the world, providing audit, tax, and advisory services to the largest and most complex companies globally. He was admitted to the PwC partnership in 2004.

Sean is a member of PwC's National Energy, Utility and Resources ("Utility") practice which is a nationally recognized practice viewed as a leader in the utilities sector. Over 1,300 professionals, including professionals experienced in serving rate-regulated entities are in this practice that serves some of the largest and most complex regulated utilities in the United States. He currently has two roles within the Utility practice. First, Sean is an Assurance Partner leading significant utility sector financial statement and internal controls over financial reporting audits. In addition, he leads PwC's Complex Accounting and Regulatory Solutions ("CARS") practice (see below). In this role, he oversees a team of highly experienced utility sector specialists that advise clients on complex technical accounting and regulatory / ratemaking matters.

Sean previously completed a three-year tour as the Utility and Renewable Energy technical accounting leader in the Accounting Services Group within PwC's National Office. He has been a frequent speaker at PwC utility industry events, as well as for organizations such as the Edison Electric Institute ("EEI") and American Gas Association ("AGA").

Sean has provided testimony across the United States on a variety of matters, including Connecticut, Massachusetts, Missouri, North Carolina, Hawaii, and South Carolina as well as various matters involving the FERC.

Sean is a certified public accountant currently licensed in the States of Maine and Massachusetts.

Alan Felsenthal, Managing Director

Alan is a Managing Director with PwC and works exclusively in our CARS practice within the PwC Trust practice.

Alan received a Bachelor of Science degree in Accounting from the University of Illinois. He joined the Regulated Industries Division of Arthur Andersen LLP in 1971 and became Principal at that Firm in 1985. Alan remained at Arthur Andersen until 2002 when he joined PwC as a Managing Director. Throughout his 50+ year career, he has focused on the unique accounting, tax and financial reporting issues at regulated entities.

Among various duties, Alan has provided rate case assistance for a number of utilities on various issues including, but not limited to, reasonableness of projections in connection with service company cost allocations, forecast test periods, application of regulatory accounting in specific situations, appropriate regulatory treatment of asset retirement obligations and cost of removal, lead-lag studies, various income tax issues and inclusion of the prepaid pension asset in rate base. He has prepared and submitted expert testimony on a number of issues across the United States.

In addition to regulatory consulting experience, Alan has been a financial statement auditor and supported companies from a financial audit and consulting perspective including review and reporting on financial statements filed with the NYSE and SEC, reporting on FERC Form 1's, consulting on matters involving cost allocations, and compliance with applicable guidelines.

Alan is a certified public accountant currently licensed in the State of Illinois.

Qualifications of Other Team Members

Sean, Alan, and other personnel working under their supervision and direction have analyzed supporting documentation and information relevant to the issues on this engagement. Sean and Alan have been assisted by several other PwC professionals, each with applicable experience relating to SAP data conversions, GAAP and regulatory accounting as applied to rate-regulated utilities.

Complex Accounting and Regulatory Support Practice

Within the PwC Utilities & Sustainable Energy industry practice, there is a smaller, highly specialized group, the CARS practice, led by Mr. Riley. The CARS practice is dedicated to helping regulated companies in the energy and utilities industries manage their regulatory risk and solve complex accounting problems. This team of seasoned professionals has deep experience working with regulated entities. The individuals in the CARS practice have many years of experience serving rate regulated entities.

4. SAP S/4HANA Release 2.2 and Data Conversion Background

4.1 Introduction

APUC (the Company's parent) undertook a multi-year system transformation from Great Plains to SAP. In October 2022, the previously implemented SAP functionality was extended (through Release 2.2) to Liberty Energy Utilities (New Hampshire) Corp., Granite State's immediate parent (company code 3070), Granite State (company code 3071), and Liberty Utilities (EnergyNorth Natural Gas) Corp. (company code 3072). The Company engaged IBM as its system integrator as well as KPMG who was responsible for validating SAP security and Internal Controls over Financial Reporting ("ICFR") controls.

4.2 Assessment of SAP Data Conversion Validation Procedures

The Company's data conversion and migration strategy was developed and implemented by IBM. Data validation controls were validated by KPMG (retained by IBM) and implemented by the Company to ensure the completeness and accuracy of migrated data. The Company in conjunction with IBM providing third-party expertise on SAP data conversions migrated master data and financial and non-financial transactional data activities from Great Plains to SAP through a series of mock runs and final production cutover activities.

The procedures described in this section were designed to understand this strategy and confirm the data conversion and validation were executed in accordance with common industry standards with sufficient documentation retained such that it could be asserted with a reasonable level of confidence that the data was completely and accurately converted from Great Plains to the SAP and the initial values of key financial data were correct at the time of system cutover.

In conducting the assessment, interviews were held with key personnel from the Company, IBM, and KPMG who were involved in the data conversion to understand the overall data conversion strategy. The Company identified cross functional personnel with IT, internal control, and business process competencies who worked in conjunction with IBM to develop a data conversion strategy consisting of:

- Key data elements subject to conversion
- Roles and responsibilities
- Timeline and key milestones
- Tools and technologies
- Data validation processes
- Defect management and issue resolution
- Approval and sign off protocols.

Key data elements were categorized into master data and detailed transactional data as well as new (for the Company) elements such as the development of the Work Breakdown Structure ("WBS") element mapping required for SAP to accurately record financial data for GAAP and regulatory accounting and reporting purposes. The data conversion strategy was consistent with standard practices and contained the key elements necessary to ensure the effective conversion of key data elements relevant to financial reporting.

To ascertain that the strategy was properly executed, a sample of key data elements was developed. Additional documentation of the data conversion and validation process was also requested. We selected the following financial data elements to obtain a representative sample of data of various types (i.e., master data, transactional data, WBS mapping, etc.):

- GL Master (Chart of Accounts)
- Profit Center
- Cost Center
- General Ledger ("GL") balances
- Inventory Balances

– WBS elements and settlement rules

Based on discussions with key client personnel, we determined that all data was converted and validated by the system integrator, IBM, and validated by the controls integrator, KPMG, in association with supervision and sign offs from appropriate Company personnel. Different processes were followed depending on the type of data element.

For data elements such as GL Master, Profit Center, Cost Center, and Inventory, a detailed conversion and methodology strategy was developed [Plan for Data Mapping and Conversion for release 2.2]. IBM utilized eHub system and prior experience conducting SAP conversions to develop upload templates. These upload templates were then provided to knowledgeable personnel for validation against the existing Great Plains data. The sign off on these validations were documented with standardized confirmation emails which were retained. For each data element converted, the following detailed documents were developed and retained to effectively document and plan for the unique considerations of each data object:

– Conversion Specification Documents detailing the process to convert and validate each data element
– Pre and post load validation evidence
– Approval PDFs for the pre and post load

A review and inspection of these documents for the sampled data objects identified above demonstrated the Company had procedures in place sufficient to reasonably assure that data uploads were appropriately developed by IBM and post load data completely and accurately reflected precursor Great Plains data.

GL balances were subjected to a different process whereby data was loaded and validated incrementally month by month. Given the integral nature of GL balances for financial reporting, this process was undertaken to ensure financial data could be accurately reported out of SAP before Great Plains was decommissioned after final cutover. The following evidence of this process was obtained and inspected:

– Email approvals
– Example validation files
– Defect tracking/resolution evidence

We reviewed the WBS element mapping process with the understanding it was the system design of WBS elements to functional accounts in relation to regulatory reporting which led to reconciling items within the rate case filing. Discussions with client personnel indicated WBS mapping functionality differed significantly in SAP (Great Plains job code mapping was significantly simpler). As such, a process was established to build out the WBS mapping based on instruction from IBM to populate the SAP upload template.

A series of cross functional live review sessions were held between the Company and IBM to ensure the input of all applicable staff was incorporated into development of the WBS element mapping. It was noted that the final WBS element upload file was reviewed and approved by appropriate personnel via a confirmation email which was retained. Documentation of the validation process was retained.

The Company's development and validation of WBS mapping was in line with standard practice (see Section 4.3 below). The requirement for a WBS mapping file was a new concept and an implementation requirement of SAP (and not a functionality which existed in Great Plains). This requirement was not strictly a matter of verifying the complete and accurate translation of data from the legacy system but required an incremental configuration for an SAP implementation. Issues arising from misallocated or unmapped WBS activity would be expected and addressed during the hypercare period (i.e., the period immediately after a system implementation) as all possible scenarios for utilizing WBS structures cannot be identified and prudently tested as part of implementation preparation activities. The Company would have benefited from continuous monitoring of WBS allocations to ensure appropriate mapping.

As noted previously, the Company engaged KPMG to conduct a separate independent assessment of the operating effectiveness of the data validation controls. The report and the underlying analysis were obtained [**Conversion report - S4 R2.2.pdf**] and reviewed. It was noted that KPMG was sufficiently knowledgeable to perform this analysis and their conclusion as to the effectiveness of the data validation controls in place was supported by the evidence provided. Subsequently, the Company's independent auditor, EY, reviewed both the financial balances as well as the data conversion controls put in place by the Company as part of the annual external audit and similarly attested to the accuracy of the financial data and the effectiveness of the controls implemented over the data conversion.

4.3 Assessment of Common Risks

There are common pitfalls with data migration and conversion as noted below. Granite State had processes in place to monitor and address each of them as part of the October 2022 migration. For example,

- **Tools & Testing Methodology -** An environment where standardized validation tools have not been defined or where a common testing methodology is not being applied may create an inconsistent level of validation quality, resulting in the possible migration of incomplete and/or inaccurate data. This could also compromise the homogenous execution of the control leading to additional audit work down the road. The Company addressed this risk as follows:
  - The Company engaged IBM as a third-party consultant to support the data provisioning process. SAP and IBM Tools and accelerators were leveraged during the data migration to help ensure project and business objectives were met to migrate the data in accordance with the project schedule and key design principles.
  - The Company created project plans for data migration activities including dates and milestones for mock loads, testing, and cutover data migration strategy and approach documentation. Business and technical validator roles and responsibilities were clearly defined and created in a consistent format for all data objects to govern the development and application of consistent testing methodology.

- **Review and Issue Resolution -** Without a review and issue resolution process, data quality problems identified during testing may exacerbate, leading to potential delays in go-live, compromised data quality, and could potentially affect financial reporting and the operation of key business processes controls post go-live. If reviewers are not carefully designated, they may not have appropriate knowledge of affected processes to understand the impact of issues or assess that they have been effectively mitigated. The Company addressed this risk as follows:
  - The Company had reviewers of data migration clearly identified by object and cost center in a centralized project plan/strategy.
  - A process was in place to track and communicate defects to Company management through email, daily calls, and detailed meeting notes.

- **Documentation and Retention Standards -** Varying levels of documentation quality and the lack of predefined retention standards may lead to documentation being lost, leading to an audit implication post-go-live. Failure to consistently retain sufficient documentation may compromise the ability to provide an adequate amount of evidence to support the audit. Additionally, gaps in documentation may impair the ability to isolate and address data quality issues arising post go-live. The Company addressed this risk as follows:
  - The Company had a governance model to manage and provide oversight over document retention, standard templates and clearly defined documentation requirements.
  - Documentation was stored in a consistent location for a defined retention period and was available for our review.
  - The Company engaged KPMG to validate the application of consistent standards and reviewed the migration.

4.4 WBS Cost Element Process Change

As noted above, while the data validation efforts were sufficient to establish that data was completely and accurately converted, issues arose from changes associated with the WBS cost element mapping in SAP. Prior to the SAP implementation, the Company utilized WBS cost elements to collect project costs (e.g., expenses for material, fieldwork time, management time, etc.) through the legacy Great Plains system and manually settled/allocated those costs to the balance sheet or profit & loss (P&L) statement through manual journal entry receivers.

As part of APUC's initial SAP implementation for several subsidiaries in 2020, SAP Portfolio and Project Management (PPM) and SAP Project Systems (PS) were used to manage planned projects costs and periodically transfer those costs automatically to be capitalized (e.g., As part of APUC's initial SAP implementation, SAP Portfolio and Project Management (PPM) and SAP Project Systems (PS) were used to manage planned projects costs and periodically transfer those costs automatically to be capitalized (e.g., settled to asset accounting once project is complete) or expensed immediately (e.g., to a cost center) through the SAP system. Using standard SAP WBS cost element and settlement functionality, the Company automated the capital and operations & maintenance ("O&M") cost collection, the settlement of those costs to cost receivers, and the posting of those cost receivers to the balance sheet or statement of income for the Company's business entities. Although the automation is standard SAP system functionality, that functionality is driven based on the Company's WBS cost element master data entries and mapping of certain WBS cost element structure configurations.

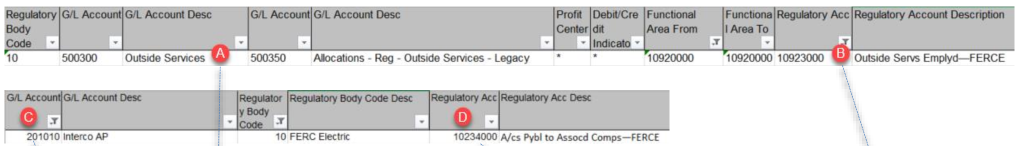
To automate the periodic allocation and settlement of costs in SAP, the following activities were undertaken as part of Release 2.2 go-live:

- **Migration of the legacy WBS elements** from Great Plains to SAP.
- **Creation of WBS settlement cost elements** for settlement to external accounting (primary cost elements) and internal accounting (secondary cost elements). WBS cost elements are considered as 'master data' objects in SAP rather than 'configuration' objects as the creation or change activity is performed directly in the production environment.
- **Implementation of regulatory clearing accounts** which are temporary holding accounts to support the WBS allocation and settlement process. The Company refers to the regulatory clearing accounts as the '999 account'.
- **Creation of WBS settlement profile parameter** which defines the receivers allowed and document types for settlements. The settlement profile is mapped to the WBS cost element.
- **Creation of WBS allocation structure parameter** which is a mapping of 1: MANY primary and secondary cost elements. The primary function of the WBS allocation structure is to tell SAP when to derive the regulatory clearing accounting in the settlement process. The allocation structure is mapped to a WBS cost element.
- **Creation of a WBS settlement rule** which defines the 1:1 or 1: MANY settlements receivers, settlement percentage share of cost distribution, and settlement type (full settlement up to the period vs periodic settlement in the period). WBS settlement receivers determine which cost objects the collected cost should be settled to (balance sheet account, regulatory account, P&L account) and can be a material, cost center, internal order, project, fixed asset, sales order, etc. The settlement rule is mapped to a WBS cost element.
- **Creation of custom derivation rules** which defines how SAP will systematically execute a substitution rule for US GAAP GL accounts to regulatory accounts based on unique combination of input variants like business transaction, functional area, GL account, etc. when entered. These rules are configured in the derivation tables in the SAP development environment, processed and approved through the Company's change management process, and tested prior to migration to the SAP production environment.

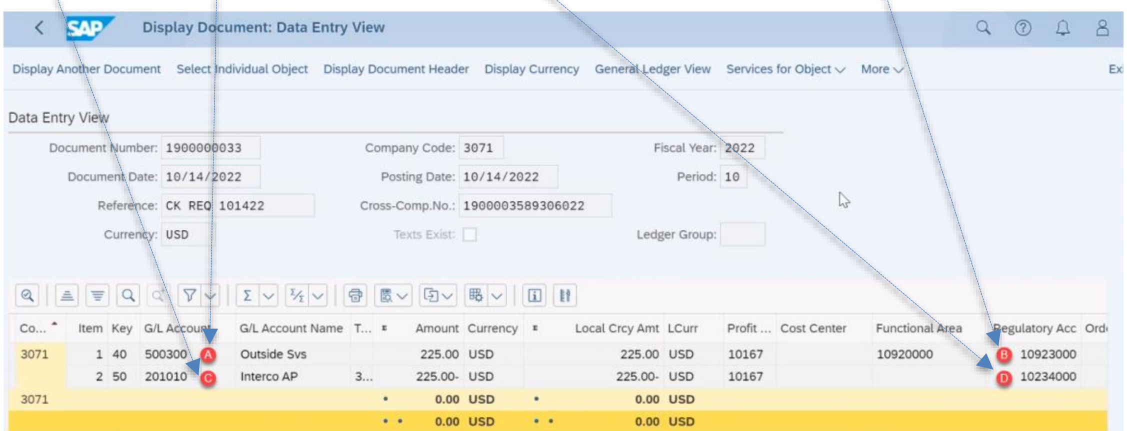
Figure 4.4a – Example of a Derivation Rule and Journal Entry Posting

To illustrate the operation of a derivation rule, we obtained an example of an O&M to Regulatory Account (USoA) derivation from the SAP system and traced the rule to a posted journal entry. In this example entry, costs are recorded as a credit to GAAP Account Outside Services (A) and USoA 923 Outside Services Employed (B) with a debit to GAAP Account Intercompany AP (C) and USoA 234 Accounts Payable to Associated Companies (D).

