

**STATE OF NEW HAMPSHIRE**  
**Inter-Department Communication**

**DATE:** March 23, 2021  
**AT (OFFICE):** NHPUC

**FROM:** Kurt Demmer, Utility Analyst, Electric Division

**SUBJECT:** Docket DG 06-107  
Liberty Utilities (Granite State Electric) Corp.  
Annual Storm Report for Calendar Year 2019

**TO:** Commissioners  
Debra A. Howland, Executive Director

**CC:** Tom Frantz, Director, Electric Division  
Rich Chagnon, Assistant Director, Electric Division  
Lynn Fabrizio, Legal Division  
Karen Moran, Chief Auditor

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**Summary**

Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty (Liberty, or Company), filed its Storm Fund Report (Report) for calendar year 2019 on March 30, 2020 in Docket DG 06-107. Liberty is requesting to recover costs related to two pre-staging storm events and three qualifying storm events from the Company's Major Storm Fund account. The total operating cost of the five identified events is \$1,915,458.15. There is no rate change triggered by this filing.

Commission Staff (Staff) has completed its review of Liberty's storm costs submission and the recommendations made by Commission Audit Staff (Audit) in the Final Audit Report<sup>1</sup> regarding this submission. Staff has determined that none of the three storm events identified for recovery in the Company's Report meet the criteria for a qualifying major storm event.

Staff recommends that the costs related to these three storms, totaling \$706,838, be disallowed for cost recovery from the Company's Storm Fund account. Staff found that the two pre-staging events do meet the criteria for recovery of pre-staging costs from the Storm Fund account, for a total of \$1,206,255 (excluding any amounts from the issue of capitalizing transportation depreciation through the burden rate).

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<sup>1</sup> Attachment KFD-1, Liberty Utilities (Granite State Electric) Corp. 2019 Storm Fund Report, DG 06-107 Final Audit Report, September 30, 2020.

## **Background Information**

On March 30, 2020, Liberty submitted a Storm Fund annual filing that complies with Commission requirements compelling Liberty to file an annual Report on the Storm Fund from which costs are recovered through the Storm Recovery Adjustment Factor.

The Storm Fund was created to recover approved costs associated with qualifying major storms that meet certain criteria stipulated in Settlement Agreements approved in Order No. 24,777 and Order No. 25,738.<sup>2</sup> The qualification of a major storm is determined by the following criteria:

A major storm for Liberty is defined as a severe weather event or related events causing 30 concurrent “troubles” (i.e., interruption events occurring on either primary or secondary lines) with 15 percent of customers interrupted, or 45 concurrent troubles.”<sup>3</sup> The Merriam-Webster dictionary defines concurrent as “operating or occurring at the same time” or “running parallel”.<sup>4</sup>

Not all service interruptions are considered “troubles” as defined in the above excerpt from the Settlement Agreement approved in Order No. 24,777. Only trouble spots on primary and secondary distribution lines<sup>5</sup> that cause customer outages are classified as “troubles”. For clarity, a single-service line connecting a single customer from a secondary distribution line is not considered, nor is it identified in the Settlement Agreement approved in Order No 24,777, as a qualifier for a trouble event or condition. Although single-service lines are attached to secondary lines, secondary lines generally serve more than one customer, are located in the public roadway, and require more resources than a typical single-service to repair. The definition of a trouble event or condition was worded specifically to delimit the scope of qualifying events in the above-noted Settlement Agreement.

The criteria for a storm pre-staging event to qualify for Storm Fund cost recovery is outlined in the Settlement Agreement approved in Order No. 25,738.<sup>6</sup> A stand-alone pre-staging event may include prestaging of crews, standby arrangements with external contractors, incremental compensation of employees, and other costs that may be incurred to prepare for a qualifying major storm. The prediction level of storm impact is represented in the Energy Event Index (EEI) level in the company’s meteorological prediction provided by DTN/Telvent Schneider, a meteorological forecasting and analysis service provider. A prediction of Level 3 with a high confidence is the minimum threshold required for a prestaging event to qualify for Storm Fund cost recovery under the Settlement Agreements noted above.

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<sup>2</sup> Set forth in Docket DG 06-107 Order No. 24,777 dated July 12, 2007 and Docket DE 13-063 Order No. 25,738 dated November 26, 2014.

<sup>3</sup> Docket DG 06-107, Order No. 24,777, pages 13 and 14.

<sup>4</sup> Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/concurrent>

<sup>5</sup> Typical primary voltages include 4,160 volts, 4,800 volts, 12,470, 13,200 volts or 34,500 volts. Secondary lines, or secondaries, are located lower down on utility poles, usually below transformers. Typical secondary voltages are between 120 and 480 volts.

<sup>6</sup> Docket DE 13-063, Settlement Agreement dated January 22, 2014, “The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index (“EII”) level of 3 or greater with a high probability of occurrence.”

## **Staff Review**

On September 30, 2020, Audit filed its Final Audit Report outlining its audit review for accounting and proper charging of storm related costs associated with the three storm events and the two pre-staging events for forecasted storms that did not materialize as major storms. The reported costs from Liberty for the three storm events and the two pre-staging events was \$1,915,458.

The Final Audit Report included three recommendations documented by Audit regarding the storm related charges. The first recommendation to Liberty was a reduction in charges for the October 31, 2019 storm event. The second recommendation was a reduction in charges for the December 2, 2019 pre-staging event. The third recommendation to Liberty related to the Company's treatment of transportation charges in the burden rate, and the application thereof. These three recommendations will be covered in further detail in this memo.

## **Storm Events**

The three storm events submitted by Liberty as major storm events occurred on the following dates: January 9, 2019; October 17, 2019; and October 31, 2019. Staff will review and analyze each of these storm events separately.

### **January 9, 2019 Storm Event**

This winter storm event was initially predicted as an Energy Event Index (EEI) level of 1, with a high confidence of probability. The storm, which impacted the Lebanon/Charlestown operating area, brought wet snow and high winds. The Company reported a total of 56 trouble events and 6,193 customers interrupted. The Company submitted this storm as a qualifying major storm, stating that it met the 45 concurrent trouble criterion set forth in Dockets DG 06-107 and DE 13-063.

Audit reviewed the costs of the January 9, 2019 event and agreed with the Company that the storm charges of \$172,970 are correct and appropriate.<sup>7</sup>

Staff has reviewed this storm event to confirm whether it qualifies as a major storm. Staff graphed the individual trouble events utilizing the data provided by the Company in its Report<sup>8</sup>. The graph in Attachment KFD-2 depicts each outage event duration chronologically plotted for each of the trouble events (as indicated by the Outage ID). In order for an event to be concurrent with another event, a part of that event outage must occur at the same time as another event outage. Staff has determined that this storm event does not qualify under the 45 concurrent troubles criterion, nor does it meet the 30 concurrent events and 15% of customers affected criteria.<sup>9</sup> In addition, 12 of the 56 troubles reported were single-service related. Since these were single-service level and not trouble events occurring on the primary or secondary distribution

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<sup>7</sup> Attachment KFD-1, Liberty Utilities (Granite State Electric) Corp. 2019 Storm Fund Report, Docket DG 06-107 Final Audit Report, September 30, 2020, Pages 5-7.

<sup>8</sup> Docket DG 06-107, Annual Storm Fund Report for Calendar Year 2019, Attachment 4, Pages 3 and 4.

<sup>9</sup> Total number of Liberty Utility customers: 44,145. 15% = 6,621 customers. Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities FERC Form No. 1 Annual Report – YE 2018.

lines, these events should not have been reported as part of the total trouble events for the qualifying storm concurrent event criteria.

In addition, any pre-staging costs are also not qualified to receive Storm Fund cost recovery as the EEI level was lower than the required minimum EEI level of 3 with a high confidence of probability as stated in the “Background” section of this memo.

As a result of this analysis, Staff recommends the disallowance of \$172,970 for the January 9, 2019 storm event from the Storm Fund account because the event does not meet the major storm criteria as approved in Order No. 24,777 and Order No. 25,738.

#### October 17, 2019 Storm Event

The October 17, 2019 event was a windstorm event which was predicted with a Level 2 EEI medium confidence of probability, bringing strong winds and rain starting October 16, 2019. Actual wind gusts exceeded 55 mph and resulted in 46 trouble events reported, and 1,106 customers interrupted for this multiday event. The Company submitted this storm as a qualifying major storm event, stating that it met the 45 concurrent trouble criterion set forth in Dockets DG 06-107 and DE 13-063.

Audit reviewed the cost of the October 17, 2019 event and agreed with the Company that the storm charges of \$272,831 are correct and appropriate.<sup>10</sup>

Staff has reviewed this storm event to confirm whether qualifies as a major storm. Staff graphed the individual outages utilizing the data provided by the Company in the Report. The graph in Attachment KFD-3 depicts each outage event duration chronologically plotted for each of the trouble events (as indicated by the Outage ID). Staff has determined that this storm does not qualify as a major storm under the 45 concurrent troubles criterion, nor does it meet the 30 concurrent events with 15% of customers affected criteria. 11 of the 46 trouble outages reported were single-service related. Since these were single-service level, and not outages occurring on the primary or secondary lines, these trouble events should not have been reported as part of the total trouble events for the qualifying storm concurrent event criteria.

In addition, any pre-staging costs are also not qualified to receive Storm Fund cost recovery as the EEI level was lower than the required minimum of an EEI level 3 with a high confidence of probability.

As a result of this analysis, Staff recommends the disallowance of \$272,831 for the October 17, 2019 storm event from the Storm Fund account due to not meeting the major storm criteria outlined in Order No. 24,777 and Order No. 25,738.

#### October 31, 2019 Storm Event

October 31, 2019 was a wind and rainstorm event, which was predicted with a Level 2 EEI high confidence of probability event, bringing strong winds and rain starting October 31, 2019. Actual wind gusts were 45-55 mph and resulted in 63 trouble events reported, and 2,571 customers

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<sup>10</sup> Attachment KFD-1, Liberty Utilities (Granite State Electric) Corp. 2019 Storm Fund Report, DG 06-107 Final Audit Report, September 30, 2020, Pages 9-10

interrupted for this multiday event. The Company submitted this storm as a qualifying major storm stating that it met the 45 concurrent trouble criterion set forth in Dockets DG 06-107 and DE 13-063.

Audit reviewed the costs of the October 31, 2019 event and recommended a \$196 reduction in storm charges, reducing the storm costs of the October 31, 2019 event from \$261,233 to \$261,037.<sup>11</sup> The reduction is based on two hotel room charges that were incorrectly charged to the storm account. The Company is aware of the discrepancy and the requirement for the reduction.

Similar to the previous two reported qualifying storms, Staff also reviewed this storm event to confirm whether it qualifies as a major storm. Staff graphed the individual outages utilizing the data provided by the Company in the Report. The graph in Attachment KFD-4 depicts each outage event duration chronologically plotted for each of the trouble events (as indicated by the Outage ID). The storm does not qualify under the 45 concurrent troubles criterion; nor does it meet the 30 concurrent events and 15% of customers affected criterion. 5 of the 63 trouble outages reported were single-service related. Since these were single-service level and not trouble events outages occurring on the primary or secondary lines, these trouble events should not have been included as part of the total trouble events for the qualifying storm concurrent event criteria.

In addition, any pre-staging costs are also not qualified to receive Storm Fund cost recovery, as the EEI level was lower than the required minimum of an EEI level 3 with a high confidence.

As a result of this analysis, Staff recommends the disallowance of \$261,037 (after the \$297 reduction from the initially filed \$261,233 in the Report) for the October 31, 2019 storm event from the Storm Fund account due to not meeting the major storm criteria outlined in Order No. 24,777 and Order No. 25,738.

### Pre-Staging Events

The two pre-staging events submitted by Liberty are as follows: January 19, 2019 and December 2, 2019. Staff will review and analyze each of these pre-staging events separately.

#### January 19, 2019 Pre-staging Event

This pre-staging event was in preparation for winter storm Harper. The company had submitted the DTN/Telvent Schneider Energy Event Index report for Friday January 18, 2019.<sup>12</sup> An EEI level 4 event was predicted for Saturday, January 19, 2019 and Sunday, January 20, 2019. In its Report, the Company described a pre-storm prediction of 5-10 inches of normal/wet snow in the Salem operating area and 10-20 inches of normal/wet snow in the Lebanon/Charlestown operating area. Staff identified the discrepancy and requested clarification through data requests issued to the Company on October 31, 2020. The Company's response was a DTN/Telvent

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<sup>11</sup> Attachment KFD-1, Liberty Utilities (Granite State Electric) Corp. 2019 Storm Fund Report, Docket DG 06-107 Final Audit Report, September 30, 2020, Pages 10-12.

<sup>12</sup> Docket DG 06-107, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Annual Storm Fund Report for Calendar Year 2019, March 30, 2020, Attachment 5, Pages 1-2.

Schneider Energy Event Index report for Saturday, January 19, 2019 at 1:04 pm.<sup>13</sup> The updated prediction report validates the Company's prediction and decision to pre-stage for the impending major storm event.

The actual storm event, however, had minimal impact to the electric distribution system and did not result in a qualifying major storm event.

Audit reviewed the costs of the January 19, 2019 event and agreed with the Company that the pre-staging event charges of \$710,657 are correct and appropriate.<sup>14</sup>

As a result of this analysis, Staff recommends the pre-staging costs of \$710,657 be recovered from the Storm Fund account as the Company met the pre-staging criteria outlined in Order No. 25,738.

#### December 2, 2019 Pre-staging Event

This pre-staging event was in preparation for winter storm Ezekiel. The Company had submitted the DTN/Telvent Schneider Energy Event Index report for Sunday December 1, 2019.<sup>15</sup> In the Report, the Company described a pre-storm forecast of 10-15 inches of normal/wet snow in the Salem operating area. The Company pre-staged internal and external crews starting Sunday, December 1, 2019.

The actual storm event had minimal impact to the electric distribution system and did not result in a qualifying major storm event.

Audit has reviewed the costs of the December 2, 2019 event and recommended a \$2,170 reduction in storm charges, reducing the pre-staging costs of the January 19, 2019 event from \$497,768 to \$495,598.<sup>16</sup> The reduction is based on an incorrect premium rate in labor charges and the lack of fuel/credit card supporting documentation. The Company is aware of the discrepancy and the requirement for the reduction.

As a result of this analysis, Staff recommends the pre-staging costs of \$495,598 be recovered from the Storm Fund account as the Company met the pre-staging criteria outlined in Order No. 25,738.