Balance Sheet and P&L to Regulatory Account Derivation Table Entry



Example of a Posted Journal Entry with GL account to Regulatory Account Mapping



<u>Recording of Regulatory Accounts and the Utilization of 999 Regulatory Holding Account</u>

For a utility company on SAP, such as the Company, every SAP transactional posting must derive a regulatory account. There are non-financial or controlling transactions in SAP used for managerial, financial, and cost-related activities in an organization. When those non-financial controlling transactions are performed, the transactions should not have an impact on the regulatory ledger. For example:

– For balance sheet accounts, there is a mapped regulatory account to the US natural account ledger.
– For statement of income accounts, the regulatory account is derived based on the cost object.

SAP uses the concept of "natural accounts" to process all transactions. Costs included in natural accounts are transferred from the original cost object account to a temporary regulatory settlement holding account (also referred to as '999 account' by the Company) which serves as a temporary holding account for reporting and regulatory compliances purposes, rather than to permanently hold or accumulate a balance (like a clearing account). When the Company settles cost to the '999 account':

– **<u>Allocation process</u>**: The Company determines the allocation basis for the cost (e.g., WBS settlement rule based on regulatory requirements or industry standards).
– **<u>Cost allocation</u>**: Using the WBS settlement rule, the Company allocates the costs from the original cost object account to the '999 account' by creating a cost settlement transaction that 'debits' the original cost object account and 'credits' the '999 account'.
– **<u>Financial impact</u>**: As the cost settlement transaction affects the financial statements, the original cost object account will decrease by the allocated amount, while the '999 account' will increase by the same amount. The overall financial transaction remains 'balanced' (See **Figure 4.4b** for an example illustration).

– **Regulatory and compliance**: By settling costs to the ‘999 account’, the Company can accurately track and report the allocated cost for regulatory purposes.

The process noted above confirms appropriate GAAP and regulatory accounting for WBS elements are created and maintained within the SAP system.

Example of a 999 Regulatory Account Transaction

As a simplified example, assume an employee at the Company works on capital and O&M projects and a portion of their time is allocated to capital projects based on a time study. The wages for this individual accumulate monthly in an expense account. As part of the monthly settlement process, SAP will credit the expense account and debit the ‘999 account’, then SAP will debit the capital account (i.e., construction work in process) for the portion of the employee’s time that is spent on capital projects, debit the appropriate expense account for the remainder, and credit the ‘999 account’.

As a result, this nets the ‘999 account’ to zero and records the employee’s wages appropriately to capital and O&M. Further note, the SAP settlement process is made more complex when allocations to cost centers and to/from shared service companies are considered.

4.5 Conclusion on Data Conversion

The Company developed a comprehensive data conversion and migration strategy in line with established industry standards. A qualified third party (IBM) conducted the data conversion in line with established standards and a qualified third party (KPMG) was engaged to independently validate the data conversion and migration. Inspection of data validations documentation was sufficient to evidence that key financial data was completely and accurately converted from the Great Plains system to SAP. Furthermore, the data conversion was then scrutinized by qualified external reviewers knowledgeable on data conversion practices.

The adjustments to the rate case filing after the initial filing were not the result of inaccurate or incomplete translation of data from the precursor Great Plains system to SAP during the data conversion process. Such adjustments primarily arose from gaps in the WBS element mapping configurations resulting from functionality which was new to the Company adapting to an SAP environment. After data conversion, it is common for migration mapping issues to occur and be resolved particularly in areas such as WBS mapping where SAP functionality differs from that of the legacy system.

5. Review of DOE & Company's Findings

5.1 Introduction

After the May 2023 rate case filing was submitted, necessary corrections to the rate filing were identified by the Company to reflect appropriate mapping of regulatory accounts as is typical in the initial months after conversion to SAP (referred to as the "hypercare" period to allow the Company to stabilize the SAP system and the business/IT processes executed through the system). Further, adjustments were made for issues identified by DOE upon their review of the filing. A few adjustments proposed by the DOE were based on their assumption that the FERC Form 1 contained the appropriate 2022 regulatory account balances. This was not the case. The Company's rate case filing was populated from the 2022 regulatory balances after conversion to SAP and were not necessarily the same amounts included in the FERC Form 1. Subsequent to the initial rate case filing, additional adjustments were made to the rate case balances due to further mapping/settlement data reviews which may or may not have been reflected in the FERC Form 1, but which were necessary to present a complete and accurate 2022 test period. Accordingly, it is not appropriate to consider the FERC Form 1 as the most accurate representation of the Company's books and records and adjust rate case filed amounts to that document. Instead, the adjusted 2022 regulatory balances (which includes DOE proposed adjustments and other Company-identified adjustments as indicated herein) incorporated into the Updated Filing should be used as the most complete and sufficient starting point for the Commission to use when determining the Company's revenue requirement. We performed procedures to validate that each correction was appropriately processed into the updated April 2024 filing. This was accomplished through two procedures:

- Comparing the 2022 SAP Regulatory Trial Balance (RAP Basis) to the April 2024 version of the revenue requirement in the Updated Filing and reviewing support/explaining differences.
- Determining that the adjusted Regulatory Accounts (USoA) and the Updated Filing reflect both Company-identified and recommended DOE audit findings.

5.2 Comparison of the 2022 SAP Regulatory Trial Balance (RAP Basis) to the Updated Filing and reviewing support/explaining differences

We compared the Company's 2022 SAP Trial Balance (Regulatory/RAP basis) to the Company's Updated Filing. The comparison is presented within Figure 5.2.1a below where 16 individual account differences were identified resulting from 20 manual topside entries (adjusted within "Test year" in the rate case filing but outside of SAP). Of the 20 topside entries, 14 entries relate to findings by the DOE in their "Audit Issue #1," which is further described below. The remaining six topside entries were identified by the Company after the filing of the FERC Form 1, as well as by the DOE in their "Audit Issue #28," also discussed below.

In addition, 33 correcting topside entries were incorporated in the Updated Filing schedules as "pro-forma" adjustments and "other adjustments," of which 17 topside entries stemmed from the DOE's review of the Company's initial filing, 13 topside entries identified by the Company and 3 adjusting entries identified as a result of our procedures. Those 33 entries were summarized within the Updated Filing on tab "TrackRRUpdates". The adjustments identified by DOE and the Company are presented below in Figures 5.2.1b and 5.2.2a and those we identified are discussed in detail in sections 5.2.1 and 6.2. The topside entries related to findings from the DOE review are discussed in further detail below. For the topside entries identified by the Company, we discussed each entry with the Company to understand and assess each entry's completeness, accuracy, and root cause. The root cause can be categorized as follows: a) SAP mapping and settlement issues or b) incomplete and/ or inaccurate data used in the initial filing.

To understand the SAP mapping and settlement issues, we performed detailed procedures as outlined in Appendix A. We verified that issues were properly identified and resolved in the Updated Filing as discussed below.

5.2.1. Validation of the Company's Topside Journal Entries Resulting From SAP WBS Cost Element Mapping and Settlement Issues

We reviewed the topside entries prepared by the Company in 2023 to correct the 2022 "Test year" amounts included within Updated Filing. Those entries impacted a number of USoA shown below in Figure 5.2.1a (**TM A**). We performed a detailed walkthrough to understand the settlement process and to assess the completeness and accuracy of the adjustments. We further performed a reconciliation of adjustment entries to the detailed support provided by the Company.

As part of this reconciliation, we agreed adjustments to the SAP derived trial balance with the details by cost centers and WBS elements downloaded from SAP and corroborated the reasonableness of the adjusting entries to the Company's explanations.

Within 12 topside entries caused by SAP mapping and settlement issues which were incorporated in the Updated Filing as a "pro forma" and/ or "other" adjustment (Figure 5.2.1b), two adjustments (Settlement adjustments) were identified by the Company as part of an additional review of 999 accounts "10199999" and "10999999" (collectively "999") performed in January 2024. Settlement adjustments (**TM C**, Figure 5.2.1a) resulted in the reversal of the adjustments identified before as part of the DOE Audit Findings (Figure 5.2.1b), particularly AI-16, AI-17 and AI-22 (discussed in detail in section 5.3). We verified the reversal of those entries was appropriately recorded to avoid double booking, since the correction was captured within the settlement adjustments, which we verified through the procedures described in section 5.2.1.1 below.

Figure 5.2.1a – Reconciliation of Trial balance as of December 31, 2022

FERC Account	FERC Account name	Reg account	Balance per Original TB	TM	Adjustments	TM	Adjusted balance	TM	Balance per RR fiing	TM	Difference between Adjusted balance and RR TB	TM	Settlement adjustment	TM
107	107 Construction work in progress—Electric.	10107000	15,258,393	TB	(497,618)	A.1	14,760,775	Rx, B	14,760,776	RR TB	(1)	Rx, imm	-	
131	131 Cash (Major only) .	10131000	43,238,111		(1)	A	43,238,110		43,238,110		-	Rx	-	
142	142 Customer accounts receivable.	10142000	21,811,210		(18,299)		21,792,911		21,792,911		-	Rx	18,299	C
163	163 Stores expense undistributed (Major only) .	10163000	54,509		(54,509)		-		(0)		0	Rx, imm	55,641	
182.3	182.3 Other regulatory assets.	10182300	5,649,178		(92,856)		5,556,322		5,556,322		-	Rx	90,173	
184	184 Clearing accounts (Major only) .	10184000	1,142,089		(89,571)		1,052,518		1,052,518		-		-	
242	242 Miscellaneous current and accrued liabilities.	10242000	(30,570,333)		4,586,961		(25,983,372)		(25,983,372)		-		-	
440	Revenue	10440000	(78,599,077)		1,077,480		(77,521,597)		(77,521,597)		-		-	
580	580 Operation supervision and engineering.	10580000	1,224,031		-		1,224,031		1,224,031		-		24,799	C
583	583 Overhead line expenses (Major only) .	10583000	1,170,626		-		1,170,626		1,170,626		-		21,304	
586	586 Meter expenses.	10586000	315,949		-		315,949		315,949		-		5,451	
587	587 Customer installations expenses.	10587000	48,988		-		48,988		48,988		-		1,034	
588	588 Miscellaneous distribution expenses.	10588000	1,613,700		-		1,613,700		1,613,700		-		48,234	
593	593 Maintenance of overhead lines (Major only) .	10593000	9,128,513		(3,675,811)	A	5,452,702		5,452,702		-		538,229	
594	594 Maintenance of underground lines (Major only) .	10594000	167,310		-		167,310		167,310		-		127,947	
596	596 Maintenance of street lighting and signal systems.	10596000	39,278		-		39,278		39,278		-		118	
902	902 Meter reading expenses.	10902000	353,272		-		353,272		353,272		-		504	
912	912 Demonstrating and selling expenses (Major only)	10912000	(10,827)		-		(10,827)		(10,827)		-		74	
920	920 Administrative and general salaries.	10920000	2,618,649		240,636	A	2,859,285		2,859,283		2	Rx, imm	(305,430)	
921	921 Office supplies and expenses.	10921000	2,313,715		(713,535)	A	1,600,180		1,600,180		(0)	Rx, imm	(348,340)	
922	922 Administrative expenses transferred—Credit.	10922000	(8,501,412)		-		(8,501,412)		(8,501,412)		-	Rx	(99,655)	
923	923 Outside services employed.	10923000	2,381,415		-		2,381,415		2,381,415		-		4,134	
924	924 Property insurance.	10924000	1,594,654		(5,337)	A	1,589,317		1,589,317		-		(57,592)	
925	925 Injuries and damages.	10925000	935,862		(8,263)		927,599		927,599		-		(89,188)	
926	926 Employee pensions and benefits.	10926000	3,720,678		332,823		4,053,502		4,053,502		-		(118,274)	
430	430 Interest on debt to associated companies.	10430000	(2,997,857)		(1,077,480)		(4,075,337)		(4,075,337)		-		-	
408.1	408.1 Taxes other than income taxes, utility operating	10408000	6,527,303		(4,620)		6,522,682		6,522,682		-		79,855	C

Tickmark Legend

TB Agreed to the original trial balance as of 12/31/2022 generated from SAP.

RR TB Agreed to the Trial balance included in the updated revenue requirement schedules.

A Agreed to the adjustments to the original trial balance (**TB**) made topside by the Company to correct the issues discussed in section 5.2.1.

Each of those adjustments was recalculated using the WBS elements details from the original trial balance (**A**) and additional support provided by the Company.

For example, the total of adjustments for account 107 (**A.1**) is comprised of seven separate adjustments as illustrated below.

We confirmed the appropriateness of the entries based on the identified root cause of the adjustments.

For example, adj I.1 (Our internal coding) below resulted from incorrect regulatory mapping rule, evidenced by inconsistent Regulatory Account mapping per Original TB (10921000) regarding WBS element.

	Adjustments inventory:		Issue
1	adj I.1	14,040	Adjust incorrect regulatory mapping rule
2	adj I.2	(6,227)	Adjust incorrect regulatory mapping rule
3	adj II.1	(857,308)	Correct over-accrual of capital invoices that were paid in 2022 (Audit issue #28)
4	adj II.2	18,143	Correct regulatory account settlements (Audit issue #28)
5	adj II.3	687,051	Capitalize 85% of physical inventory write off recorded (Audit issue #28)
6	adj II.4	(356,000)	Correct pre capitalized meter overheads double-booked (Audit issue #28)
7	adj II.6	2,683	Correct usettled WBS element related to winter storms
	B.1	(497,618)	Rx

Extract from Original Trial Balance from SAP

WBS Element	G/L Account	G/L Account	Regulatory A	Regulatory Acc	Functional Ar	Functional Area	End Balance	Mapping
DELL LATITUDE 7430 BTX laptops-Install	OCOA/502110	Comp Exp-Repair	10921000	Office Splys n Exps—FERCE	10107000	Consn Wk in Progr-Elec.	14,040.00	adj I.1
Not assigned	OCOA/505000	Other Operating Exp	10107000	Consn Wk in Progr-Elec—Ut Plt—FERCE	10920000	Adm Gen Sal-AGE- Op	5,264.43	adj I.2
Finance Unalloc Burden-STO-Install	OCOA/702000	BS Lbr Offset	10107000	Consn Wk in Progr-Elec—Ut Plt—FERCE	10107000	Consn Wk in Progr-Elec.	962.31	adj I.2

Σ =6,227

WBS Element	G/L Account	G/L Account	Regulatory A	Regulatory Acc	Functional Ar	Functional Area	End Balance	Mapping
WINTER STORM KENAN Def	OCOA/500300	Outside Svs	10182300	Othr Reg Ass—FERCE	10182300	Oth Regtry Ass	3,296.00	adj II.6
WINTER STORM LANDON Def	OCOA/500300	Outside Svs	10182300	Othr Reg Ass—FERCE	10182300	Oth Regtry Ass	(3,411.22)	adj II.6
WINTER STORM OAKLEE Def	OCOA/500300	Outside Svs	10182300	Othr Reg Ass—FERCE	10182300	Oth Regtry Ass	115.22	adj II.6
WINTER STORM ORLENA-Def	OCOA/500000	Salaries and Wages	10182300	Othr Reg Ass—FERCE	10182300	Oth Regtry Ass	(1,081.00)	adj II.6
WINTER STORM ORLENA-Def	OCOA/500300	Outside Svs	10182300	Othr Reg Ass—FERCE	10182300	Oth Regtry Ass	(1,411.98)	adj II.6
2023 Performance Based Ratemaking Exp	OCOA/500300	Outside Svs	10182300	Othr Reg Ass—FERCE	10182300	Oth Regtry Ass	37,141.25	adj II.6
2023 Performance Based Ratemaking Exp	OCOA/804030	WBS ST Services	10999999	Default-FERCE	10182300	Oth Regtry Ass	(37,331.06)	adj II.6

Σ =2,683

B Adjusted balance recalculated by adding the adjustments (**A**) to the original TB balances (**TB**).

C Settlement adjustments ("999" adjustment) were identified by the Company as part of an additional review of settlement clearing-type accounts. The Company noted that certain accounts were incorrectly adjusted during accounting close of 2022; therefore, settlement adjustment was made topside to the relevant accounts within the filing schedules as a "pro-forma" adjustment. We verified the appropriateness of adjustments by performing procedures outlined in sub-section 5.2.1.1 below. We also ensured that amounts were properly included in the filing (Figure 5.2.1b).

Rx Recalculated without exception.

Imm The difference is an immaterial difference due to rounding.

5.2.1.1 Settlement ("999") adjustments

To verify the completeness of the settlement adjustments, we independently pulled the 2022 account activity of "999" accounts and reconciled it to the population used by the Company as part of their review without exception. We further reperformed the analysis performed by Company undertaking the following steps:

1. We removed the journal entries with net zero "999" activity from the population as those settled correctly and ensured that remaining population was investigated further.
2. For the remaining journal entries, we performed analysis at the natural GL account level and considered the appropriateness of each entry's settlement:
    a. We reviewed the initially assigned combination of sending/ receiving cost objects, functional area and regulatory account with reference to the derivation rules. As part of this step, we performed the detailed walkthrough with the Company through the various settlement combinations (e.g., WBS element settled to Order, Cost center settled to WBS, etc.) ensuring that resolution for each scenario corrected inconsistency in derivation rule.
    b. We verified the updated USoA for the population assessed above is consistent with the Company's resolution for each scenario. We further tied the amounts within corrected accounts to the settlement adjustments without exception. We verified the reasonableness of the updated USoA affected by the adjustment.

The settlement adjustments were top sided to the Updated Filing schedules as a "pro-forma" adjustments together with other corrections designed to resolve inconsistent account mapping (Figure 5.2.1b).

Figure 5.2.1b – Topside entries included in the Updated Filing as a "pro forma" and "other" adjustments resulted from SAP mapping / settlement error findings

Identified by DOE		
Ref.	**Adj**	**Notes**
10	OCA 5-22	Adjust Revenue to include $22,217 in USoA 454 for additional tower rental revenues.
12	AI-2	Adjust USoA 108 to include legacy accumulated depreciation of $1,413 each period by entering an amount in "Other Adjustments".
14	AI-12	Adjust revenue to include $383,134.66 in USoA 449 that was originally booked in USoA 407 and a matching adjustment to remove $383,134.66 from USoA 449 as a normalization adjustment.
15	AI-17	Reclass expense from USoA 920 to USoA 580. Different escalation rates were applied to these accounts.
18	AI-22	Transfer expense from USoA 923 to Battery Storage regulatory asset FERC 182. The expense transferred to the regulatory asset gets amortized over rate year 1.
19	AI-23	Reclass expense from USoA 928 to USoA 921. There is a difference in how each expense is forecast in the rate years which causes a net increase to expense.
25	AI-16	Reclass expense from USoA 920 to USoA 408. In updating the Revenue Requirement for this entry, the Company also adjusted the formula in RR-2.10 Line 14 & 52 to reflect the test year labor pro forma adjustment impact.

Identified by Company			TM
Ref.	**Adj.**	**Notes**	
27	Jan 2024 Adjustment 1	Pro Forma adjustments for entries that were booked in USoA 999 in the original trial balance.	C
28	Jan 2024 Adjustment 3	Reverse adjustments made in the trial balance used for the revenue requirement moving from balance sheet accounts to income statement accounts.	C
29	AI-22 Reversal	Reverse transfer expense from USoA 923 to Battery Storage regulatory asset USoA 182 in line item 18 because it was already included in the original revenue requirement adjusted trial balance.	
30	AI-17 Reversal	Reverse adjustment made in response to AI-17 since it is included in the adjustments made to reclass certain UsoA 999 accounts in line item 27	
31	AI-16 Reversal	Reverse adjustment made in response to AI-16 since it is included in the adjustments made to reclass certain USoA 999 accounts in line item 27	

Tickmark Legend

C The settlement adjustments are discussed within **TM C** of Figure 5.2.1a and in section 5.2.1.1 above.

We verified each of the adjustments within Figure 5.2.1b to the underlying support. We noted that settlement adjustments, referred as "Jan 2024 Adjustment 1" and "Jan 2024 Adjustment 3" within "TrackRRUpdates" tab included in the Updated Filing corrected the inconsistent settlement rules, which resulted in reversals of adjustments identified within audit findings (AI-16, AI-17 and AI-22) discussed in detail in the section 5.3. We verified the reasonableness of the entries and their reversal and confirmed the amounts within the filing schedules are correct.

5.2.1.2 Conclusion

Based on the procedures performed in 5.2.1, we conclude the following:

SAP settlement / mapping issues were isolated within the regulatory accounts presented in Figure 5.2.1a. We performed the reconciliation of the 2022 balances included in the original trial balance generated from SAP to the adjusted trial balance used in revenue requirement schedules preparation and noted the only differences represent the topside entries (**TM C**, Figure 5.2.1a). The final adjusting entries to resolve mapping issues (**TM C**, Figure 5.2.1a) were top sided to the test year amounts included in the filing schedules via "pro-forma" and as "other" adjustments. Those adjustments were documented by the Company under reference numbers 27 and 28 within the tab "TrackRRUpdates" of the Company's Updated Filing. The procedures we performed confirmed the adjusted rate case schedules in the Updated Filing reflect the corrected 2022 balances.

The Company assessed the full population of WBS cost elements, discovered errors and made updates to the WBS cost element master data mappings for WBS settlement rules and regulatory receivers, and that the manual journal entries posted to address and resolve those errors were appropriate. The Company also evaluated WBS cost element master data mappings to WBS allocation structure. Account adjustments were appropriately recorded in SAP in 2023, while the issues affecting the rate case filing were addressed by topside entries.

As a result of our procedures, we confirmed that SAP mapping and settlement issues impacted isolated areas covered by our analysis; therefore, the topside adjustments in 2023 implemented within the Updated Filing represent a complete list of corrections. The accuracy of the adjustment is verified through detailed review and reconciliation of underlying support as well as reperformance of the Company's evaluation, which provides a sufficient comfort over the adjusted account balances included within the Updated Filing.

5.2.2 Validation of the Company's Topside Adjustments resulted from Incomplete and/ or Inaccurate Data

As previously discussed, during 2023, the Company discovered that initial details for some accounts included in the rate case filing were either incomplete or inaccurate (e.g., rental expenses, A&G-Outside Services of battery storage costs, etc.). The Company identified the issues either from their independent review of details or as following up on a request from DOE. (Figure 5.2.2a).

Figure 5.2.2a – Topside entries included in the Updated Filing as a "pro-forma" or "other" adjustment related to incomplete and/ or Inaccurate Data

Identified by DOE

Ref.	Adj.	Notes	TM
3	DOE 4-8	Adjust USoA 154 Supplies and Inventory to increase rate base by $69,101 each period by entering an amount in "Other Adjustments".	
6	DOE 4-48	Adjust O&M expense to include $138,823 of rental expense in USoA 931.	A
7	OCA 3-35	Adjust O&M expense for updated NHPUC Assessment in USoA 928 by specifically forecasting the expense in each of the rate years adjusted for the amount recovered through the Energy Service Rate. Rate Year 1 is an average of the 2023 & 2024 assessments while RY 2 & RY 3 are kept constant at the 2024 assessment.	
8	OCA 3-66	Adjust O&M expense to include $3,740 of rental expense in USoA 931.	
9	OCA 3-97	Adjust USoA 165 Prepaid Expenses to reflect corrected prepaid balances in OCA 3-97 by entering an amount in "Other Adjustments".	
13	AI-3	Adjust depreciation expense in USoA 403 for fleet depreciation expense capitalization by applying 45.19% to depreciation expense in USoA 392 and USoA 396.	
16	AI-18	Remove certain non-recurring expenses in USoA FERC 920 and USoA 930. The decrease in expense reduces the revenue deficiency in each rate year.	
17	AI-19	Normalize certain expenses in USoA 593 and USoA 598. The decrease in expense reduces the revenue deficiency in each rate year.	
20	AI-26	Adjust USoA 408 for $94,258 decrease in municipal property tax.	
26	AI-21	Remove overage of expense in USoA 921.	

Identified by Company

Ref.	Adj.	Notes
2	DOE 4-7	Adjust USoA 165 Prepaid Expenses to reduce rate base by $1,255 each period by entering an amount in "Other Adjustments".
4	DOE 4-25	Adjust O&M expense to include $5,472.44 of ESPP allocated from LUNH in USoA 926 escalated by the Labor Escalator for the Rate Years.
5	DOE 4-44	Adjust O&M expense to include $2,406.48 of advertising expense in USoA 909 escalated by the General Escalator for the Rate Years.
11	OCA 5-33	Update Vegetation Management expense in USoA 593 to reflect forecast in OCA 5-33.
21	DOE 10-21	Update Working Capital to align with Company testimony. The change results in a net reduction to Cash Working Capital.
22	TS 2-20	Adjust O&M expense to include $6,030.45 of dues in USoA 921 that was incorrectly recorded below the line to USoA 426.
23	OCA TS 1-8	Adjust revenue in USoA 454 for forecast pole attachment and tower rental revenues to include anticipated pole attachment revenue changes and general escalation.
24	OCA 3-76	In updating the Revenue Requirement, the company identified certain additional adjustments to remove Other Revenues related to revenues collected through non-base rate mechanisms (e.g., energy efficiency incentives, vegetation management over/under collections, and PTAM over/under collections).

Tickmark Legend

A During 2022, the Company recorded $132,786 of rental expenses to GAAP account 501300 – Meals & Entertainment. The adjustment DOE 4-48 was intended to reclassify those costs to GAAP account 503000 – Rental expenses. However, the Company inadvertently added the costs to GAAP account 500300 and did not remove the expense from GAAP account 501300. Both GAAP accounts are mapped to USoA 931 Due to DOE 4-48 entry, rental expenses recorded to USoA 931 were overstated by $132,786. We discussed the finding with the Company, and this was appropriately corrected through "PwC Adjustment - Rental Expense Adjustment" included in in the Updated Filing. Note, we also identified this error through our procedures detailed in section 6.2.

From the above, five of eighteen adjustments (OCA 3-35, OCA 5-33, AI-3, DOE 10-21, OCA TS 1-8) related to correction of projected periods of 2023 through 2026 due to updated forecasts and related matters. The corrections to the test year were not significant with only three of the above adjustments individually exceeding $100,000 (DOE 4-48, AI-18, OCA 3-76, two of which substantially offset one another). As a result, corrections/reclassification adjustments were incorporated directly into the Updated Filing schedules. For example, as part preparing the response for DOE 4-44 request for information and review of advertising expenses included within O&M expenses in the Updated Filing schedules, the Company identified an additional $2,406.48 of costs initially excluded from the filing (Figure 5.2.1a). The Company incorporated the respective adjustment for the same amount within USoA 909 as indicated within adjustment #5 (TrackRRUpdates tab per filing). We reviewed the supporting schedule and confirmed the accuracy of the adjusting entry (Figure 5.2.2b).

Figure 5.2.2b – Validation of the adjustment DOE 4-44

Vendor Name	Payment Date	Description	Amount	Category
BENCHMARK GRAPHICS	3/3/2022	NHN Envelope (electric)	$ 1,951.18	Insert
BENCHMARK GRAPHICS	3/23/2022	Newsletter (electric)	$ 1,743.12	Informational
BENCHMARK GRAPHICS	7/20/2022	Newsletter (electric)	$ 2,063.16	Informational
BENCHMARK GRAPHICS	1/27/2022	Newsletter (electric)	$ 1,725.35	Informational
BENCHMARK GRAPHICS	6/1/2022	Newsletter (electric)	$ 1,941.12	Informational
Graphix Plus	5/5/2022	shipping 1,000 media relations business cards	$ 31.50	Informational
UNITED PARCEL SERVICE	6/9/2022	shipping 1,000 media relations business cards	$ 3.87	Postage
US POST OFFICE	7/12/2022	Energy Price Increase Letter (Q&A w/ contact info) - **Postage**	$ 21,000.00	Postage
Spectrum Marketing Com	8/3/2022	Energy Price Increase Letter (Q&A w/ contact info)	$ 10,687.67	Informational
BENCHMARK GRAPHICS	10/13/2022	Newsletter (electric)	$ 2,034.37	Informational
BENCHMARK GRAPHICS	10/13/2022	Value Campaign - Holiday	$ 1,118.29	Informational
BENCHMARK GRAPHICS	10/20/2022	Disclosure Label (0046)	$ 1,630.98	Informational
BENCHMARK GRAPHICS	10/20/2022	Low Income (electric - 0047)	$ 1,630.98	Informational
BENCHMARK GRAPHICS	10/28/2022	NHN Envelope (electric)	$ 3,628.53	Insert
BENCHMARK GRAPHICS	11/3/2022	At Your Service Welcome Book	$ 2,299.76	Informational
BENCHMARK GRAPHICS	11/3/2022	At Your Service Welcome Book	$ 1,566.90	Postage
BENCHMARK GRAPHICS	11/11/2022	My Account, My Way (NH)	$ 923.23	Informational
BENCHMARK GRAPHICS	11/16/2022	Newsletter (electric)	$ 2,032.61	Informational
BENCHMARK GRAPHICS	12/1/2022	Web Reskin Insert (NH)	$ 923.23	Informational
BENCHMARK GRAPHICS	12/19/2022	6X9 AYS Special Window Envelope (5)	$ 742.50	Envelope
BENCHMARK GRAPHICS	12/31/2022	NHN Envelope (electric)	$ 4,286.13	Insert
			$ 63,964.48	
		Advertising Expenses per RR-2.8, Line 4	$ 61,558.00	
			$ (2,406.48)	

Another example is adjustment #4 (DOE 4-25 within TrackRRUpdates tab per filing) posted to USoA 926, which represented additional allocation of Employee stock purchase plan (ESPP) expense from Liberty Utilities NH (Company code 3070). We recalculated the adjustment to verify the appropriateness of entry within the Updated Filing (Figure 5.2.2c).

Figure 5.2.2c – Validation of the adjustment DOE 4-25

ESPP per LUNH (Company 3070)	18,241.46	*Tied to the LUNH book records*
Allocation percentage	30%	*Confirmed by management*
ESPP allocated to GSE (Company 3071)	5,472.44	*Recalculated without exception*

5.2.2.1 Conclusion

Through the procedures performed in 5.2.2 we confirmed the accuracy of the adjustments related to the incomplete and/or inaccurate data. We understand the identified issues were mainly limited to the instances included within figure 5.2.2a as affirmed by the Company.

5.3 DOE Audit Findings

In the second procedure, we reviewed the DOE's Motion to Dismiss Rate Filing DE 23-039. Within the motion, the DOE identified 28 "Audit Issues". We considered the nature of each item raised by DOE and whether the Company agreed with the finding raised. For those findings that led to a correction in the Updated Filing, we verified that the correction was completely and accurately made.

As part of the analysis of the findings, we noted that certain findings raised by DOE concerned the Company's internal processes including sufficiency of internal detailed reports or budgets (e.g. Audit issue #5). Such findings do not have a direct impact on the filing schedules. In our review, we evaluated the subject matter of each finding and grouped them into two categories – those which have an impact on the revenue schedules (**a**) and those that do not (**a.1**). Refer to Figure 5.3.1 below for further detail.

Figure 5.3.1 – Summary of DOE Audit Findings that impacted the revenue requirement schedules

Audit Issue No. and Title	Audit Issue Description	Did the Audit Issue relate to journalizing (b)?	Does the Company agree with the finding (c)?	Did we validate the finding was adjusted for appropriately (d)?
Findings that impacted the revenue requirement schedules (a)				
Audit Issue #1 – General Ledger Settlement Set-up	Twenty-one regulatory accounts per GL do not agree to the 2022 FERC Form 1 because of 18 topside entries posted by the Company to resolve inconsistencies in the accounts mapping.	Yes	Yes	Yes
Audit Issue #2 – Accumulated Depreciation and Cost of Removal	The accumulated depreciation per the filing schedule does not agree to the 2022 FERC Form 1 by the balance of RWIP account and salvage cash payments.	Yes	Yes	Yes – **d.1**
Audit Issue #3 – Repeat Issue Capitalizing Fleet / Equipment Depreciation	The company capitalized a portion of fleet depreciation and Staff suggested to (i) adjust the Plant in Service balances which have been impacted by the capitalization for all years 2018 through current and (ii) to remove the capitalized equipment/fleet charges from the filing (Rate Years).	No	i) No ii) Yes	Yes
Audit Issue #7 – Materials Expense	The Company was requested to adjust the Supplies and Inventory in the filing schedule for the difference between Historical Stock balance per Inventory report and GL.	No	Yes	Yes
Audit Issue #10 – Interest on Customers Deposits	The Company explained the entry of $259.59 posted to Great Plains account "Interest Accrued from Customer Deposits" and further identified miscoding between Granite State Electric and Energy North, which was corrected during the test year.	No	Yes	Yes
Audit issue #11 - Interest Income	USoA 419 included incorrectly recorded rental income of $22,217.35 which should have been recorded to USoA 454.	Yes	Yes	Yes
Audit issue #12 – Revenue	The Company did not adjust Revenue in the filing schedules for balance of account OCOA/400330 Electric Revenue-Other incorrectly mapped to regulatory account USoA 407.	Yes	No	Yes – **d.2**
Audit issue #16 - Payroll Taxes	The adjustment was required to post payroll taxes being incorrectly booked to USoA 920 for October, November, and December to USoA 408.	Yes	Yes	Yes
Audit issue #17 - Transactions past 9/30/2022 in SAP General Ledger	The Company should adjust fleet charges of $22,141 incorrectly posted to USoA 920 to properly reflect the amount within USoA 580.	Yes	Yes	Yes
Audit issue #18 - Expenses to Be Considered Non-recurring	Rental car expenses of $110,660.53 incurred during test year due to COVID should be considered non-recurring and removed from filing.	No	Yes	Yes
Audit issue #19 - Expenses Outside of the Test Year	The Company should adjust test year USoA 593 and USoA 598 for the identified expenses of $52,302 and $465.10 incurred outside of test year.	No	Yes	Yes
Audit issue #21 - Expense Variance	The Company should adjust for variance of $238.25 between booked expense amount and allocated portion of the invoices.	No	Yes	Yes
Audit issue #22 - Charge posted to expense account rather than deferral account	The Company should adjust incorrectly posted Battery storage invoices of $50,895.20 from USoA 923 and post them to the correct deferral account.	Yes	Yes	Yes
Audit issue #23 - Regulatory Expenses vs. Political Contributions	The membership dues of $1,800 were incorrectly posted to USoA 928.	Yes	Yes	Yes
Audit issue #24 - Filing vs. Response to Staff Data Request	In response to the Staff data request, the Company identified the adjustment to the rental expenses resulted from incomplete data used in preparation for the initial filing schedule.	No	Yes	Yes