#### Repeat Audit Issue

The remaining issue identified by Audit relates to a re-occurring audit issue that was previously included in the Liberty Rate Case Docket DE 19-064. The audit issue addressed the Company's treatment of transportation charges. Liberty has changed its procedure for charging transportation costs in both day-to-day operations and storm events. Prior to 2018, the Company directly

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<sup>13</sup> Attachment KFD-5, Docket DG 06-107, Data Request from Liberty to Staff, Attachment Staff 1-2a.

<sup>14</sup> Attachment KFD-1, Liberty Utilities (Granite State Electric) Corp. 2019 Storm Fund Report, DG 06-107 Final Audit Report, September 30, 2020, Pages 7-9

<sup>15</sup> Docket No. DG 06-107, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Annual Storm Fund Report for Calendar Year 2019, March 30, 2020, Attachment 8, Pages 1-2

<sup>16</sup> Attachment KFD-1, Liberty Utilities (Granite State Electric) Corp. 2019 Storm Fund Report, DG 06-107 Final Audit Report, September 30, 2020, Pages 12-13

charged transportation costs to the work being performed. Since 2018, the transportation costs have been charged as part of the burdens (indirect costs such as benefits, etc.) that are charged to open capital jobs in Account 107. Account 107 is assigned to those capital jobs that are “in construction” and incurring construction work in progress (CWIP) charges. Audit identified this practice in the Final Audit Report based on the \$0 or no transportation charges in the overall Annual Storm Fund for year ending December 31, 2019.<sup>17</sup>

Audit’s recommendation is that the Company should not be capitalizing a portion of its depreciation expense, and should quantify the impact and adjust the filing accordingly. Audit has stated that the practice of capitalizing depreciation through the burden account is not in compliance with FERC accounting.

The Company is aware of Audit’s position and has responded to Audit that the Company is in compliance with the FERC Chart of Accounts. The Company has stated that its practice is appropriate under guidance set forth in US GAAP standard ASC 360. In addition to citing US GAAP Standard 360, the Company has also stated that the capitalization of depreciation of transportation expenses falls under the FERC Code of Federal Regulations, Part 1767.16, Section (c) Components of Construction Costs, subsection (5) Special Machine Service.<sup>18</sup>

Audit does not agree that transportation costs for vehicles utilized in day-to-day operations be classified as Special Machine Service and assessed under the Special Machine Service section as an exception rather than as normal transportation assets the electric utility uses every day.

Staff supports Audit’s findings, and recommends that the Commission order Liberty to terminate the practice of treating transportation depreciation as a capitalization through the burden rate, quantify the impact from this practice, adjust this filing, and comply with FERC for regulatory purposes.

### **Staff Recommendation Summary**

Staff has reviewed and investigated the filing received on March 30, 2020. Staff recommends the following:

- Disallowance of \$172,970 for the January 9, 2019 storm event from the Storm Fund account due to not meeting the major storm criteria outlined in Docket DG 06-107 ,Order No. 24,777 and Docket DE 13-063, Order No. 25,738.
- Disallowance of \$272,831 for the October 17, 2019 storm event from the Storm Fund account due to not meeting the major storm criteria outlined in Docket DG 06-107, Order No. 24,777 and Docket DE 13-063, Order No. 25,738.
- Disallowance of \$261,037 for the October 31, 2019 storm event from the Storm Fund account due to not meeting the major storm criteria outlined in Docket DG 06-107, Order No. 24,777 and Docket DE 13-063, Order No. 25,738.
- Approval of the pre-staging costs of \$710,657 for the January 19, 2019 pre-staging event to be allocated from the Storm Fund account as the Company met the pre-staging criteria outlined in Docket DE 13-063, Order No. 25,738.

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<sup>17</sup> Docket DG 06-107, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Annual Storm Fund Report for Calendar Year 2019, March 30, 2020, Attachment 1, Page 1, Transportation column (h).

<sup>18</sup> Code of Federal Regulations, <https://www.govinfo.gov/content/pkg/CFR-2017-title7-vol12/xml/CFR-2017-title7-vol12-part1767.xml#seqnum1767.16>.

- Approval of the pre-staging costs of \$495,598 for the December 2, 2019 pre-staging event be allocated from the Storm Fund account as the Company met the pre-staging criteria outlined in Docket DE 13-063, Order No. 25,738.
- Requiring Liberty to terminate its practice of capitalizing transportation depreciation through the burden rate; require quantification of the impact in this 2019 Storm Fund filing that resulted from this practice, adjustment of the filing, and compliance with FERC for regulatory purposes in future Storm Fund Report filings.
- Requiring Liberty to discontinue its practice of including single-service outages as a trouble event when determining a qualifying or major storm in future filings.

In addition to the above, Staff recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$1,206,255 (excluding any amounts from the issue of capitalizing transportation depreciation through the burden rate) from the Company's Storm Fund account, and require Liberty to notify Staff when this adjustment is completed, confirm the amount of recovery, and the balance of the Storm Fund account.

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** September 30, 2020

**AT (OFFICE):** NHPUC

**FROM:** James Schuler, Examiner

**SUBJECT:** Liberty Utilities (Granite State Electric) Corp.  
2019 Storm Fund Report, DG 06-107  
**FINAL** Audit Report

**TO:** Tom Frantz, Director Electric Division  
Rich Chagnon, Assistant Director  
Kurt Demmer, Utility Analyst IV

### INTRODUCTION

Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty, herein referenced as GSE or the Company, filed its annual Storm Fund report for calendar year 2019 on March 30, 2020 as filed in docket DG 06-107.

Attachment 1 of the filing provides an overview of the (over)/under collection of storm related funds at Liberty and the activity which occurred during 2019. The activity for the year is summarized as follows:

Beginning Balance 1/1/19	\$ (1,617,466)
Base Rate Contribution	\$ (1,500,000)
SRF Factor	\$ -
Prior Period Adjustments	\$ 56,656
Monthly Interest	\$ (62,910)
Storm Charges	\$ 1,915,458
2019 Ending Balance	\$ (1,208,263)

### Beginning and Ending Balances

Audit verified that the 2018 ending balance of \$1,617,466 agrees with the 2019 beginning balance shown on attachment 1, page 1 of 1 of the 2019 annual Storm Fund Report. Filing schedules provided by GSE include a monthly breakdown of expenses by storm, storm fund activity by month broken down by description, and individual storms with expenses categorized by description and month.

The reported ending balance for 2019, at the time of the filing, shows an over collection of \$(1,208,263) and was reconciled to the storm related activity within accounts:

- 8830-2-0000-10-1930-**1825** Storm Costs – used for the rolling over/under of expenses and related interest.
- 8830-2-0000-20-2142-**2548** Current Regulatory Liability Storm Costs – used for the rolling over/under revenue and related interest.

Audit reviewed general ledger accounts 8830-2-0000-10-1930-1825, Storm Costs; 8830-2-0000-20-2142-2548, Current Regulatory Liability-Storm Costs. The Company states that *“they are now charging all storms to the 8830-2-9851-56-5210-5930 Overhead Lines, O&M account and storms that qualify are moved to the 8830-2-0000-10-1930-1825 account to keep what goes into 8830-2-0000-10-1930-1825 clean.”*

**Base Rate Contribution**

The annual base rate contribution of \$1,500,000 per year was noted on Attachment 1 of the filing and was verified to account 8830-2-0000-20-2142-2548, Current Regulatory Liability-Storm Costs, as well as to Commission Order #25,638 which was issued on March 17, 2014 in docket DE 13-063.