Audit Issue No. and Title	Audit Issue Description	Did the Audit Issue relate to journalizing (b)?	Does the Company agree with the finding (c)?	Did we validate the finding was adjusted for appropriately (d)?
Audit issue #26 - Property Tax Filing Schedule RR-3.6 Adjustments to adjust to the June 8, 2023, PTAM Audit Report	The Company should adjust filing schedule RR-3.6 to reflect $4,788,786 in 2022 municipal property tax expenses, while initial filing schedule included higher amount of $4,883,044. Net impact from the adjustment is $(94,258).	No	Yes	Yes
Audit issue #28 - FERC Form 1 does not agree with the Filing	The Staff noted USoA 922 and USoA 926 on the FERC Form 1 do not agree to the filing schedules, whereas those accounts are also impacted by Audit issue #1.	No	Yes	Yes

Figure 5.3.1a – Summary of DOE Audit Findings which did not have impact on the revenue requirement schedules

Audit Issue No. and Title	Audit Issue Description	Did the Audit Issue relate to journalizing (b)?	Does the Company agree with the finding (c)?	Did we validate the finding was adjusted for appropriately (d)?
Findings which did not have impact on the revenue requirement schedules (a.1)				
Audit Issue #4 – Repeat Issue EAP Upgrades CIAC	The Company should exclude $140,000 billing system upgrade plant additions from the filing and GL, as those costs were recovered through the Energy Assistance Program.	No	Yes	N/A - the asset balance is zero as of 12/31/2022
Audit Issue #5 – Project Addition Backup	The Company was asked to explain Budget vs. Actual variances and support for a sample of plant additions.	No	Yes	N/A - operational in nature, no adjustments needed
Audit Issue #6 – Cost of Removal Booked Incorrectly	The Staff noted the Company charged cost of removal to the FERC USoA 242 instead of USoA 108, whereas the Company contested that USoA 242 is used solely for GAAP purposes and USoA 108 a is used for regulatory purposes.	No	No	N/A - no impact on filing
Audit Issue #8 – Timing of Recording Transactions	The Staff finding concerned the delayed entry posted to the Cash account (USoA 131), but the company contested that entry was properly incorporated into the FERC Form 1 and the rate case filing.	No	No	N/a - no impact on filing
Audit Issue #9 – Accounts Receivable Aging	The Company was unable to produce the detailed Accounts receivable ageing report, which would agree to the GL. The real time report was developed later, but one could not be run retroactively.	No	Yes	N/A - no impact on filing
Audit Issue #13 - Payroll General Ledger	The Staff requested the report reconciling the payroll to the general ledger.	No	No	N/A - no impact on filing
Audit Issue #14 - Temporary Employees	The Staff reconciled dollar amount of the expenses for temporary employment agencies but was unable to verify it was for Balance Professionals as the details did not provide vendor information.	No	N/A	N/A - no impact on filing
Audit issue #15 - End of Year Accruals	The Staff was unable to verify the accuracy of year-end payroll accruals due to an inability to provide supporting documentation for the amounts.	No	N/A	N/A - no impact on filing
Audit issue #20 - Automatic Template for Calculations	The automatic template used by the Company to calculate capital costs had not processed correctly for October and November 2022 leading to reclassification entries made by the Company. Audit is unsure if the issue pertained to any other areas.	No	Yes	N/A - no impact on filing
Audit issue #25 - Corporate Allocations	The Staff was unable to verify the corporate allocations expenses booked to GSE GL. Additional support was provided regarding the corporate billings billed to GSE, whereas the DOE was unable to agree the information to the detail GL.	Yes	Yes	N/A - no impact on filing
Audit issue #27 - Artwork	The Staff identified $5,265 in artwork included in Plant in service (USoA 398) and questioned the prudence and appropriateness of including this cost as a component of Plant in Service.	No	No	N/A - No adjustments required

Footnotes:

(a) The findings that impacted the filing resulted from the issues related to incorrect SAP mapping and/ or incomplete/ inaccurate data used by the Company in preparing the filing schedules. Those findings resulted in the topside adjustments incorporated by the Company (except for Audit issue #10, which was resolved during the test year directly in SAP). We verified the issues were addressed through the detailed review and analysis of the topside entries discussed within section 5.2.

(a.1) The findings which did not impact the filing related to DOE concerns on:

- Internal consistency of the underlying detailed reports with the balances included in the GL;
- The availability of detailed support for certain transactions and balances;
- The Company's internal processes on recording of the transactions for GAAP and regulatory purposes;
- The Company's procedures on budget vs actual assessment.

Those findings did not result in the adjustments to the filing schedules.

(b) For each DOE finding, we considered whether the issue related to the incorrect recording of journal entries.

(c) Assessed the Company's response to the DOE audit finding through discussions and analysis. The N/A indicates the issue relates to reconciliation and underlying schedule tie-out.

(d) For those issues where an adjusting entry was recorded, we validated that the adjusting entry was made and incorporated into the Updated Filing.

(d.1) Refer to the figure immediately below (Figure 5.3.2) for an example of how we validated that the DOE finding was appropriately addressed by the Company.

(d.2) The Company removed the amount from the Depreciation expense account (USoA 407) within the filing schedule RR-3. The adjustment to Revenue (USoA 400) was not recorded as it does not impact test year "pro forma" revenue included within filing schedule RR-2.2. Test year "pro forma" revenue is specifically calculated (normalized) for the filing purposes and the "pro forma" adjustment represents the balancing figure between the Test year revenue and Test year "pro forma" revenue.

Figure 5.3.2 –Validation of resolution of the Audit finding #2

Accumulated Depreciation (AD - FERC 108)	TM	Balance as of 12/31/2022
Ending Balance per Original TB	A	(123,090,712)
OCOA/155200 - Acc Dep - FC- Leg	B	(1,413)
OCOA/155500 - RWIP	C	121,571
Ending balance per RR-4.1	D = A - B - C	(123,210,870)
Other adjustment	B	(1,413)
Adjusted ending balance per RR-4.1	E = D + C	(123,212,283)

Tickmark legend

A We recalculated AD using original TB and noted no top-side entries were identified within AD accounts between the original and final TB.

B Account balance represents salvage cash payments discussed in Audit issue #2.

C Account balance represents RWIP charges discussed in Audit issue #2.

D We noted that Ending balance per filing excludes 2 accounts - see **TM B** and **C**. RWIP is properly excluded consistent with CWIP, while salvage cash payments were mistakenly excluded from filing, thus added back as "other" adjustment per RR-4.1. See **TM E**.

E The Company added back salvage cash payments (**TM B**) as those were inadvertently excluded because they were posted directly to the legacy account and therefore never settled properly through a WBS# in SAP to depreciation reports. We recalculated the amount included in the filing without exception.

Extract from RR-4.1

Line No.	Description	FERC	Test Year 2022 Ending Balance	13-Month Average Adjustment	Other Adjustments	Total
1	Gross Plant	101	349,877,082	-	-	349,877,082
2	Accumulated Depreciation	108	D 123,210,870	-	B 1,413	123,212,283 E
3	Net Plant		226,666,212	-	(1,413)	226,664,799

Extract from Trial Balance as of 12/31/2022

A = $ 123,090,712

B = $ (1,413)

C = $ 121,571

Σ

29	Company Code	Company Code	G/L Account	G/L Account	Regulatory Acc	Ending Balance in
81	3071	LU Granite State Electric	OCOA/150300	Cost of Removal-Leg	10108000	-8,010,584.06 USD
91	3071	LU Granite State Electric	OCOA/155010	Acc Dep-Plnt in Serv	10108000	-102,547,906.62 USD
92	3071	LU Granite State Electric	OCOA/155010	Acc Dep-Plnt in Serv	10108100	-188,067.82 USD
93	3071	[illegible]	OCOA/155010	Acc Dep-Plnt in Serv	10111000	-12,205,701.45 USD
94	3071	[illegible]	OCOA/155200	Acc Dep-FC-Leg	10108000	-1,412.71 USD
95	3071	[illegible]	OCOA/155200	Acc Dep-FC-Leg	10111000	0.00 USD
96	3071	[illegible]	OCOA/155500	RWIP	10108100	121,570.85 USD
97	3071	LU Granite State Electric	OCOA/155510	RWIP - Leg	10108000	0.00 USD
162	3071	LU Granite State Electric	OCOA/261500	LTRL Cost of Rem	10108110	-258,610.49 USD
223	3071	LU Granite State Electric	OCOA/500000	Salaries and Wages	10108100	270.05 USD
320	3071	LU Granite State Electric	OCOA/500300	Outside Svs	10108100	27,905.92 USD
410	3071	LU Granite State Electric	OCOA/502400	Legal Expenses	10108100	1,330.00 USD
438	3071	LU Granite State Electric	OCOA/505000	Other Operating Exp	10108100	292,058.33 USD
540	3071	LU Granite State Electric	OCOA/700000	PP Cap Lbr Offset	10108100	33,072.16 USD
545	3071	LU Granite State Electric	OCOA/700030	PPCap Services Offst	10108100	26,178.24 USD
548	3071	LU Granite State Electric	OCOA/702000	BS Lbr Offset	10108100	-83,076.80 USD
560	3071	LU Granite State Electric	OCOA/702030	BS Services Offset	10108100	-59,062.21 USD
565	3071	LU Granite State Electric	OCOA/702040	BS Other Offset	10108100	-301,345.17 USD
579	3071	LU Granite State Electric	OCOA/702110	BS Ops OH Benefit	10108100	-129,887.46 USD
585	3071	LU Granite State Electric	OCOA/702112	BS OH Payroll Tax	10108100	-2,954.26 USD
589	3071	LU Granite State Electric	OCOA/702113	BS OH Pension/OPEB	10108100	-2,946.84 USD
593	3071	LU Granite State Electric	OCOA/702114	BS OH Prop Ins	10108100	-3,412.69 USD
597	3071	LU Granite State Electric	OCOA/702116	BS Ops Vac Allocatin	10108100	-4,606.99 USD
603	3071	LU Granite State Electric	OCOA/702140	BS Ops OH Other	10108100	-59,859.90 USD
605	3071	LU Granite State Electric	OCOA/800000	Lbr Alloc	10108100	3,631.93 USD
637	3071	LU Granite State Electric	OCOA/801110	OH Benefits	10108100	8,785.04 USD
641	3071	LU Granite State Electric	OCOA/801111	OH Fleet	10108100	647.05 USD
643	3071	LU Granite State Electric	OCOA/801112	OH Payroll Tax	10108100	2,954.26 USD
647	3071	LU Granite State Electric	OCOA/801113	OH Pension/OPEB	10108100	2,946.84 USD
651	3071	LU Granite State Electric	OCOA/801114	OH Prop Ins	10108100	3,412.69 USD
655	3071	LU Granite State Electric	OCOA/801116	OH Vacation	10108100	4,606.99 USD
659	3071	LU Granite State Electric	OCOA/801118	OH Inj&Damage	10108100	5,283.67 USD
663	3071	LU Granite State Electric	OCOA/801119	OH Bonus	10108100	3,009.70 USD
668	3071	LU Granite State Electric	OCOA/801141	OH IT Costs	10108100	5,331.65 USD
672	3071	LU Granite State Electric	OCOA/801142	OH Rent	10108100	295.80 USD
676	3071	LU Granite State Electric	OCOA/801143	OH LAB Cap	10108100	101,475.02 USD
678	3071	LU Granite State Electric	OCOA/801144	OH LU Corp	10108100	5,059.53 USD
680	3071	LU Granite State Electric	OCOA/801170	OH A&G N-Labr	10108100	7,956.84 USD
850	3071	LU Granite State Electric	OCOA/900110	SAP Convert-Lbr	10108100	46,102.66 USD
853	3071	LU Granite State Electric	OCOA/900130	SAP Convert-Servs	10108100	4,978.05 USD
858	3071	LU Granite State Electric	OCOA/900190	SAP Convert-OH	10108100	59,859.90 USD

5.4 Conclusion

Through the detailed procedures performed within this section, we verified the Company appropriately corrected SAP mapping and settlement inconsistencies by adjusting the balances within the Updated Filing via topside entries incorporated within trial balance as well as "pro-forma" and "other" adjustments in the filing schedules. We verified the completeness and accuracy of adjustments and ensured that the findings identified by DOE were properly addressed. The information gathered from these procedures informed our approach outlined in the following section of this Expert Report.

6. Assessment of the 2022 Accounting Data included in the Updated Filing and 2023 Accounting Data

6.1 Introduction

As detailed above, the conversion and migration of the GAAP balances from Great Plains to SAP for Granite State generally went according to the Company's documented plan. The conversion was subject to internal controls, testing, reviews of completeness and other processes and procedures. The conversion was overseen by the Company and its system integrator (IBM) and subject to testing by the Company, the Company's external auditor EY, and other recognized external consultants (including KPMG, the Company's SAP controls integrator). The 2022 and 2023 GAAP financial statements were subject to an annual audit by EY. EY issued unqualified opinions on both the 2022 and 2023 GAAP financial statements, meaning that the financial statements, taken as a whole, are materially correct in their opinion. Through our procedures performed, no errors to the GAAP financial statements were identified nor were other issues identified that would call into question the integrity of the 2022 GAAP financial statements. The unqualified opinions by EY, in addition to the lack of material 2022 GAAP adjustments identified, grounded our approach to assessing the reliability of the 2022 adjusted test year data included in the Company's Updated Filing.

In addition to the procedures described in Sections 4 and 5 of this Expert Report which served to validate adjustments made to the initial rate case filing, we performed the following procedures:

- reviewed the 2022 and 2023 GAAP to FERC trial balance mapping (section 6.2)
- reviewed the 2022 and 2023 GAAP financial statement to FERC Form 1 reconciliation (section 6.3)
- tested a statistical sample of 2022 and 2023 manual journal entries (section 6.4).

These procedures were performed to determine whether any incremental adjustments were needed to the 2022 financial information included in the Company's Updated Filing.

6.2 Review of the 2022 and 2023 GAAP to FERC Trial Balance Mapping

We obtained the 2022 and 2023 trial balances which were derived directly from SAP. The trial balance shows the GAAP account and the associated regulatory account with the ending balance. The activity from multiple GAAP accounts can be recorded to a single USoA. The below figure shows some (not a complete list) of the GAAP accounts that map to the Company's regulatory account 10131000 (the first two digits refer to the Company—in this case, Company 10, Granite State). The next three digits, 131, translate to USoA 131 which is the account number for "Cash". This process was to ensure that the GAAP accounts mapped to each USoA were appropriate. As an example, using the figure below, we questioned whether it is reasonable that the GAAP accounts 100110, 100114, 100115, 100117, and 100118 map to USoA 131 (Cash). The figure below shows that each GAAP account in question has a "GL Account" title that appears to be related to cash and therefore reasonable to be associated with USoA 131.

Figure 6.2 – GAAP accounts mapped to USoA 131 (partial list).

A	B	C	D	E	I
Compa	Company Code	G/L Account	G/L Account	Regulatory Acc	Ending Balance in Company Code Currency
3071	LU Granite State Electric	OCOA/100110	Bank 1-CIB-Main	10131000	-
3071	LU Granite State Electric	OCOA/100114	Bank 1-Clrg-MAR	10131000	(6,028)
3071	LU Granite State Electric	OCOA/100115	Bank 1-Clrg-CIS	10131000	(3,055)
3071	LU Granite State Electric	OCOA/100117	Bank 1-Clrg-Sweep	10131000	816,315
3071	LU Granite State Electric	OCOA/100118	Bank 1-Clrg-ICO/FT	10131000	42,440,287

This review was performed over each regulatory account in the trial balance for both 2022 and 2023. The review identified incorrect GAAP to FERC UsoA mapping, though most of this review supported the appropriateness of the Company's mapping. As an example, the below figure shows the complete list of the GAAP accounts associated with regulatory account 10131000 (USoA131 for Company 10 Granite State). In our review, we identified that GAAP accounts 240800 and 520010 should not be associated with USoA 131. We determined the recording of GAAP account 240800 to USoA 131 was subsequently corrected by a topside entry which we confirmed was accurate. The recording of GAAP account 520010 to 131 ($1) was not previously adjusted as shown in Table 6.2 below.

Figure 6.2a – GAAP accounts mapped to USoA 131 (full list)

Compa	Company Code	G/L Account	G/L Account	Regulatory Acc	Ending Balance in Company Code Currency
3071	LU Granite State Electric	OCOA/100110	Bank 1-CIB-Main	10131000	-
3071	LU Granite State Electric	OCOA/100114	Bank 1-Clrg-MAR	10131000	(6,028)
3071	LU Granite State Electric	OCOA/100115	Bank 1-Clrg-CIS	10131000	(3,055)
3071	LU Granite State Electric	OCOA/100117	Bank 1-Clrg-Sweep	10131000	816,315
3071	LU Granite State Electric	OCOA/100118	Bank 1-Clrg-ICO/FT	10131000	42,440,287
3071	LU Granite State Electric	OCOA/100119	Bank 1-Clrg-Other	10131000	(2,377)
3071	LU Granite State Electric	OCOA/240800	CRL Fuel&Commod Cost	10131000	(7,032)
3071	LU Granite State Electric	OCOA/520010	Elec Pur Power Misc	10131000	1

Overall, we identified 14 errors in the GAAP to FERC USoA mapping impacting 2022 and 15 errors in the GAAP to FERC mapping impacting 2023. Each error is shown in the table below.

Table 6.2 – GAAP to FERC USoA mapping

Impacted Year	GAAP account	Impacted FERC USoA	FERC USoA where the activity should have been recorded	Dollar balance of the error	Did the Company adjust the rate case filing?
2022	240800 – CRL Fuel&Commod Cost	131 – Cash	182.3 - Other Regulatory Asset	$7,032	No
2022	520010 – Elec Pur Power Misc	131 – Cash	555 – Purchased Power	$1	No
2022	46010 – Inc Tax Receivable	143 – Other accounts receivable	236 – Taxes accrued	$1,014,482	No
2022	110030 – AR-Legacy	184 – Clearing Accounts	142 – Customer accounts receivable	$594,546	No
2022	200035 – AR-Unapplied Paymts	232 – Accounts Payable	142 – Customer accounts receivable	$1,453,915	No
2022	200035 – AR-Unapplied Paymts	242 – Miscellaneous current and accrued liabilities	143 – Other accounts receivable	$21,729	No
2022	210300 – Misc. Accrued liab	243 – Obligations under capital leases – current	235 – Customer Deposits	$101,750	Yes, corrected through adjustment 'PwC Adjustment – Customer Deposits for Battery Storage'
2022	400330 – Elec Rev Other	407.3 - Regulatory Debits	400 – Operating revenues	$383,135	Yes, previously corrected through adjustment 'AI-12' (Figure 5.2.1b)
2022	500115 – Ben Offst	920 – Administrative and general salaries	926 – Employee pensions and benefits	$69,746	Yes, corrected through adjustment 'PwC Adjustment – FERC 920 to FERC 926 Adjustment'
2022	702110 – BS Ops OH Benefit	920 – Administrative and general salaries	926 - Employee pensions and benefits	$64,341	
2022	500150 – Medicare/Healthcare	920 – Administrative and general salaries	926 - Employee pensions and benefits	$732,171	
2022	500110 – SS/CPP/Emp Pension	920 – Administrative and general salaries	926 - Employee pensions and benefits	$175	
2022	854113 - WBS ST OH Pn/OPEB-in	920 – Administrative and general salaries	926 - Employee pensions and benefits	$2,329	
2022	500300 – Outside Svs	925 – Injuries and damages	426.5 - Other deductions	$1,500	Yes, previously corrected through adjustment #10 shown on schedule RR-3 in the Updated Filing
2023	500400 – Materials & Supplies	108.1 - RWIP	107 – Construction work in progress	$22	N/A
2023	110030 – AR-Legacy	184 Clearing accounts	142 – Customer accounts receivable	$562,977	N/A

Impacted Year	GAAP account	Impacted FERC USoA	FERC USoA where the activity should have been recorded	Dollar balance of the error	Did the Company adjust the rate case filing?
2023	200035 – AR – Unapplied Paymts	232 – Accounts payable	142 – Customer accounts receivable	$2,335,453	N/A
2023	111010 – Interco AR	234 – Accounts payable to associated companies	146 – Accounts receivable from associated companies	$7,497	N/A
2023	200035 – AR-Unapplied Paymts	242 – Miscellaneous current and accrued liabilities	142 – Customer accounts receivable	$21,729	N/A
2023	210300 – Misc Accrued Liab	243 – Obligations under capital leases - current	235 – Customer deposits	$101,750	N/A
2023	501230 – Fleet-Permit/Inspect	431 – Other interest expense	593 – Maintenance of overhead lines	$5,998	N/A
2023	500115 – Ben Offst	400 – Operating revenues	584 – Underground line expenses	$3,645	N/A
2023	400390 – Ener Rev Other Res	400 – Operating revenues	451 – Miscellaneous service revenues	$2,352	N/A
2023	501500 – Advertising Expense	563 – Overhead line expense	921 – Office supplies and expense	$89	N/A
2023	500150 – Medicare/Healthcare	920 – Administrative and general salaries	926 – Employee pensions and benefits	$3,499	N/A
2023	580010 – Other Gains	920 – Administrative and general salaries	930.2 - Miscellaneous general expenses	$20,382	N/A
2023	551100 – Unrealized Gns/Lss	921 – Office supplies and expenses	930.2 - Miscellaneous general expenses	$32,936	N/A
2023	501500 – Advertising Expenses	923 – Outside services employed	909 – Informational and instructional advertising expenses	$320	N/A
2023	854000 – WBS ST lbr-Intrc	931 - Rents	920 – Administrative and general salaries	$243	N/A

The last column in the table above indicates whether the revenue requirement was adjusted for the identified error. Adjustment references in this column correspond to the 'TrackRRUpdates' tab within the Company's updated revenue requirement, except for the last 2022 error identified in the table above. For this error, the Company had already corrected the USoA 925 account through adjustment #10 on schedule RR-3, and account 426.5 does not impact the revenue requirement (note, this item is discussed further in Figure 5.2.2a). The Company concluded it appropriate to adjust the revenue requirement for those 2022 related errors that were found to have an impact on the revenue requirement. We agree with the Company's conclusion on which errors have an impact on the revenue requirement. Certain errors identified had previously been identified by the Company or the DOE as documented in section 5 of this Report. We validated each adjustment made by management in the revenue requirement. No issues were noted. The 2023 related errors do not impact the revenue requirement but were corrected by the Company in SAP via manual journal entries.

6.3 Review of the 2022 and 2023 GAAP Financial Statements to FERC Form 1 Reconciliation

We asked the Company to prepare a reconciliation of the 2022 and 2023 GAAP Financial Statements to the respective 2022 and 2023 FERC Form 1's. This reconciliation shows the location of the balance of each GAAP Financial Statement line item (i.e., Long-term debt) on the FERC Form 1 Balance Sheet and Income Statement (i.e., Other Long-Term Debt (USoA account 224)). Differences between GAAP and FERC are not uncommon and are expected as there are different levels of classification between the two and several common accounting protocols that each follow (i.e., the location to record unamortized debt expense). The Company did not identify any errors from this request or any issues that would have an impact on the revenue requirement. We concur with the Company's assessment and noted that the differences identified between the GAAP Financial Statements and FERC Form 1 Financial Statements are consistent with our expectation (a draft version of the 2023 FERC Form 1 was utilized in this process).

6.4 2022 and 2023 Manual Journal Entry Testing

To further validate the reliability of the 2022 and 2023 financial information used in the Company's filing, we performed testing over the manual journal entries recorded in SAP for both 2022 and 2023. When recording a manual journal entry, the preparer can direct the debits and credits of the entry for GAAP and regulatory accounting purposes. In contrast, in an automated entry, the debits and credits of the entry are predetermined by the system. Through both our IT team's review of the master data set-up or configuration of SAP and through our GAAP to FERC trial balance mapping procedures described above, automated entries were assessed. This procedure focused solely on manual journal entries. In determining the extent of our procedures over manual journal entries, it is important to understand that internal controls are in place designed to provide assurance that all transactions are recorded in the Company's books and records.

To begin our assessment of manual journal entries, our IT team separately extracted a complete listing of all manual journal entries for the 2022 and 2023 accounting periods. We identified manual journal entries from systematically derived entries. Manual journal entries are only able to be recorded in SAP via certain transaction codes. For 2022, 8,656 manual journal entries were identified in SAP. For 2023, 28,150 manual journal entries were identified. We assessed the population and risks posed by manual journal entries in the context of the rate case proceeding and determined it appropriate to categorize the population of manual journal entries into four distinct categories.

The first category of manual journal entries included entries that increased or decreased regulatory accounts impacting rate base and were posted in SAP on or after October 1, 2022 (the date when SAP went "live" and ready for broader use by the Company). The posting date in SAP indicates the accounting period that a journal entry affects rather than the timing of when an entry was physically recorded. For example, an entry recorded in November 2022 may have impacted the accounting month of January 2022. Given the importance of rate base in a rate filing, we concluded it appropriate to focus journal entry testing on assessing the risk that transactions impacted rate base incorrectly. Refer to the table below for details regarding the 2022 population of manual journal entries impacting rate base.

The second category of manual journal entries were those that increased or decreased regulatory accounts impacting utility operating income ("above the line") that were posted in SAP on or after October 1, 2022. Given the importance of utility operating income to the rate filing, we concluded it appropriate to focus our journal entry testing here as well.

The third category of manual journal entries was for entries posted in SAP on or after October 1, 2022, not included in the first or second categories. As the risk exists that an entry should have impacted rate base or utility operating income but was recorded incorrectly, it is appropriate to test this category of entries.

The fourth and final category of manual journal entries included those posted in SAP before October 1, 2022. Including this category in our journal entry testing was considered necessary as this could indicate that the cutover from the Company's previous ledger system was not handled solely through an automated transfer of balances.

For 2023, we utilized the same first three categories as 2022, but did not consider posting date as this was done in 2022 due to the date of the system conversion (i.e., October 1, 2022).

Manual journal entries are a necessary tool to use in developing a complete and accurate recording of a company's financial activity. Manual journal entries introduce the possibility of human error leading to different risks than exist for automated entries. As a result, as well as considering the results of the other testing detailed in this section, we determined that testing a sample of manual journal entries in each category would produce adequate coverage. To sample, we leveraged PwC's methodology to determine the appropriate number of selections for each category based on the available population. For categories 1, 2 and 4 we selected a sample size to achieve a 90-95% confidence level that there were no incorrectly recorded manual journal entries. Given the different level of risks associated with category 3, we selected a sample to test designed to achieve a 73-80% confidence level. The confidence level desired, the size of the population, and the number of acceptable errors resulting from testing (which was none) produced the number of samples selected. With the number of needed selections known, we further stratified each category's population by dollar amount. We targeted entries with an absolute value (absolute value of the credits and debits to an entry) over $100K, while randomly selecting entries under this threshold. Under this sampling approach, all manual journal entries had the potential to be selected. Refer to Table 6.4 below for a summation of our approach.

Table 6.4 – Manual Journal Entry Testing Approach

Category	Accounting Year	USoA Accounts	Manual Journal Entries in Population	Manual Journal Entries with Absolute Value over $100K	Sampling Approach Description
1 – Manual journal entries impacting rate base posted after 10/1/2022 in SAP	2022	101-106, 108, 154,165, 235, 254, 282, 283	1,557	47	Test 55 total entries comprised of 47 entries over $100K and 8 randomly selected entries under $100K.
2 – Manual journal entries impacting operating income posted after 10/1/2022 in SAP	2022	440-449.1; 450-457.2, 495, 555, 561, 563, 565, 580-598, 901-905; 909, 910, 886, 912, 913, 916, 920 – 926, 928, 930, 931, 935, 403, 404, 405, 407, 408, 409, 410.	1,070	174	Test 55 total entries comprised of the top 35 entries by absolute dollar value and 20 randomly selected entries.
3 – Manual journal entries posted after 10/1/2022 in SAP that are not in category 1 or 2 above.	2022	N/A	4,379	313	Test 30 total entries comprised of the top 20 entries by absolute dollar value and 10 randomly selected entries.
4 – Manual journal entries with a posting date prior to 10/1/2022 in SAP	2022	N/A	2,991	70	Test 55 total entries comprised of 27 entries over $100K that impacted rate base or operating income and 10 entries over $100K that did not impact rate base or operating income, and 18 randomly selected entries.
1 – Manual journal entries impacting rate base posted in SAP	2023	101-106, 108, 154,165, 235, 254, 282, 283	4,948	136	Test 55 total entries comprised of the top 40 entries by absolute dollar value and 15 entries selected at random.
2 – Manual journal entries impacting operating income posted in SAP	2023	440-449.1; 450-457.2, 495, 555, 561, 563, 565, 580-598, 901-905; 909, 910, 886, 912, 913, 916, 920 – 926, 928, 930, 931, 935, 403, 404, 405, 407, 408, 409, 410.	5,794	514	Test 55 total entries comprised of the top 40 entries by absolute dollar value and 15 entries selected at random.
3 – Manual journal entries posted in SAP that are not in category 1 or 2 above.	2023	N/A	17,846	1,145	Test 30 total entries comprised of the top 20 entries by absolute dollar value and 10 randomly selected entries.

The journal entries were selected using a random number generator. To test each selected manual journal entry, we evaluated whether the entry was recorded to the appropriate regulatory accounts based on combinations of the following: a) the description of the entry noted in SAP, b) the GAAP accounts used in the entry, c) the underlying support for the journal entry, and d) inquiry as to the nature of the entry.

We did not identify errors from our journal entry testing.

7. Summary and Conclusion

The Company implemented a new general ledger system (SAP) in October 2022. The system was already established and live as it was the current system of record for other sister entities. The conversion was appropriately controlled, and all prior accounts were transitioned to the SAP environment and validated by various parties. The Company's 2022 GAAP financial statements were audited with EY, the Company's independent public accountant, issuing an unqualified opinion.

In May 2023, the Company filed a rate case using 2022 accounting data as its test year. The supported revenue requirement increase for the 2023/2024 rate year was approximately $15.5 million.

We assessed the processes and controls used by the Company to convert accounting data to SAP as well as the ongoing processes and controls required by SAP to map recorded transactions into appropriate regulatory accounts in 2022 and 2023.

Following the May 2023 filing, as is typical when a new general ledger system is implemented, the Company continued to review and test its data and discovered adjustments that would impact the rate case filing. In addition, the DOE's review of the rate case filing identified required adjustments. The Company's Updated Filing incorporates these adjustments. We reviewed the adjustments and concluded they were made appropriately.

We reviewed and tested manual journal entries recorded in SAP to validate the appropriate recording of transactions from a regulatory accounting (USoA) perspective. We performed procedures over 2022 and 2023 accounting information to determine if additional adjustments would be required. This assessment focused on GAAP to FERC account mappings and this process identified incremental errors which were either subsequently adjusted by the Company or left unaddressed due to being inconsequential to the rate filing.

We noted that EY issued unqualified opinions on the 2023 financial statements prepared under GAAP.

The Company provided us with the Updated Filing on April 3, 2024, and it is our understanding that they expect to file this update on approximately April 15, 2024. This Updated Filing reflects the adjustments to the 2022 test year data described herein. The Updated Filing results in an approximate $0.7 million reduction to the requested 2023/2024 rate year revenue requirement increase compared to the May 2023 filing.

Based on the work performed, the Company's accounting information included in the Updated Filing provides a sufficient basis for determining the Company's revenue requirement in that proceeding. We also conclude that 2023 accounting data provides a sufficient basis for inclusion in subsequent regulatory filings.

Respectfully,

Sean P. Riley

Alan D. Felsenthal

Appendix A
Evaluation of the Company’s SAP WBS Cost Element Mapping and Settlement Findings

A-1 SAP WBS Cost Element Mapping and Settlement Findings Background

For a utility company on SAP (such as the Company), every SAP transactional posting must derive a regulatory account. The Company has configured the SAP system to automatically derive the regulatory account for certain cost objects using WBS cost elements, WBS allocations structures, WBS settlement rules and custom derivation rules. We noted:

– For balance sheet accounts, there is a mapped regulatory account (USoA) to the US natural account ledger.
– For P&L statement accounts, the regulatory account is derived based on the cost object.

A-1.1 Assessment of Potential SAP Risks

There are potential risks when converting WBS cost elements to SAP which could cause a US GAAP natural account or regulatory accounting reporting error through the WBS cost allocation or WBS settlement process resulting in an over or under reporting of trial balance accounts.

These risks include:
– Inaccurate mapping of the WBS cost element master data to a WBS settlement profile or WBS allocation structure.
– Incomplete or inaccurate configuration of the WBS allocation structure which results in the SAP system not deriving the ‘999 regulatory settlement holding account’ when it ‘should be’ or deriving the ‘999 regulatory settlement holding account’ when it ‘should not’ be.
– Inaccurate configuration of settlement receivers and distribution percentages in the WBS settlement rule.
– Incomplete or inaccurate USoA derivation due to the Company’s custom balance sheet and income statement derivation rules for regulatory accounts.

These risks can further be identified when:
– The Company’s 999 regulatory settlement account balances do not net to zero.
– The Company’s net income balance in US GAAP and for regulatory accounting do not equal.

A-1.2 What the Company Identified

During the 2022 fiscal year-end close procedures, several WBS cost element master data mapping errors were identified which resulted in systematic settlement posting errors in the SAP system. The Company investigated those errors and noted the ‘999 regulatory settlement holding accounts’ contained balances (instead of netting to a zero balance). Upon further investigation, the Company detected certain journal entries had been incorrectly recorded for regulatory accounting purposes.

For those posting errors identified, the Company performed an initial assessment and determined the errors were a result of several root-causes:

– The WBS cost element master data was created with an inconsistent mapping of a regulatory account receiver in the WBS settlement rule and functional area mapping.
– The WBS cost element master data was created with an inconsistent combination of WBS allocation structure parameters.
– For internal orders (e.g., enables the Company with information to track costs and revenue within a controlling area) where costs went through the New Hampshire service company prior to allocation to the operating company, the WBS cost element master data was set up correctly with the correct USoA receiver. However, once the cost was settled to the operating company, the cost did not settle to the correct regulatory account mapped to the operating company unit.