**SRA Factor**

The Storm Recovery Adjustment (SRA) factor column on attachment 1, page 1 of 3, reflects no activity during 2019. Audit verified that the SRA factor in 2019 was \$0.000, according to the Company’s Summary of Rates, page 101 of 122 of the tariff.

**Interest**

Attachment 1 notes the interest income amount of \$(62,910). The general ledger accounts reflected a net total for the year of \$(60,950) resulting in a \$1,960 variance between the GL and filing. The difference represents the net amount of interest income/expense taken in January and February 2020. That rate applied for the two months of 2020 was 4.75%, which agrees with the federal funds prime rate. The interest calculations included in the filing were based on the storm report average of the monthly beginning balance and the unadjusted monthly ending balance (excluding that month’s interest figure), multiplied by the prime interest rate in effect, then divided by twelve. Audit verified the reconciliation with the general ledger postings to the following two general ledger accounts:

8830-2-0000-10-1930-1825 Storm Costs - 2019	\$ 274,698
8830-2-0000-10-1930-1825 Storm Costs – Jan./Feb. 2020	\$ 436
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs – 2019	\$(335,648)
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs – Jan/Feb 2020	<u>\$ (436)</u>
Total interest booked to general ledger	\$ (60,950)

The interest rates in the first quarter were 5.25%, increased in the second and third quarters to 5.50% and decreased to 5.25% in the fourth quarter. Audit verified that the prime rates used follows the rules as determined by PUC 1202.12 and Docket No. DG 06-107 and that the rate used was the first day of the preceding month for the following quarter. (Refer to table below). [http://www.fedprimerate.com/wall\\_street\\_journal\\_prime\\_rate\\_history.htm](http://www.fedprimerate.com/wall_street_journal_prime_rate_history.htm)

<u>Date of Federal Rate Change</u>	<u>Rate in Effect (%)</u>	<u>1202.14 Date Effective</u>
9/27/2018	5.25%	1/1/2019
12/20/2018	5.50%	4/1/2019
12/20/2018	5.50%	7/1/2019
7/31/2019	5.25%	10/1/2019
10/30/2019	4.75%	1/1/2020

### **Qualifying Capital**

Any capital charged to a storm will be moved to plant. The capital charged to qualifying storm costs are calculated as shown below:

- Use of most recent installed costs. For 2019, the Company has used the installed costs for 2017 and added a 3% increase to payroll
- Installed costs are calculated using 2x for labor, 1x for vehicle and the cost charged to work order for materials.
- For items that are not plant units (nuts, screws, etc.) the total cost is the charged cost and not scaled up for labor or vehicle charges.

### **General Ledger**

The Company provided the general ledger account reconciliation for January and February 2020 for the two balance sheet accounts used to track the storm fund because the storm filing includes 2019 storm costs which were charged to the general ledger through February 2020.

Audit reviewed general ledger accounts 8830-2-0000-10-1930-1825, Storm Costs; 8830-2-0000-20-2142-2548, Current Regulatory Liability-Storm Costs; and 8830-2-0000-10-1618-1070, Construction Work in Progress for storm activity.

Activity for account 2548 – Current Regulatory Liability-Storm Costs in the amount of \$(3,467,266) contains activity for base rates and interest in 2019.

Activity for account 1825 – Storm Costs in the amount of \$2,249,876 contains activity for payroll, overheads, materials, employee expenses and interest in 2019.

Construction Work in Progress account 1070 contained \$20,934 in capital expenses for the 2019 storms.

### **Asset and Liability Account Offset**

The Company provided the entries to transfer the 2018 storm and interest charges from 8830-2-0000-10-1930-1825 to 8830-2-0000-20-2142-2548. In the 2019 audit, it was recommended by Audit to post the offsetting entry on a yearly basis, regardless of a final audit report being issued due to the lag time between the end of the calendar year, filing the storm costs, and a final Audit report being issued. The Company agreed with Audit that they will make the offsetting entry on a yearly basis, regardless of a final Audit report. The 2019 general ledger shows the 2018 offsetting entry was posted on November 30, 2019.

In a response to a current Audit Request, the Company restated that the current year offsetting entry for the 2019 storm charges will be transferred later this year, prior to year-end, regardless of whether or not a final audit report has been received.

### **Payroll**

The filing's attachment 1 shows a total payroll expense of \$811,342. The expense was spread among the storms as follows:

January 9, 2019 Qualifying	\$104,805	Attachment 3, Page 2 of 6
January 19, 2019 Pre-stage	\$218,872	Attachment 3, Page 3 of 6
October 17, 2019 Qualifying	\$ 95,579	Attachment 3, Page 4 of 6
October 31, 2019 Qualifying	\$165,822	Attachment 3, Page 5 of 6
December 2, 2019 Pre-stage	<u>\$226,264</u>	Attachment 3, Page 6 of 6
	\$811,342	

The deferred payroll includes the payroll costs; regular pay, overtime, mealtime, rest time, etc. Audit randomly selected payroll expenses, from each of the storms that incurred payroll expenses to review in detail.

### **Transportation \$-0-**

Transportation is allocated to all jobs through overheads and not directly charged to storms. The "fleet spread" follows labor for expenses and includes the Capitalized Fleet overhead within the BRD burden allocation. The Capitalized fleet represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD. **Audit Issue #1**

### **Storm Charges**

As part of the filing the Company is required to submit a report detailing any storm costs incurred, collections, and results for the year. For 2019, this detail is reflected on Attachment 1. The table below summarizes Attachment 2, which represents only the monthly expenses and capital costs found on that report.

<b>Storm Date</b>	<b>Total Costs</b>
January 9, 2019	\$ 172,970
January 18, 2019	\$ 710,656
October 16, 2019	\$ 272,831
October 31, 2019	\$ 261,233
December 2, 2019	\$ 497,768
	<u>\$ 1,915,458</u>

### **Account 1825 – Storm Costs**

Audit reviewed docket DG 06-107, Order #24,777, pages thirteen and fourteen, to determine if the storm events in the report qualified as a “Major Storm.” The docket defines a “Major Storm” as a severe weather event or events causing 30 concurrent troubles and 15 percent of customers interrupted or 45 concurrent troubles.

Per settlement agreement dated January 22, 2014 in Docket DE 13-063, page seven, the Company is also allowed to recover, through the storm fund, planning and preparation costs for storms that do not meet the major storm requirements but showed a Schneider Electric Event Index (EEI) level 3 or greater with a high probability of occurrence in advance of severe weather.

Audit reviewed the storms’ EEI levels and number of troubles and acknowledges that all of the storms charged to the storm fund qualify as a major storm or pre-staging event.

The following is a review of documents from each of the 2019 storm events.

### **2019**

#### **1902 - Winter Snow Storm January 9, 2019 \$172,970**

This storm event on January 9, 2019 consisted of freezing rain transitioning to wet snow with peak gusts of 40-45 MPH and impacted 12 towns with 6,193 customer interruptions. The Company reviewed the Responder Outage Management System, which stores the interruption data, and determined that the event was a major storm defined as a severe weather event causing 30 concurrent troubles and 15 % of customers interrupted or 45 concurrent troubles. The second criteria was met and qualifies as a major storm in which planning, preparation and restoration efforts are allowed to be recovered.