A-1.3 How the Company Addressed the Findings

To resolve the identified issues, the Company performed several milestone activities as summarized below:

1. The Company prepared and approved topside journal entries while preparing the FERC Form 1 (**Figure 5.2.1a, TM A**) to correct prior entries with errors due to inconsistent WBS cost element master data mappings as noted above.

2. The Company analyzed the population of WBS cost elements created from October 1, 2022, through April 18,2023 and verified the accuracy of the WBS settlement rule receiver mapping to the WBS cost element and the accuracy of the WBS allocation structure mapping to WBS cost element. As a result of the analysis performed, in May 2023 the Company:

   - Updated the WBS cost element master data with the accurate WBS settlement rule receivers and WBS allocation structure mapping.

   - Analyzed the dollar amount impacted by the WBS cost element mapping errors. Entered and approved topside journal entries to correct prior posting errors.

3. The Company executed a P&L Realignment Project (kicked-off on August 31, 2023) to align cost groups used for budgets and enable reporting of operational expense expenditures. As a result of the project, the Company further reassessed GL accounts to regulatory account (USoA) mapping, created new WBS cost elements and distinct secondary cost elements along with associated WBS allocation structures, as well as changed existing WBS cost elements (if needed). Any further updates to the GL account, regulatory, and WBS cost element master data updates were performed in November through December 2023 and transported to the SAP production environment in January 2024.

4. The Company analyzed the internal orders settlement errors which originated through the New Hampshire service company and determined the errors were a result of a system configuration error, which had missing secondary derivation line items needed to derive the regulatory account upon allocation of payroll tax settlement to the operating company.

5. The Company enhanced their internal process to identify potential WBS cost element master data, cost and allocation errors which included:

   - Implementation of a centralized process for the creation/change of WBS cost element master data (includes mapping of WBS settlement rules, mapping of WBS allocation structure, and mapping of WBS settlement profile) in May 2023.

   - Enhancement to the Company's period-end close checklist to include:

     - Net zero balance validation for the two temporary '999 regulatory settlement holding accounts' 10199999 (Default Capital-FERCE) and 10999999 (Default-FERCE) which can detect potential WBS cost allocation or settlement process errors.

     - A tie out between the US GAAP ledger net income balance and Regulatory ledger net income balance which can detect potentially inconsistent combinations of WBS cost element master data.

A-2 Validation of the Company's WBS Cost Element and Settlement Errors Findings

We met with the Company in February 2024 and gained an understanding of the Company's process and procedures to assess the completeness and accuracy of the WBS cost elements (Capital Projects and Expense/O&M Projects) master data setup created or changed between October 1, 2022, through April 18, 2023 (the Company's extraction date of WBS cost elements master data) in the SAP production environment.

We noted the Company assessed a population of 2,598 WBS cost elements created in 2022 (migrated from Great Plains or created post October 2022 go-live) and 109 new WBS cost elements created in 2023. Validation procedures were performed to assess whether the WBS settlement rule receiver mapped to each WBS cost element was appropriate. Specifically, the Company worked directly with the individual cost center owner to validate the WBS settlement rule(s) assigned to each WBS cost element were appropriate. We performed procedures to validate the Company's WBS cost element assessment performed on April 18, 2023, contained a complete population of WBS cost elements created from October 1, 2022, through April 18, 2023.

As a result of the Company's assessment, the following was noted:

- In 2022, 18 of 2,598 WBS settlement rules were erroneously assigned to WBS cost elements.
- In 2023, 6 of 109 WBS settlement rules were erroneously assigned to WBS cost elements.
- Additionally, the Company noted the remaining 2,580 and 103 settlement rules were appropriately assigned for 2022 and 2023, respectively.

To assess the completeness and accuracy of the Company's resolution of the findings noted, we performed several assessment activities which included verifying:

- The completeness of the Company's population of WBS cost elements analyzed between October 1, 2022, through April 18, 2023
- The Company's topside journal entries (**Section 5.2.1**)
- The Company's inconsistent mapping of WBS cost element master data to WBS settlement rules (Appendix A, **A-2.2**)
- The Company's inconsistent mapping of WBS cost element master data to WBS allocation structure and WBS settlement profiles (Appendix A, **A-2.3**)
- The Company's internal order settlement errors for the New Hampshire Service Company (Appendix A, **A-2.4**)
- The Company's process and control enhancements (Appendix A, **A-2.5**)

A-2.1 Validation of the Completeness of WBS Cost Element Master Data Population Analyzed by the Company between October 1, 2022, through April 18, 2023

To validate the completeness of the Company's WBS cost element master data setup analyzed between October 1, 2022, through April 18, 2023, we performed the following:

1. Extracted the population of WBS cost elements from the SAP production environment as of March 5, 2024, for WBS cost elements created or changed between the period of October 1, 2022, through March 5, 2024.
2. Compared the Company's assessment population to the independent extracted population to validate the completeness of the assessment population.

As a result of our procedures performed, we verified the Company's WBS cost element assessment performed on April 18, 2023, contained a complete population of WBS cost elements created from October 1, 2022, through April 18, 2023.

A-2.2 Validation of the Company's Inconsistent Mapping of WBS Cost Element Master Data to WBS Settlement Rules

To assess the accuracy of the Company's resolution to address the inconsistent mapping of WBS cost element master data to WBS settlement rules:

- We verified the accuracy of the Company's WBS settlement rule to cost element master data changes, the accuracy of the population of master data that did not require a settlement change, and any regulatory reporting impact (if any).
- We verified the completeness and accuracy of the manual journal entries posted by the Company to adjust for the mapping changes identified.

A-2.2a WBS Settlement Rule Changes to WBS Cost Element Master Data

For the population of 24 WBS cost elements which required an update to the WBS settlement rule receiver, we performed the following based on the Company's assessment results:

1. Validated the accuracy of the updated WBS cost element settlement rule receiver mapping and functional area for each cost element using SAP transaction CJ03 (Display WBS Element)
2. For the population of 2,683 WBS cost elements where an update to the WBS settlement rule receiver was not identified, we assessed a sample of WBS cost elements to verify the reasonableness of the Company's results.

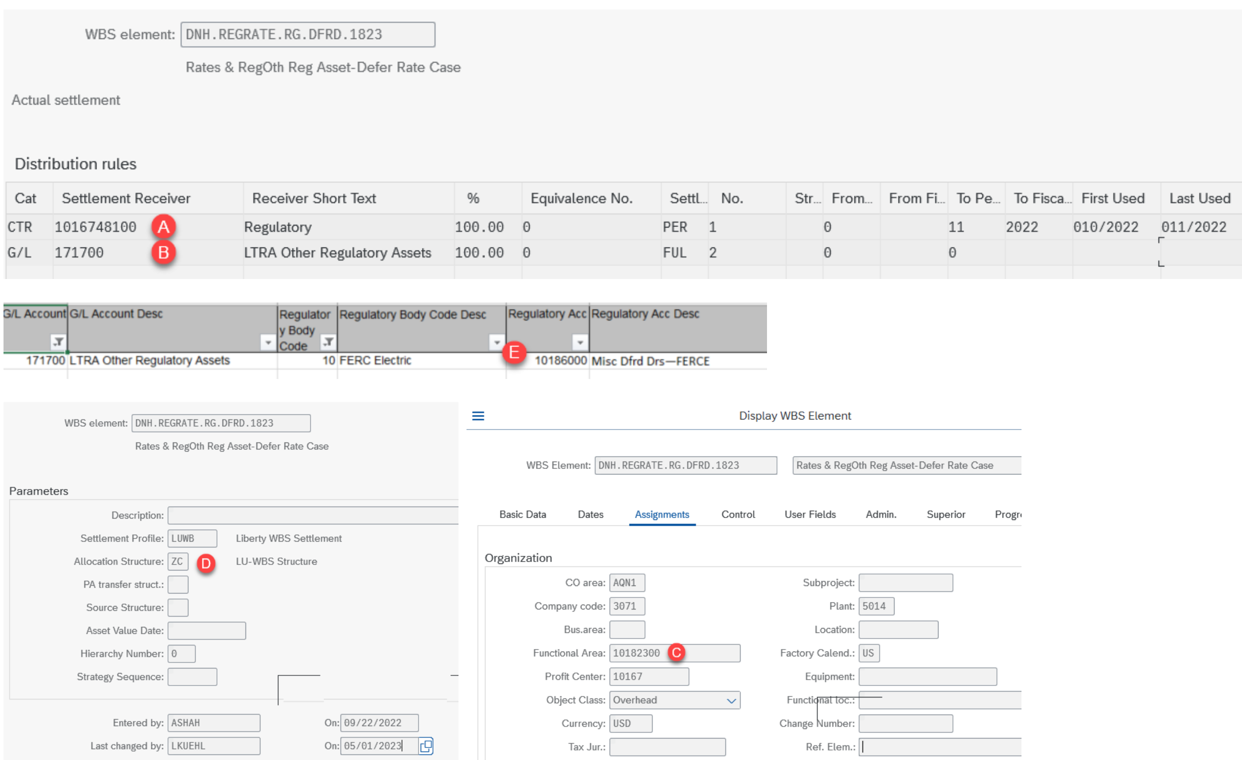
As a result of our procedures performed, we noted:

– For the population of 24 WBS cost elements, which required an update to the WBS settlement rule receiver, the settlement receiver was appropriately updated by the Company in the SAP production environment and the functional area mapping appeared reasonable. See **Figure A-2.2a** for a sample tie-out of the Company's WBS cost element analysis result to the SAP production environment.

– For the population of 2,683 WBS cost elements which did not require an update to the WBS settlement rule receiver, we selected a sample of 55 WBS cost elements and noted the Company's conclusion that the WBS cost elements required no mapping changes was appropriate.

Figure A-2.2a – Example of a tie-out of the Company's WBS cost element analysis result to SAP production environment.

WBS Element	WBS Element Description	Created on	Company Code	Functional Area	Allocation Structure	New Allocation Structure	Original Receiver	Original Regulatory Account	Expected Settlement Receiver	New Settlement Receiver (SAP)	Expected Regulatory Account
DNH.REGRATE.RG.DFRD.1823	Rates & RegOth Reg Asset-Defer Rate Case	9/22/2022	3071	10182300 C (Oth Regtry Ass)	ZC (LU-WBS Structure) D	No Change	1016748100 (Cost Center) A		BS deferrals	B/S GL Account 171700 B (Rates & RegOth Reg Asset-Defer Rate Case)	10186000 E (Misc Dfrd Drs—FERCE)



A-2.2b Financial Impact of WBS Cost Element Settlement Rule Change

For each impacted WBS cost element master data which resulted in a master data update, the Company performed further analysis of the financial impact and entered several topsided journal entries to adjust or reclassify the GL account balance sheet or P&L balances accordingly.

To validate the completeness and accuracy of the topsided journal entries entered by the Company, we performed the following:

1. Obtained a listing of the Company's identified WBS cost elements mapped errors.
2. Obtained the Company's top sided journal entry adjustment support for the WBS cost elements mapped errors.
3. Reconciled the journal entry support to the listing of WBS cost elements mapped errors to validate the completeness and accuracy of the Company's resolution to correct the erroneous accounting associated with each identified WBS cost element mapped error.

We further noted each WBS cost element had a similar resolution which required a change in settlement receiver from a cost center to a balance sheet deferred account. The Company analyzed the impact of each WBS cost element's settlement rule change and posted several adjusting journal entries to correct the account balances to the appropriate B/S account and reclassified the regulatory account balance (e.g., from Regulatory Account A to B) upon approval.

As a result of our procedures performed, we noted:

– Journal entry support could be directly traced to 23 of 24 WBS cost elements. See Figure **A-2.2b through A-2.2e** for a sample of one detail support.
– The remaining WBS cost element (DNH.0000160.IN.IT16.1070) did not contain any financial activity. As such, no correcting journal entries was deemed necessary. See **Figure A-2.2f**.
– For each of the cost elements, once the settlement receiver was corrected for each cost element by the Company, the SAP system derived the '999 regulatory settlement account', and the reclassification of regulatory account was derived in the system as expected. As such, we determined the errors were resolved by the Company by topside entry of settlement adjustments that are discussed within section **5.2.1** as having an impact on the regulatory accounting.

Figure A-2.2b – Example of the Company's Journal Entry Adjustment Support

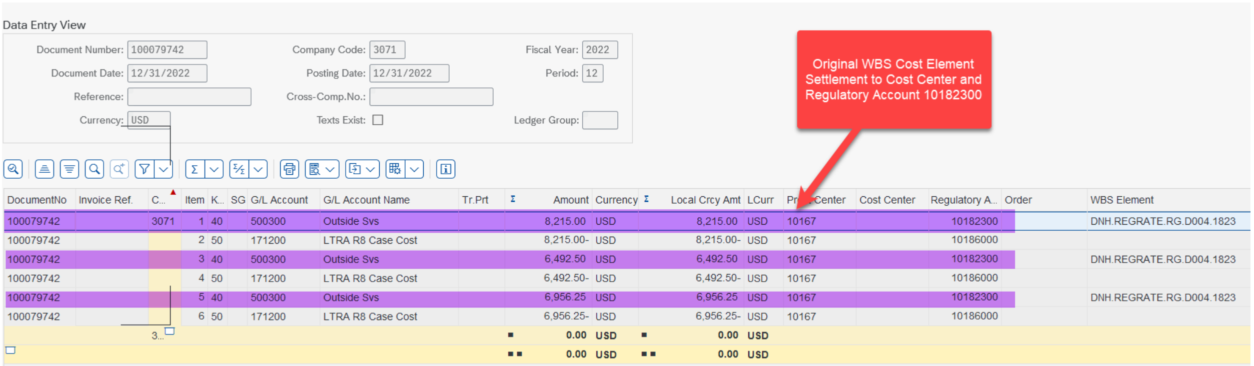
Journal Entries to Record - April 2023

				53,144.70			
					32,992.50		
2022 COSTS - RECLASS FROM EXPENSE TO DEFERRAL							
#100108743	Invoice #	Journal Entry/Reference	TRX Date	Amount	Vendor Name	RECLASS TO ACCOUNT	CORRECT WBS
	12587	1851402/100079742	9/8/2022	8,215.00	NH DOE - River CG	171200-10186000	DNH.REGRATE.RG.D004.1823
	12586	1851401/100079742	9/13/2022	6,492.50	NH DOE - River CG	171200-10186000	DNH.REGRATE.RG.D004.1823
	12578	1852548/100079742	9/13/2022	6,956.25	NH DOE - River CG	171200-10186000	DNH.REGRATE.RG.D004.1823
	1900007271	1900000844	10/31/2022	11,328.75	NH DOE - River CG	171200-10186000	DNH.REGRATE.RG.D004.1823
	1900005159	0100074784	10/30/2022	7,288.00	GUIDEHOUSE	171700-10182300	DNH.REGRATE.RG.DFRD.1822
	1900005158	0100073663	10/3/2022	12,864.20	GUIDEHOUSE	171700-10182300	DNH.REGRATE.RG.DFRD.1822
	1900002346	0100074604	9/30/2022	2,380.00	Websolarenergy	171700-10182300	DNH.REGRATE.RG.DFRD.1822
	1900004777	1900000254	10/18/2022	14,645.00	Brattle	171200-10182300	DNH.REGRATE.RG.PR23.1823
	1900006999	1900000807	11/22/2022	13,556.25	Brattle	171200-10182300	DNH.REGRATE.RG.PR23.1823
	1900008814	1900001190	12/13/2022	8,940.00	Brattle	171200-10182300	DNH.REGRATE.RG.PR23.1823
				92,665.95			

Ld	CoCo...	Year	DocumentNo	Account	Cost ...	Quant...	Fixed ...	Val. qua...	Doc. Date	Type	Glob Cr...	Amnt in ...	TrCrcy	Regulatory A...	Amnt in ...	CCCr...	Amnt in ...	AltVal ...
0L	3071	2022	100075083	804040					12/05/2022	CO	USD	22,127.50	USD	10999999	22,127.50	USD	22,127.50	0.00
0L	3071	2022	100079742	500300					12/31/2022	SA	USD	8,215.00	USD	10182300	8,215.00	USD	8,215.00	0.00
0L	3071	2022	100079742	500300					12/31/2022	SA	USD	6,492.50	USD	10182300	6,492.50	USD	6,492.50	0.00
0L	3071	2022	100079742	500300					12/31/2022	SA	USD	6,956.25	USD	10182300	6,956.25	USD	6,956.25	0.00
0L	3071	2022	100083368	804030					01/10/2023	CO	USD	32,992.50-	USD	10999999	32,992.50-	USD	32,992.50-	0.00
0L	3071	2022	1900000306	500300					09/14/2022	KR	USD	12,864.20	USD	10182300	12,864.20	USD	12,864.20	0.00
0L	3071	2022	1900000307	500300					10/27/2022	KR	USD	7,288.00	USD	10182300	7,288.00	USD	7,288.00	0.00
0L	3071	2022	1900000844	500300					10/31/2022	KR	USD	11,328.75	USD	10182300	11,328.75	USD	11,328.75	0.00
R1	3071	2022	100068443	505000					10/31/2022	ZA	USD	22,127.50	USD	10182300	22,127.50	USD	22,127.50	0.00
R1	3071	2022	100068687	804040					11/03/2022	CO	USD	22,127.50-	USD	10999999	22,127.50-	USD	22,127.50-	0.00
R1	3071	2022	100069077	505000					10/31/2022	ZB	USD	22,127.50-	USD	10182300	22,127.50-	USD	22,127.50-	0.00
R1	3071	2022	100075083	804030					12/05/2022	CO	USD	20,152.20-	USD	10999999	20,152.20-	USD	20,152.20-	0.00
R1	3071	2022	100075083	804040					12/05/2022	CO	USD	22,127.50	USD	10999999	22,127.50	USD	22,127.50	0.00
R1	3071	2022	100079742	500300					12/31/2022	SA	USD	8,215.00	USD	10182300	8,215.00	USD	8,215.00	0.00
R1	3071	2022	100079742	500300					12/31/2022	SA	USD	6,492.50	USD	10182300	6,492.50	USD	6,492.50	0.00
R1	3071	2022	100079742	500300					12/31/2022	SA	USD	6,956.25	USD	10182300	6,956.25	USD	6,956.25	0.00
R1	3071	2022	100083368	804030					01/10/2023	CO	USD	32,992.50-	USD	10999999	32,992.50-	USD	32,992.50-	0.00
R1	3071	2022	1900000306	500300					09/14/2022	KR	USD	12,864.20	USD	10182300	12,864.20	USD	12,864.20	0.00
R1	3071	2022	1900000307	500300					10/27/2022	KR	USD	7,288.00	USD	10182300	7,288.00	USD	7,288.00	0.00
R1	3071	2022	1900000844	500300					10/31/2022	KR	USD	11,328.75	USD	10182300	11,328.75	USD	11,328.75	0.00
											USD	0.00	USD		0.00	USD	0.00	0.00

Figure A-2.2c – Sample of One Evidence of a WBS Cost Element Correction

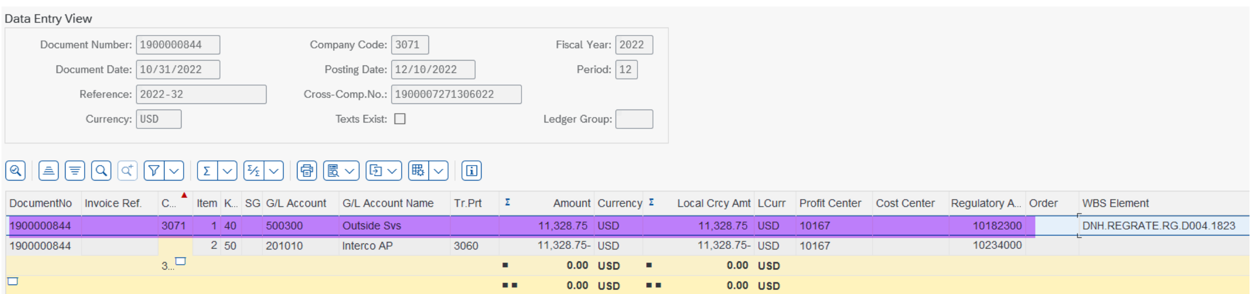
Evidence of the Company's WBS DNH.REGRATE.RG.D004.1823 original settlement posting to cost center 1016748100 in December 2022 to regulatory account 10182300 for total amount of $32,992.50 (accounting document 100079742).



Data Entry View

Document Number: 100079742 | Company Code: 3071 | Fiscal Year: 2022
Document Date: 12/31/2022 | Posting Date: 12/31/2022 | Period: 12
Reference: | Cross-Comp.No.: |
Currency: USD | Texts Exist: | Ledger Group:

DocumentNo	Invoice Ref.	C...	Item	K...	SG	G/L Account	G/L Account Name	Tr.Prt	Amount	Currency	Local Crcy Amt	LCurr	Profit Center	Cost Center	Regulatory A...	Order	WBS Element
100079742		3071	1	40		500300	Outside Svs		8,215.00	USD	8,215.00	USD	10167		10182300		DNH.REGRATE.RG.D004.1823
100079742			2	50		171200	LTRA R8 Case Cost		8,215.00-	USD	8,215.00-	USD	10167		10186000		
100079742			3	40		500300	Outside Svs		6,492.50	USD	6,492.50	USD	10167		10182300		DNH.REGRATE.RG.D004.1823
100079742			4	50		171200	LTRA R8 Case Cost		6,492.50-	USD	6,492.50-	USD	10167		10186000		
100079742			5	40		500300	Outside Svs		6,956.25	USD	6,956.25	USD	10167		10182300		DNH.REGRATE.RG.D004.1823
100079742			6	50		171200	LTRA R8 Case Cost		6,956.25-	USD	6,956.25-	USD	10167		10186000		
		3...							0.00	USD	0.00	USD					
									0.00	USD	0.00	USD					



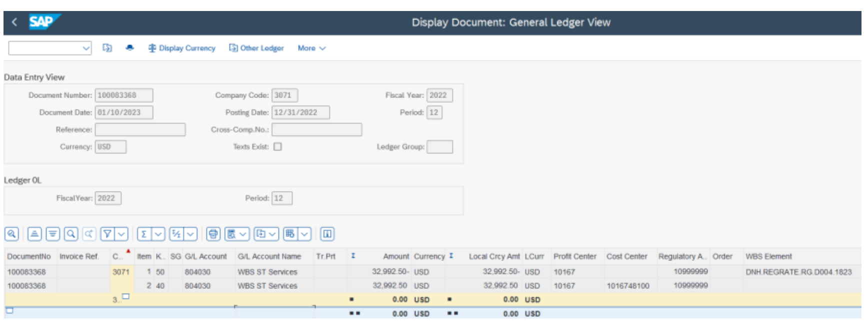
Data Entry View

Document Number: 1900000844 | Company Code: 3071 | Fiscal Year: 2022
Document Date: 10/31/2022 | Posting Date: 12/10/2022 | Period: 12
Reference: 2022-32 | Cross-Comp.No.: 1900007271306022 |
Currency: USD | Texts Exist: | Ledger Group:

DocumentNo	Invoice Ref.	C...	Item	K...	SG	G/L Account	G/L Account Name	Tr.Prt	Amount	Currency	Local Crcy Amt	LCurr	Profit Center	Cost Center	Regulatory A...	Order	WBS Element
1900000844		3071	1	40		500300	Outside Svs		11,328.75	USD	11,328.75	USD	10167		10182300		DNH.REGRATE.RG.D004.1823
1900000844			2	50		201010	Interco AP	3060	11,328.75-	USD	11,328.75-	USD	10167		10234000		
		3...							0.00	USD	0.00	USD					
									0.00	USD	0.00	USD					

Figure A-2.2d – Sample of One Evidence of a WBS Cost Element Correction

Evidence of the SAP system automatic creation of the derived '999 regulatory settlement account' (10999999) upon settlement at period-end (accounting document 100083368).



Display Document: General Ledger View

Display Currency | Other Ledger | More

Data Entry View

Document Number: 100083368 | Company Code: 3071 | Fiscal Year: 2022
Document Date: 01/10/2023 | Posting Date: 12/31/2022 | Period: 12
Reference: | Cross-Comp.No.: |
Currency: USD | Texts Exist: | Ledger Group:

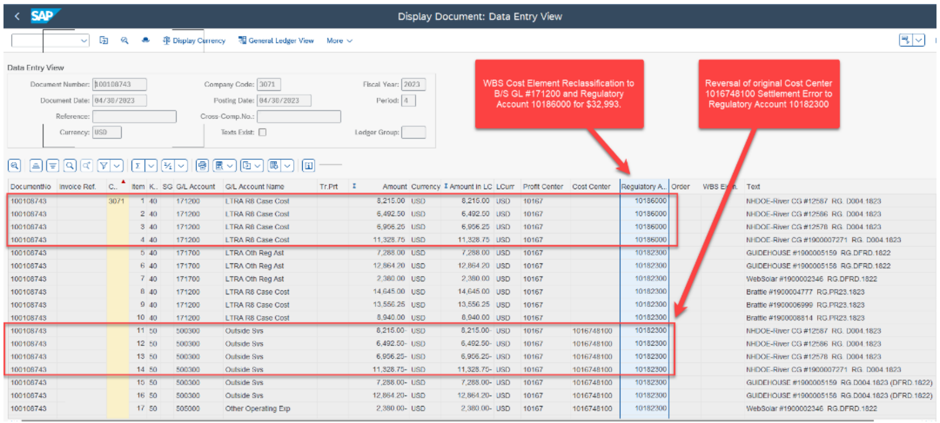
Ledger 0L

FiscalYear: 2022 | Period: 12

DocumentNo	Invoice Ref.	C...	Item	K...	SG	G/L Account	G/L Account Name	Tr.Prt	Amount	Currency	Local Crcy Amt	LCurr	Profit Center	Cost Center	Regulatory A...	Order	WBS Element
100083368		3071	1	50		804030	WBS ST Services		32,992.50-	USD	32,992.50-	USD	10167		10999999		DNH.REGRATE.RG.D004.1823
100083368			2	40		804030	WBS ST Services		32,992.50	USD	32,992.50	USD	10167	1016748100	10999999		
		3...							0.00	USD	0.00	USD					
									0.00	USD	0.00	USD					

Figure A-2.2e - Sample of One Evidence of a WBS Cost Element Correction

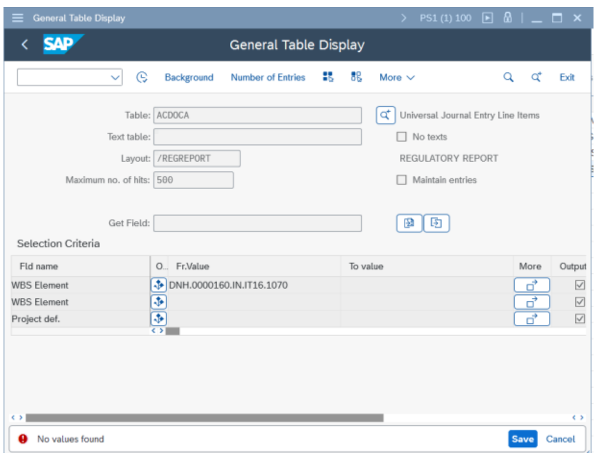
Evidence of the Company's correcting journal entry based on the Company's April 2023 WBS cost element analysis to transfer of cost to B/S Deferred Account 171200 and Reclassification of December 2022 regulatory account 10182300 balance to regulatory account 10186000 (Accounting Document 100108743) in April 2023. No variance in total amount of reclassification of $32,993 was noted.



DocumentNo	Invoice Ref.	C..	Item	K..	SG	G/L Account	G/L Account Name	Tr.Prt	Amount	Currency	Amount in LC	LCurr	Profit Center	Cost Center	Regulatory A..	Order	WBS Elem.	Text
100108743		3071	1	40		171200	LTRA R8 Case Cost		8,215.00	USD	8,215.00	USD	10167		10186000			NHDOE-River CG #12587 RG. D004.1823
100108743			2	40		171200	LTRA R8 Case Cost		6,492.50	USD	6,492.50	USD	10167		10186000			NHDOE-River CG #12586 RG. D004.1823
100108743			3	40		171200	LTRA R8 Case Cost		6,956.25	USD	6,956.25	USD	10167		10186000			NHDOE-River CG #12578 RG. D004.1823
100108743			4	40		171200	LTRA R8 Case Cost		11,328.75	USD	11,328.75	USD	10167		10186000			NHDOE-River CG #1900007271 RG. D004.1823
100108743			5	40		171700	LTRA Oth Reg Ast		7,288.00	USD	7,288.00	USD	10167		10182300			GUIDEHOUSE #1900005159 RG.DFRD.1822
100108743			6	40		171700	LTRA Oth Reg Ast		12,864.20	USD	12,864.20	USD	10167		10182300			GUIDEHOUSE #1900005158 RG.DFRD.1822
100108743			7	40		171700	LTRA Oth Reg Ast		2,380.00	USD	2,380.00	USD	10167		10182300			WebSolar #1900002346 RG.DFRD.1822
100108743			8	40		171200	LTRA R8 Case Cost		14,645.00	USD	14,645.00	USD	10167		10182300			Brattle #1900004777 RG.PR23.1823
100108743			9	40		171200	LTRA R8 Case Cost		13,556.25	USD	13,556.25	USD	10167		10182300			Brattle #1900006999 RG.PR23.1823
100108743			10	40		171200	LTRA R8 Case Cost		8,940.00	USD	8,940.00	USD	10167		10182300			Brattle #1900008814 RG.PR23.1823
100108743			11	50		500300	Outside Svs		8,215.00-	USD	8,215.00-	USD	10167	1016748100	10182300			NHDOE-River CG #12587 RG. D004.1823
100108743			12	50		500300	Outside Svs		6,492.50-	USD	6,492.50-	USD	10167	1016748100	10182300			NHDOE-River CG #12586 RG. D004.1823
100108743			13	50		500300	Outside Svs		6,956.25-	USD	6,956.25-	USD	10167	1016748100	10182300			NHDOE-River CG #12578 RG. D004.1823
100108743			14	50		500300	Outside Svs		11,328.75-	USD	11,328.75-	USD	10167	1016748100	10182300			NHDOE-River CG #1900007271 RG. D004.1823
100108743			15	50		500300	Outside Svs		7,288.00-	USD	7,288.00-	USD	10167	1016748100	10182300			GUIDEHOUSE #1900005159 RG.D004.1823 (DFRD.1822)
100108743			16	50		500300	Outside Svs		12,864.20-	USD	12,864.20-	USD	10167	1016748100	10182300			GUIDEHOUSE #1900005158 RG.D004.1823 (DFRD.1822)
100108743			17	50		505000	Other Operating Exp		2,380.00-	USD	2,380.00-	USD	10167	1016748100	10182300			WebSolar #1900002346 RG.DFRD.1822

Figure A-2.2f – Evidence of Transactions Posted to WBS Cost Element

Validation of WBS cost element DNH.0000160.IN.IT16.1070 with no transactional posting in 2022 and 2023.



<u>A-2.3 Verification of the Company's Inconsistent Mapping of WBS Cost Element Master Data to WBS Allocation Structure and WBS Settlement Profile</u>

We met with the Company to understand the procedures performed to assess the accuracy of the associated WBS allocation structures and profiles to WBS cost element master data. Several assessments were performed by the Company to validate the accuracy of the WBS allocation structure configuration and allocation structure mapping to WBS cost elements:

- Analyzed the accuracy of the WBS allocation structure assignment and settlement profile to WBS cost elements created between October 1, 2022, through April 18, 2023, and updated the SAP system in May 2023.
- Initiated an internal P&L Realignment Project to align cost center groups to budgets and enable managerial reporting for O&M expenditures. This resulted in further updates to the WBS cost element allocation structure mapping identified initially in April 2023. The Company performed the additional updates in January 2024.

The Company worked with each "cost center owner" to validate the accuracy of the WBS allocation structures and profiles assigned. As a result, the Company determined four WBS cost elements did not align with the Company's expectation in 2022 and 2023:

- In 2022, two of 2,598 WBS allocation structures were erroneously assigned to WBS cost elements.
- In 2023, two of 109 WBS allocation structures were erroneously assigned to WBS cost elements.
- Additionally, the Company noted the remaining 2,596 and 107 allocation structures were appropriately assigned for 2022 and 2023, respectively.
- No WBS settlement profile errors were noted by the Company for 2022 and 2023.

We reviewed and verified the Company's results in the SAP system and determined the following:

- The Company did not make changes to the underlying configuration of the proposed WBS allocation structure which could potentially impact the financial and regulatory reporting. The change resulted in a reclassification of a WBS allocation structure to another allocation structure in the master data.
- For the four associated WBS allocation structure mapping errors:
  - Two of the four cost elements were created through Release 2.2 go-live, and two of the four cost elements were created post Release 2.2. go-live.
  - Each mapping error was corrected by the Company within the SAP system in 2023 and inconsistencies affecting the regulatory accounts for 2022 were corrected by topside entries to ensure accuracy of balances included in the filing.
  - We examined the journal entries posted in 2023 against the four WBS cost elements of which one of three cost elements had posting activities between October 1, 2022, through December 31, 2022 of $88,143 (**Figure A-2.3a**) which we reconciled to the Company's top side Settlement Adjustment included as a "pro-forma" adjustment in the filing (**TM C**, **Figure 5.2.1a**).
- For the population of 2,703 WBS cost elements which did not require an update to the WBS allocation structure mapping, we selected a sample of 55 WBS cost elements and noted the Company's results conclusion that the WBS elements required no mapping changes was appropriate.
- Although the Company did not identify an error with the associated WBS settlement profile, we noted:
  - Two out of 2,598 cost elements created in 2022 should have been associated with another settlement profile. Upon further review, we noted no transactions were posted to the two cost elements from January 1, 2022, through December 31, 2023. As such, we determined there was no financial or regulatory accounting impact (see **Figure A-2.3c**).
  - The 109 cost elements created in 2023 appeared to have reasonable mapping to a WBS settlement profile.