The general ledger shows the total for the January storm of \$172,970 of which \$41,021 was categorized as vegetation management. Attachment 3, page 2 of 6 shows the costs broken down into four categories:

Payroll & OH for GSE Employees	\$104,805
Transportation charges for GSE	\$ -0-
Charges from Outside Contractors	\$ 67,366
Charges for Employee Expenses	<u>\$ 799</u>
	\$172,970

GSE payroll and overhead totaled \$104,805 for the storm. Audit reviewed the February 2019 overhead charge of \$64,956. The Company provided the labor detail that totaled \$43,388 (42,139.37+1,248.47). The 2019 GSE overhead rate for 2019 was applied was 149.71% resulting in total labor including overhead of \$64,956.

Transportation charges are included in the overhead calculation. Audit reviewed a random selection of invoices that included tree trimming and tree removal by several line crews.

An invoice from Asplundh Tree Expert, LLC in the amount of \$4,152 was for tree trimming on January 9 through January 11, 2019 in the Canaan, Lebanon, Hanover and Enfield locations. The timesheets provided show 2 linemen working a total of 44 hours at straight time and 32 hours of overtime for 76 hours and totaling \$3,212. Equipment charges consisted of 38 hours for a 70' bucket truck at \$24.72 per hour and totaled \$939.36. Total labor and equipment for the three day period summed to \$4,152. The timesheets were also supported by Liberty Utilities Crew Data Sheet which detailed street locations, town and county. The type of work and other details were also shown on the data sheets which matched the timesheets.

Audit reviewed the vendor contract for Asplundh and matched the rates to the time sheets. The rates for the Foreman and Groundman on the invoices were slightly higher than the rates on the contract. The hourly rates shown on the invoice were higher than the contract rates and ranging from 15-cents to 20-cents per hour and netted to an undercharge of \$9.66 which included the undercharge for the 70' Bucket Truck which is immaterial. All the line items were recalculated for accuracy with no exceptions noted.

Another invoice from Asplundh Tree Expert, LLC was for storm vegetation management in the amount of \$2,373 for the week ending January 19, 2019. The work was performed in the Lebanon, Meridian, Hanover and Enfield locations. The timesheets provided show three crew members working a total of 54 hours, all at straight time and totaling \$1,928. Equipment charges consisted of 18 hours for a pick-up truck at \$24.72 per hour and totaled \$444.96.

Total labor and equipment for the two day period summed to \$2,373. However, the hourly rates shown on the invoice were higher than the contract rates and ranging from 15-cents to 20-cents per hour and netted to \$2 which included the undercharge for the 70' Bucket Truck which is immaterial. The timesheets were also supported by Liberty Utilities Crew Data Sheet which detailed street locations, town and county. The type of work and other details were also shown on the data sheets which matched the timesheets. All the line items were recalculated for accuracy with no exceptions noted.

An invoice totaling \$16,207 was from Northline Utilities for vegetation management in the Lebanon area on January 9 and 10, 2019. The time sheets listed the rates for standard time,

overtime and double time. Standby prior to mobilization is charged at 1.5X the standard labor rate. Mobilization is charged a 2X the standard labor rate. Standby after Mobilization is charged at 1.5X the standard rate and the actual work performed is charged at 2X the standard labor rate. Six crew members charged a total of 84 hours, 24 hours at the overtime rate and 60 hours at double time rate. Audit reviewed the vendor contract for Northern Utilities and matched the rates to the times sheets. The rates for the Foreman and Groundman on the invoices agreed with vendor's rate contract as well as the rate for the 70-foot bucket truck. Audit recalculated the timesheets and the line items on the invoice with no exceptions noted.

Audit reviewed payroll journal entries in the amount of \$1,167.39 dating from 1/6/19 to 1/12/19 and \$1,682.42 dating from 1/6/19 to 1/12/19. The Company provided a spreadsheet showing the general ledger account number, employee name, storm date and location, number of hours worked and other pay code information.

There were no charges for material and supplies associated with the winter weather January 9, 2019 storm 1902.

	<b>Filing</b>	<b>Audit</b>
Payroll & OH for GSE Employees	\$ 104,805	\$ 104,805
Transportation Charges for GSE	\$ -	\$ -
Charges from Outside Contractors	\$ 67,366	\$ 67,366
Charges for Employee Expenses	<u>\$ 799</u>	<u>\$ 799</u>
	<u>\$ 172,970</u>	<u>\$ 172,970</u>

1903 - Winter Snow Storm Harper, January 19, 2019 (Pre-stage Event) \$710,657

This pre-stage event was in preparation for winter storm Harper which was forecasted to see accumulations of 5-10 inches of normal to wet snow and wind gusts of 25-30 MPH in the Salem/Pelham service territory and accumulations of 10-20 inches with wind gusts of 25-30 MPH with peak gust of 40 MPH in the Lebanon/Charlestown service territory.

There were a total of 33 restoration line crews, of which 19 were contractor tree crews, and staffing of the customer call center. The actual snow accumulations were less than 6 inches with minimal impact to the distribution system. By definition, the PUC allows recovery of planning and preparation activities in advance of severe weather if the national forecast for the event shows a Schneider Electric Event Index level of 3 or greater with a high probability of occurrence.

Attachment 3, page 3 of 6 shows the costs broken down into four categories:

Payroll and OH for GSE Employees	\$218,871
Transportation charges for GSE	\$ -0-
Charges from Outside Contractors	\$471,355
Charges for Employee Expenses	<u>\$ 20,431</u>
	<u>\$710,657</u>

Audit reviewed an invoice from Asplundh Tree Expert, LLC in the amount of \$4,111 which consisted of tree trimming on January 20 and January 21, 2019 in Windham NH. The timesheets provided show 2 linemen working 37 hours with 9 hours at the straight time rate and 28 hours at the overtime rate. Equipment charges consisted of 37 hours for two pick-up trucks at \$11.42 per hour and totaling \$422.54. Total labor and equipment for the three day period summed to \$4,111. Audit reviewed the vendor contract for Asplundh and matched the rates to the time sheets. The hourly labor rates however shown on the invoice were higher than the contract rates and ranging from 19-cents to 37-cents per hour and netted to \$7 including an undercharge for the pick-up truck which is immaterial.

The timesheets were also supported by Liberty Utilities Crew Data Sheet which detailed street locations, town and county. The type of work and other details were also shown on the data sheets which matched the timesheets. All the line items were recalculated for accuracy with no exceptions noted.

Infrasource provided storm assistance on January 18<sup>th</sup> through the 21<sup>st</sup> 2019 in Lebanon NH during the Harper storm and charged a total of \$284,932. Sixteen crew members and seven vehicles were drawn from their Pennsylvania location for the four days. Audit reviewed the timesheet and the related rate contract in effect for 2019 which showed total hours of 1,140. The work was paid at 240 hours overtime and 900 hours at double time and totaled \$237,950. Per the contract, all work is paid at double time and all stand-by hours are paid at time and one-half. All the labor rates on the invoice agreed with the rates listed on the contract.

Equipment charges consisted of five vehicles, a digger derrick and a pole trailer. The equipment usage was charged a total of 912 hours totaling \$41,400 and agreed with the rates shown on the contract. Meals expense totaled \$1,200 and were paid per diem with a 5% adder per the contract. Gas/diesel and tolls totaled \$4,382.

GSE payroll and overhead totaled \$218,871 for the storm. Audit reviewed the February 2019 overhead charge of \$134,164. The Company provided the labor detail that totaled \$87,395 (85,599+1,796). The 2019 GSE overhead rate that was applied was 149.71% resulting in total labor including overhead of \$130,839.

Audit reviewed payroll journal entries in the amount of \$1,465 dating from 1/20/19 to 1/26/19 and \$1,504 for the week of 1/20/19 to 1/26/29. The Company provided a spreadsheet showing the general ledger account number, employee name, storm date and location, number of hours worked and other pay code information.

There were no charges for material and supplies associated with the January 18, 2019 winter storm 1903.

	<b>Filing</b>	<b>Audit</b>
Payroll & OH for GSE Employees	\$ 218,871	\$ 218,871
Transportation Charges for GSE	\$ -	\$ -
Charges from Outside Contractors	\$ 471,355	\$ 471,355
Charges for Employee Expenses	\$ 20,431	\$ 20,431
	<u>\$ 710,657</u>	<u>\$ 710,657</u>

1909 - Wind & Rain Storm Event October 17, 2019 \$272,831

This storm event on October 17, 2019 started in the late evening and consisted of wind and rain with a total of 1,106 interruptions impacting 13 towns in the Company’s service territory. Wind gusts of 25-35 MPH with peak gusts of 45-55, along with heavy rains were predicted for all of Liberty’s electric service area.

At the peak of the event, a total of 15 restoration crews responded which included internal and external line crews. Liberty also mobilized a peak of 10 tree crews.

Attachment 3, page 4 of 6 shows the costs broken down into four categories:

Payroll and OH for GSE Employees	\$ 95,579
Transportation charges for GSE	\$ -0-
Charges from Outside Contractors	\$121,084
Charges for Employee Expenses	\$ 6,168
Accrual for Outside Contractors	<u>\$ 50,000</u>
	<u>\$ 272,831</u>

An invoice from Asplundh Tree Expert, LLC in the amount of \$20,021 was for tree trimming and overhead line maintenance on October 17 and 18, 2019 in the Salem NH area. The timesheets show travel from Bucksport, Maine to Londonderry, NH and to Salem, NH on Wednesday, the 16<sup>th</sup> of October for a total of 222 miles at a rate of \$1.98 per mile and summing to \$440. Meals and tolls were supported by receipts totaling \$109.

Total labor for 2-days and ten crew members totaled \$15,782 for the two day period and summed to \$12,602. Audit reviewed the vendor contract for Asplundh and matched the rates to the times sheets. The timesheets were also supported by Liberty Utilities Crew Data Sheet which detailed street locations, town and county. However, the hourly rates shown on the invoice were higher than the contract rates and ranging from 19-cents to 37-cents per hour and netted to \$24 including an undercharge for the 55’ Bucket Truck was is immaterial. All the line items were recalculated for accuracy with no exceptions noted.

Another invoice from Asplundh Tree Expert, LLC in the amount of \$16,182 was for tree trimming and overhead line maintenance on October 18 and 19, 2019 in Canaan and Lebanon. The timesheets show travel from Bangor, Maine to Londonderry, NH and to Lebanon, NH on

Wednesday, the 16<sup>th</sup> of October for a total of 231 miles at a rate of \$1.98 per mile and summing to \$457. Meals were supported by receipts totaling \$117.

Total labor for 2-days and eight crew members totaled \$12,602 for the two day period and summed to \$12,602. Audit reviewed the vendor contract for Asplundh and matched the rates to the times sheets. The timesheets were also supported by Liberty Utilities Crew Data Sheet which detailed street locations, town and county. However, the hourly rates shown on the invoice were higher than the contract rates and ranging from 19-cents to 37-cents per hour and netted to \$19 including an undercharge for the 55' bucket Truck which is immaterial. All the line items were recalculated for accuracy with no exceptions noted.

An invoice for \$640 was from the Fireside Inn & Suites and was for five rooms for nine Liberty Utilities crew members. Check-in was October 16<sup>th</sup> and check-out was October 17, 2019. Meals at the Inn totaled \$204 and all were paid under the meal cap of \$25 per day per employee. Audit reviewed the invoice and the supporting documentation with no exceptions noted.

An invoice from I.C. Reed & Sons from Raymond, NH was for line work and totaled \$4,105. The invoice is dated October 18, 2019 and billed to storm 1909 for a total of four linemen working a total of 36 hours of which 2 hours were overtime. The invoice shows the labor was charged at the straight time rate for 34 hours and 2 hours at the overtime rate which agrees with the vendor contract. Equipment consisted of 2 bucket trucks and a 4X4 pick-up truck. The bucket trucks were charged a rate of \$34.95 per hour and the pick-up truck at \$17.96 per hour for the total charge \$835. All charges followed the contract pricing with no exceptions noted.

There were no charges for material and supplies associated with the October 16, 2019 qualifying storm costs, 1909.

	<b>Filing</b>	<b>Audit</b>
Payroll & OH for GSE Employees	\$ 95,579	\$ 95,579
Transportation Charges for GSE	\$ -	\$ -
Charges from Outside Contractors	\$ 121,084	\$ 121,084
Charges for Employee Expenses	\$ 6,168	\$ 6,168
Accrual for Outside Contractors	<u>\$ 50,000</u>	<u>\$ 50,000</u>
	\$ 272,831	\$ 272,831

1910 - Wind & Rain Storm Event October 31, 2019 \$261,233

Starting in the evening of October 31, 2019, a wind and rain event lasting the night into mid-afternoon had a total of 2,571 customer interruptions and impacted 19 towns in the Company's service territory. The Schneider Event Index with high confidence level 2 winds was forecasted with wind gusts of 35-45 MPH and peak gusts of 45-55 MPH along with heavy rains for all the Company's service areas. Strong winds higher than forecasted toppled trees and broke

tree limbs in 19 towns in the service area. There were a total of 15 restoration crews, which included internal and external contractor line crews. The Company also mobilized a peak of 10 contractor tree crews.

Attachment 3, page 5 of 6 shows the costs broken down into four categories:

Payroll and OH for GSE Employees	\$165,822
Transportation charges for GSE	\$ -0-
Charges from Outside Contractors	\$ 92,628
Charges for Materials & Supplies	\$ (0.28)
Charges for Employee Expenses	<u>\$ 2,783</u>
	\$261,233

JCR Construction Company from Raymond, NH submitted an invoice for \$12,138 on December 11, 2019 for work performed on Friday November 1 and Saturday, November 2, 2019 in Lebanon, NH. The amount represents the costs for labor and equipment for 4 crew members. The invoice was accompanied by time sheets showing four crew members and their standard, overtime and double time rates by classification. The four linemen charged 3 hours at the overtime rate, and 17 hours at the double time rate for a total of 20 hours each. Labor totaled \$10,587 and equipment consisting of 2 bucket trucks and a pick-up totaled \$1,540. Donuts were \$11. All the rates charged agreed with contract that was in effect for 2019.

An invoice for \$2,462 from the Fireside Inn & Suites and was for twenty-eight rooms for twenty-eight Liberty Utilities crew members. Check-in was October 16<sup>th</sup> and check-out was October 17, 2019. Audit reviewed the invoice and the supporting documentation and found that two room charges were on November 14, 2019, twelve days after the storm. Audit believes these charges totaling \$196 should be removed from storm 1910. The Company is aware that these charges need to be transferred to a non-qualifying storm.