Figure A-2.3a – WBS Allocation Structure Change Impact

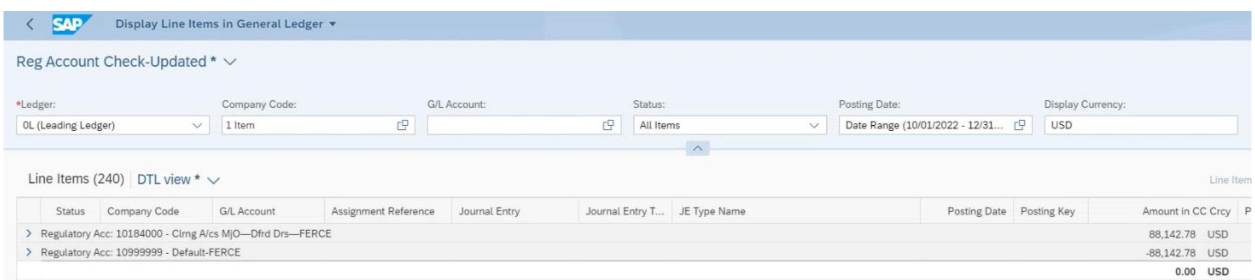
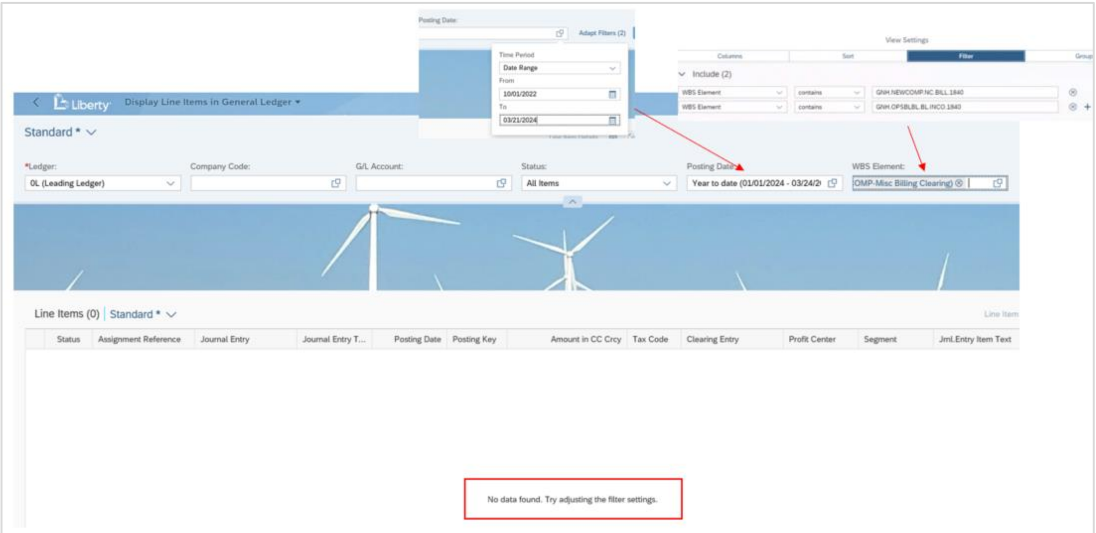


Figure A-2.3b – Validation of WBS Allocation Change in SAP System

WBS Cost Element	WBS Cost Element Description	Company Code	Functional Area	Created On	Changed On	Original Allocation Structure Mapping in October 2022	Expected Allocation Structure from the Company's April 2023 Review	Allocation Structure Mapping in SAP Production System in March 2024	Is Updated Allocation Structure Accurate in SAP as of March 2024	Is Updated Allocation Structure Accurate
DNH.0000160.IN.IT16.1070	Water West Customer First 2020 CAP-Ins	3071	10107000 (Clearing A/C FERCG)	3/2/2023	3/6/2023	ZC (WBS Structure)	ZE (Intercompany)	ZC (WBS Structure)	YES	Not no change impact as allocation structure was accurate at creation date.
DNH.ELECOPS.EO.INC1.1840	Water West Customer First 2020 CAP-In	3071	10184000 (Clr A/C MO Only-DD)	3/6/2023	2/2/2024	ZC (WBS Structure)	ZE (Intercompany)	ZK (Regional Intercompany)	YES	Noted change was updated based on P&L realignment project in August 2023
DNH.ECONTRL.EC.INCO.1840	Electric Control-Misc Billing Clearing	3071	10184000 (Clr A/C MO Only-DD)	9/22/2022	1/22/2024	ZC (WBS Structure)	ZE (Intercompany)	ZK (Regional Intercompany)	YES	Noted change was updated based on P&L realignment project in August 2023
DNH.ECONTRL.EC.INCO.1842	Electric Control- System Operators CA	3071	10184000 (Clr A/C MO Only-DD)	9/22/2022	1/22/2024	ZC (WBS Structure)	ZE (Intercompany)	ZK (Regional Intercompany)	YES	Noted change was updated based on P&L realignment project in August 2023

Figure A-2.3c – Evidence Demonstrating No Financial Transactions Have been Posted to the WBS Cost Element



A-2.4 Verification of the Company's Internal Order Settlement Errors for the New Hampshire Service Company

We met with the Company to understand the internal order settlement errors for internal services performed through the New Hampshire operating service company. We learned that eight internal orders created through the New Hampshire service company did not automatically clear out of the '999 regulatory settlement holding account' for payroll tax settlement between company code 3070 (New Hampshire Service Company) to company code 3071 (Granite State) and 3072 (Energy North).

The Company determined the error was due to several missing secondary cost element derivation line items that are needed to instruct the SAP system to clear the holding account and to post the settlement to the receiving cost center. As a result, the Company created several secondary cost element line items to derive GL account 802112 (Settle Payroll Tax) to regulatory account 10408000 ([Rsvd]—Ut Op—FERCE).

To validate the Company's resolution, we performed the following steps:

> Verified the secondary cost elements were accurately updated in the derivation table ZFIT_REGDER_SECA. See **Figure A-2.4a**.

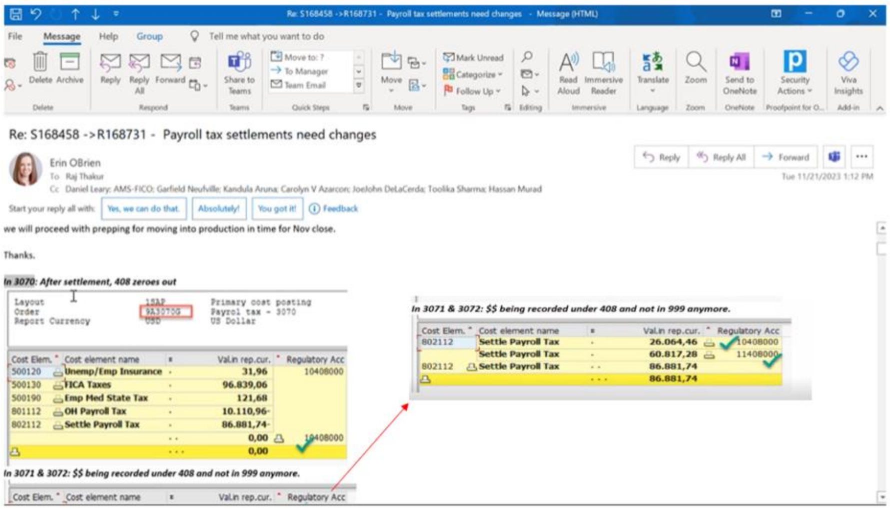
Figure A-2.4a - Secondary Cost Element Derivation Table

Table: ZFIT_REGDER_SECA
Displayed Fields: 9 of 9 Fixed Columns: 8 List Width 0250

Client	Bus.Transaction	G/L Acct	G/L Acct	Functional Area	Object Type	Prt.object type	Regulatory Body Code	Regulatory Acc
100	KOAO	0000802112	0000802112	10920000	KS	OR	10	10408000
100	KOAO	0000802112	0000802112	10920000	OR	KS	10	10408000
100	KOAO	0000802112	0000802112	10920000	OR	PR	10	10408000
100	KOAO	0000802112	0000802112	10920000	PR	OR	10	10408000
100	KOAO	0000802112	0000802112	10920000	PR	PR	10	10408000

– Obtained the Company’s testing confirmation which verified the configuration update resolved the intercompany payroll tax settlement error between company code 3070 and company code 3071 and 3072. See **Figure A-2.4b**.

Figure A-2.4b - Evidence of Payroll Tax Settlement Resolution



We further examined the 2023 period-end reconciliation between the US GAAP and Regulatory (USoA) ledger (see **Figure A-2.4c**). We noted both the net income balances and the ‘999 regulatory settlement holding accounts’ netted to zero as expected. As such, we determined the error was resolved by the Company.

Figure A-2.4c - Example of the 2023 Periodic (e.g., monthly, quarterly, year-end) Net Income Balance Tie-Out Between the US GAAP and Regulatory (USoA) Ledger.

Technical Information	
Query Name	2CCFITRIALBALQ0001 / Trial Balance
InfoProvider Name	.BALCUBE / G/L Account Balance Cube
Last Query Refresh	01/25/2024 / 01:32:12 pm
Last Data Update	01/25/2024 / 01:32:11 pm
User	EOBRIEN / Erin O'Brien

Filter	
Company Code	3071
Ledger	0L
Posting Date From	20230101
Source Ledger	0L
Posting Date To	20231231
Flow of Funds Ledger Fiscal Year	[2022 - 2023] ; 2023
Key Figures	Starting Balance in Company Code Crcy ; Debit Balance in Company Code Currency ; Credit Balance in Company Code Currency ; Ending Balance in

Company Code	Company Code	G/L Account	G/L Account	Regulatory Acc	Ending Balance in Company Code Curre
3071	LU Granite State Electric	OCOA/500000	Salaries and Wages	10199999	-226.20 USD
3071	LU Granite State Electric	OCOA/500300	Outside Svs	10199999	1,013,169.44 USD
3071	LU Granite State Electric	OCOA/500400	Materials & Supplies	10199999	1,041,052.38 USD
3071	LU Granite State Electric	OCOA/505000	Other Operating Exp	10199999	0.00 USD
3071	LU Granite State Electric	OCOA/700000	PP Cap Lbr Offset	10199999	-1,498,340.67 USD
3071	LU Granite State Electric	OCOA/700020	PPCap Material Offst	10199999	-1,041,052.38 USD
3071	LU Granite State Electric	OCOA/700030	PPCap Services Offs	10199999	-1,013,169.44 USD
3071	LU Granite State Electric	OCOA/700040	PP Cap Other Offset	10199999	0.00 USD
3071	LU Granite State Electric	OCOA/800000	Lbr Alloc	10199999	1,498,566.87 USD
3071	LU Granite State Electric	OCOA/500000	Salaries and Wages	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/500110	SS/CPP/Emp Pensic	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/500120	Unemp/Emp Insuranc	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/500160	RRSP/DPSP/401K	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/501010	Property Insurance	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/503110	Training	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/505000	Other Operating Exp	10999999	3,262,365.53 USD
3071	LU Granite State Electric	OCOA/802000	Settle Lbr	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/802020	Settle Material	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/802030	Settle Services	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/802040	Settle Other	10999999	-970,901.19 USD
3071	LU Granite State Electric	OCOA/802110	Settle OH Benefit	10999999	-1,133,010.47 USD
3071	LU Granite State Electric	OCOA/802112	Settle Payroll Tax	10999999	308,225.99 USD
3071	LU Granite State Electric	OCOA/802113	Settle Pension/OPEE	10999999	-486,225.76 USD
3071	LU Granite State Electric	OCOA/802114	Settle Prop Ins	10999999	-200,047.18 USD
3071	LU Granite State Electric	OCOA/802116	Settle Vacation	10999999	-512,431.74 USD
3071	LU Granite State Electric	OCOA/802120	Settle OH Material	10999999	0.00 USD
3071	LU Granite State Electric	OCOA/804000	VBS ST Lbr	10999999	-41,169.87 USD
3071	LU Granite State Electric	OCOA/804020	VBS ST Material	10999999	1,761.88 USD
3071	LU Granite State Electric	OCOA/804030	VBS ST Services	10999999	-208,661.24 USD
3071	LU Granite State Electric	OCOA/804040	VBS ST Other	10999999	49,294.06 USD
3071	LU Granite State Electric	OCOA/804050	VBS ST Fleet	10999999	-18,347.68 USD
3071	LU Granite State Electric	OCOA/804080	VBS ST Meals	10999999	772.53 USD
3071	LU Granite State Electric	OCOA/804085	VBS ST Travel	10999999	18,346.95 USD
3071	LU Granite State Electric	OCOA/804110	VBS ST OH Benefit	10999999	-42,201.70 USD
3071	LU Granite State Electric	OCOA/804112	VBS ST OH Payroll T	10999999	-6,676.75 USD
3071	LU Granite State Electric	OCOA/804113	VBS ST OH Pen/OPI	10999999	-6,827.46 USD
3071	LU Granite State Electric	OCOA/804114	VBS ST OH Prop Ins	10999999	-3,843.55 USD
3071	LU Granite State Electric	OCOA/804116	VBS ST Vacation	10999999	-10,422.35 USD
3071	LU Granite State Electric	OCOA/900003	Large JE Clearing	10999999	0.00 USD
3071	LU Granite State Electric	Result	Result	Result	0.00 USD
Overall Result	Overall Result	Result	Result	Result	0.00 USD

GAAP net income	-22,917,014.74 USD	
Regulatory net income	-22,917,076.36 USD	
	61.62	(a) Management deemed immaterial
999 account check	0.00 USD	
199 account check	0.00 USD	

A-2.5 Verification of the Company's Process and Control Enhancements

We met with the Company to understand the process and control enhancements implemented in May 2023 to identify potential WBS cost element and settlement errors post April 2023 analysis, as noted above.

A-2.5.1 WBS Cost Element Master Data Creation and Change Enhancements

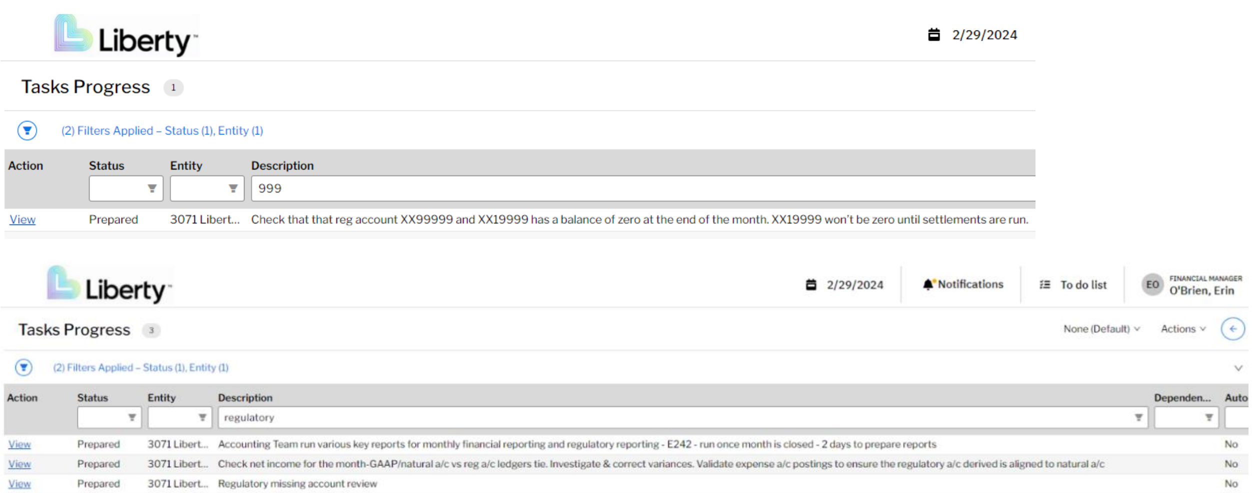
We understood the process to review, approve, and then create/change WBS cost element master data was decentralized post Release 2.2 go-live in October 2022 until May 2023. Each local business unit had the responsibility to create and maintain the WBS cost element master data and mappings for their operating units. In May 2023, the Company centralized the process for Granite State. For new or changes to a WBS cost elements (e.g., updates to WBS allocation structure mapping, WBS settlement rule mapping, etc.) the change is to be approved and entered in SAP centrally by the Project Controls Group Manager. We specifically validated with Company:

- The documented project approval and WBS cost element creation policy is followed.
- Checks are performed prior to the approval and entry of the WBS master data such as:
    - **Capital related cost element** – has there been an approved capital project, does the WBS element functional area match the cost type, is the settlement receiver mapped to the correct capital work-in-progress or regulatory work-in-progress account, etc.
    - **O&M related cost element** - is the functional area and regulatory account mapping correct, is the settlement receiver mapped to a cost center, etc.
    - **Unique projects** – are certain required fields populated which takes a project from a potential project to and approved project (such as Storms).
- Security access checks are in place to actively monitor and enforce sensitive access restrictions by the Company such as access to maintain WBS cost elements, maintaining settlement rules, and performing work order/internal order settlements, etc.

A-2.5.2 Period-End Close Process and Control Enhancement

We obtained evidence of the period-end close enhancements for Granite State Electric. We confirmed the Company has included both the net zero balance validation for the two temporary regulatory holding accounts and the tie out of the US GAAP and Regulatory (USoA) ledger net income balance as part of the period-end close checklist in the Blackline application (see **Figure A-2.5.2a**).

Figure A-2.5.2a - Example of period-end checklist items in Blackline



We obtained the Company's 2023 year-end tie out of US GAAP and Regulatory ledger net income (see **Figure A-2.4c** above) and noted the US GAAP and Regulatory ledger did not balance by an immaterial $62. As a result, we determined the tie-out to be reasonable.