Audit reviewed an invoice from the Town of Salem for police detail. Charges for 4 hours on two days at \$60 per hour on Friday and \$75 per hour on Saturday totaled \$540. Audit reviewed the invoice calculations and dates and found no exceptions.

Utility Service & Assistance out of Hookset, NH submitted an invoice for \$25,166 on December 6, 2019 for work performed on Friday November 1 and Saturday, November 2, 2019 in Walpole, NH. The amount represents the costs for labor and equipment for six linemen, equipment and meals. The invoice listed the hours worked, the hourly rate and was accompanied by meals receipts. The six linemen charged all 21.5 hours at the double time rate totaling \$20,606. Equipment consisting of 2 bucket trucks. A digger derrick with a compressor and 2 pick-up trucks totaled \$4,386. The meal receipts totaled \$174. All the rates charged agreed with contract that was in effect for 2019.

Audit reviewed payroll in the amount of \$4,247 for the week of 10/27/19 to 11/02/19. The Company provided a spreadsheet showing the general ledger account number, employee name, storm date and location, number of hours worked and other pay code information.

Charges for material and supplies associated with the Halloween Wind Storm of October 31, 2019, 1910 were \$(.28).

	<b>Filing</b>	<b>Audit</b>
Payroll & OH for GSE Employees	\$ 165,822	\$ 165,822
Transportation Charges for GSE	\$ -	\$ -
Charges from Outside Contractors	\$ 92,628	\$ 92,432
Charges for Materials & Supplies	\$ -	\$ -
Charges for Employee Expenses	<u>\$ 2,783</u>	<u>\$ 2,783</u>
	\$ 261,233	\$ 261,037

1911 - Winter Snow Storm Ezekiel December 2, 2019 (Pre-stage Event) \$497,768

On Monday, December 2, 2019, Winter Storm Ezekiel with a Schneider Energy Event Index Level of 2/3/4 (High Confidence) was forecast with accumulations of 10-15 inches of Normal to Wet snow consistency and wind gusts of 20-30 MPH, with peak gusts of 35 MPH in the Salem/Pelham service territory.

In response to the level 4 issued, the Company made available the operational center and the call center. A total of 26.5 restoration crews of which 14 contractor crews were staged in Salem, Lebanon, Monroe and Charlestown operational centers. Liberty also mobilized 17 contractor tree crews, 18 wires-down personnel, and 30 damage assessors.

Sunday saw heavy snow of normal consistency and winds of 12-25 MPH starting in the Salem/Pelham service territory throughout the day into the late evening with snow accumulation greater than 14 inches. There was minimal impact from the storm to the electric distribution system with less than 50 customer outages. There was a large outage in the Salem due to a motor vehicle accident.

Attachment 3, page 6 of 6 shows the costs broken down into five categories:

Payroll and OH for GSE Employees	\$226,264
Transportation charges for GSE	\$ -0-
Charges from Outside Contractors	\$261,083
Charges for Materials & Supplies	\$ 19
Charges for Employee Expenses	\$ 402
Accrual for Outside Contractors	<u>\$ 10,000</u>
	\$497,768

An invoice from Haugland Energy Group LLC out of Melville, NY was for maintenance of overhead lines in the amount of \$147,042 on December 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> of 2019 in the Salem NH area. The timesheets provided show crew member names, rate class, date, hours worked, equipment hours worked and meals expenses. There were no rates listed on the timesheets, only rate class. Audit recalculated the rate for the particular class and the hours worked shown on the timesheets. December 1<sup>st</sup> and 2<sup>nd</sup> were charged overtime and December 3<sup>rd</sup> was charged the

“premium” rate. The invoice shows total labor of \$129,611.65, however when recalculating each of the three days, the total for the three days is \$128,9852.92, a difference of \$628.73. Audit recommends reducing the Winter Storm Ezekiel total labor amount by \$628.73.

Equipment charges consisted of a pick-up truck, five bucket trucks and a digger derrick. The total for the three days was \$15,884 and was shown on the timesheets with the hours in use. Meals were charged a per diem rate and totaled \$780 and fuel and credit card transactions totaled \$766 however there was no supporting documentation for these amounts. Audit recommends reducing the Winter Storm Ezekiel total meals, fuel and credit card transactions amount by \$1,546.

Utility Service & Assistance out of Hookset, NH submitted an invoice for \$37,511 on December 7, 2019 for work performed on Friday November 1 and Saturday, November 2, 2019 in the Lebanon and Hanover area of NH. The amount represents the costs for labor and equipment for seven crew members, equipment and meals. The invoice listed a description of the work performed, the number of hours worked, the hourly rate and the total dollars. The seven linemen charged 23.5 hours each at the overtime rate and 9.5 hours each at the double time rate for total labor charges of \$35,422. Equipment consisting of 3 bucket trucks and a digger derrick with a compressor totaled \$6,742. The meal receipts totaled \$340 and were supported with receipts. All the rates charged on the invoice agreed with contract that was in effect for 2019.

GSE payroll and overhead totaled \$226,264 for the storm. Audit reviewed December 2019 overhead charge of \$135,155. The Company provided the labor detail totaling \$90,278. The 2019 GSE overhead rate for December that was applied was 149.71% resulting in total labor including overhead of \$135,155.

Audit reviewed payroll journal entries in the amount of \$2,059 for the week of 12/01/19 to 12/07/19 and \$1,776 for the week of 12/01/19 to 12/07/19. The Company provided a spreadsheet showing the general ledger account number, employee name, storm date and location, number of hours worked and other pay code information.

Charges for material and supplies associated with Winter Storm Ezekiel on December 2, 2019, 1911 were \$19.

	<b>Filing</b>	<b>Audit</b>
Payroll & OH for GSE Employees	\$ 226,264	\$ 226,264
Transportation Charges for GSE	\$ -	\$ -
Charges from Outside Contractors	\$ 261,083	\$ 258,913
Charges for Materials & Supplies	\$ 19	\$ 19
Charges for Employee Expenses	\$ 402	\$ 402
Accrual for Outside Contractors	<u>\$ 10,000</u>	<u>\$ 10,000</u>
	\$ 497,768	\$ 495,598

**Ending Balance**

Audit verified that the reported 12/31/2019 Storm Fund balance of \$1,208,263 is found in the following general ledger accounts:

8830-2-0000-10-1930-1825 Storm Costs	\$ 2,249,876
8830-2-0000-20-2142-2548 Current Reg. Liab.- Storm Costs	<u>\$ (3,467,266)</u>
Net Balance	\$ (1,217,390)
2019 Storms in 2020 General Ledger	\$ 11,506
Additional Interest through February 2020	<u>\$ (2,379)</u>
Balance per Filing	\$ (1,208,263)

**STORM SUMMARY**

Below are the adjustments recommended in the 2018 storm report and found in the 2019 general ledger balance. It was noted that a 2017 adjustment in the amount of \$(7,146) could not be identified.

2017 Adjust. per Audit Issue #2 of the 2018 Storm Audit Report	\$ (217,530)
Related Interest Adjustment	\$ 2,450
Adjustments Identified in the 2018 Storm Audit Report	<u>\$ (10,785)</u>
Adjustments per the 2018 Audit Report	\$ (225,865)

The adjusted activity for the year is summarized as follows:

Beginning Over-Collected Balance 1/1/19	\$ (1,617,466)
Base Rate Contribution	\$ (1,500,000)
SRF Factor	\$ -
Prior Period Adjustments:	
January-19	\$ 506,102
July-19	\$ (283,885)
September-19	\$ (163,807)
November-19	\$ (10,785)
December-19	\$ 9,030
Monthly Interest	\$ (62,910)
Storm Charges	<u>\$ 1,915,458</u>
2019 Ending Balance	\$ (1,208,263)
Additional Charges to Remove - 1910	\$ (196)
Additional Charges to Remove - 1911	\$ (629)
Additional Charges to Remove - 1911	<u>\$ (1,546)</u>
Audited Ending Over Collection 1/31/2019	\$ (1,210,634)

## Repeat Audit Issue #1

### Capitalizing Fleet Depreciation

#### Background

The Capitalized Fleet overhead represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD. The Company now includes the Capitalized Fleet overhead within the BRD burden allocation. The Capitalized fleet represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD.

#### Audit Issue

An **Audit Issue** included within the DE 19-064 rate case audit report indicated that the Company began capitalizing a portion of depreciation expense associated with fleet assets through inclusion of the result within the BRD burden applied to capital jobs.

The Capitalized fleet represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD. The BRD applies to capitalized jobs, thus not to the Storm deferral account.

*“The transportation (fleet) overhead and the vehicle depreciation capitalization on construction vehicles are two distinct transactions which appear to have been combined in the above write-up of the Audit Issue.”*

*Transportation (fleet) overhead includes costs that are accumulated in the transportation clearing account. Fleet charges such as maintenance and fuel charges are spread from a clearing account proportionately based on labor dollars. The entry for the fleet overhead allocation is credited to capitalized credits, account 922, and cleared to the qualifying jobs.*

*The capitalization of depreciation on construction vehicles to account 107 balance is appropriate under the guidance set forth by US GAAP standard ASC 360. The entry to capture the capitalization of vehicle depreciation used in construction activities is a debit to CWIP, account 107 and a credit to depreciation expense account 403. Thus, the depreciation expense is not overstated and the Accumulated Depreciation is not understated.*

The Company has stated in the current audit response that this is still being done.

### Audit Recommendation

The Company should not be capitalizing a portion of the depreciation expense, and should quantify the impact and adjust the filing. As acknowledged by Liberty in response to the previous Audit Issue, the Company must comply with FERC for regulatory purposes.

### Company Response

The Company repeats its prior response and, with regard to compliance with the FERC Chart of Accounts, the Company asserts that it is in compliance and supplements that prior response as follows:

The FERC Chart of Accounts specifically provides for the capitalization of depreciation expense in item 3 “Components of Construction Cost” of the Electric Plant Instructions:

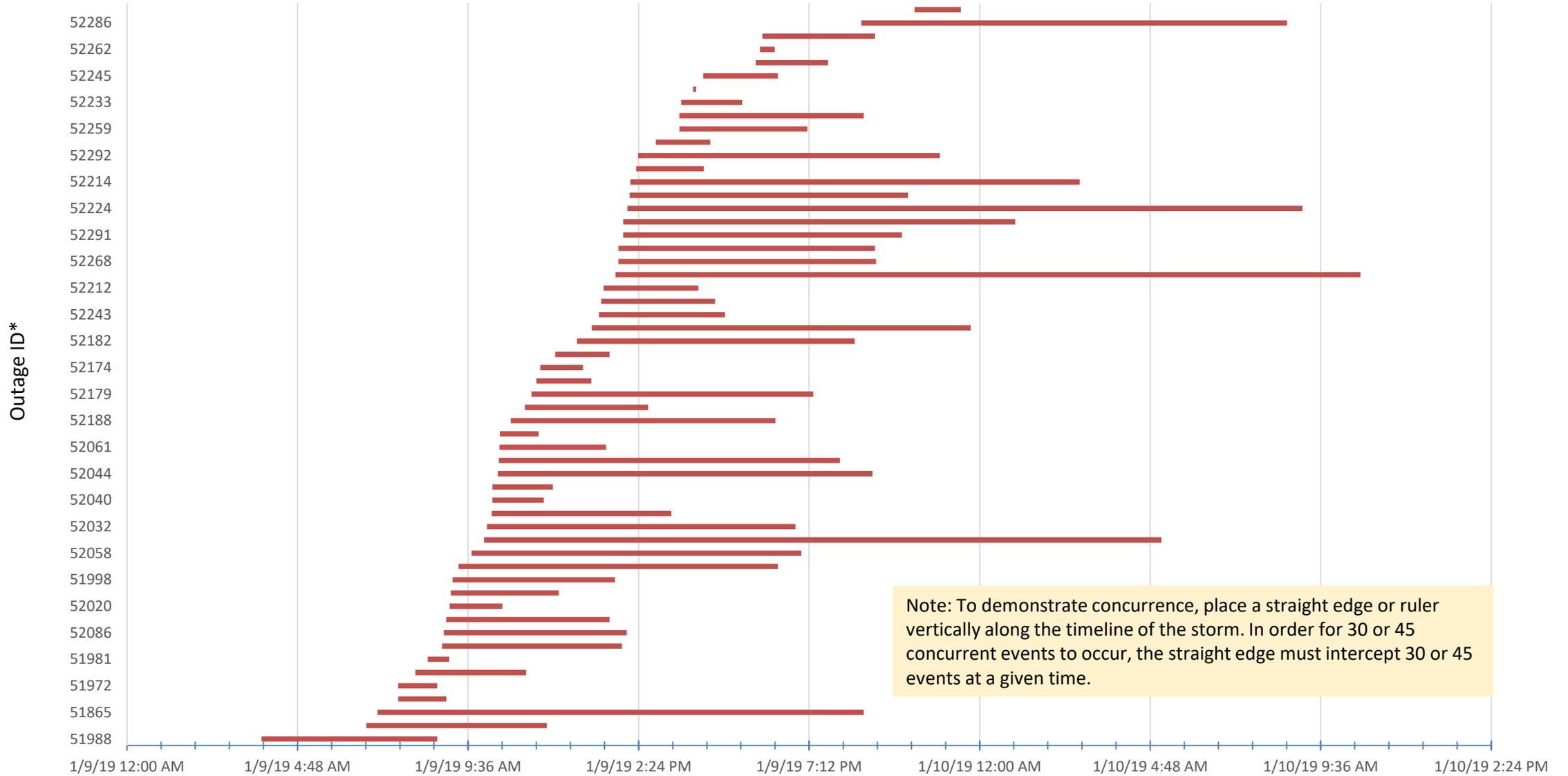
(5) Special machine service includes the cost of labor (optional), materials and supplies, *depreciation*, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See item 3, above.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction. (Emphasis added)

The Audit Staff’s implication that Liberty apparently agreed with this recommendation in response to the DE 19-064 Audit Report and that it would comply with the FERC accounting guidance did not relate to the subject of this Audit Issue. The Company maintains that it has been and continues to be in compliance with the FERC Chart of Accounts.

### Audit Comment

Because the FERC information above relates to the maintenance, operation and use of special machines, or the extended use of cars, trucks or trailers (transportation equipment), Audit reiterates the issue that inclusion of a portion of the depreciation expense for fleet assets in the BRD burden rate, for capitalization on a pro rata basis, should not be done in the manner outlined.

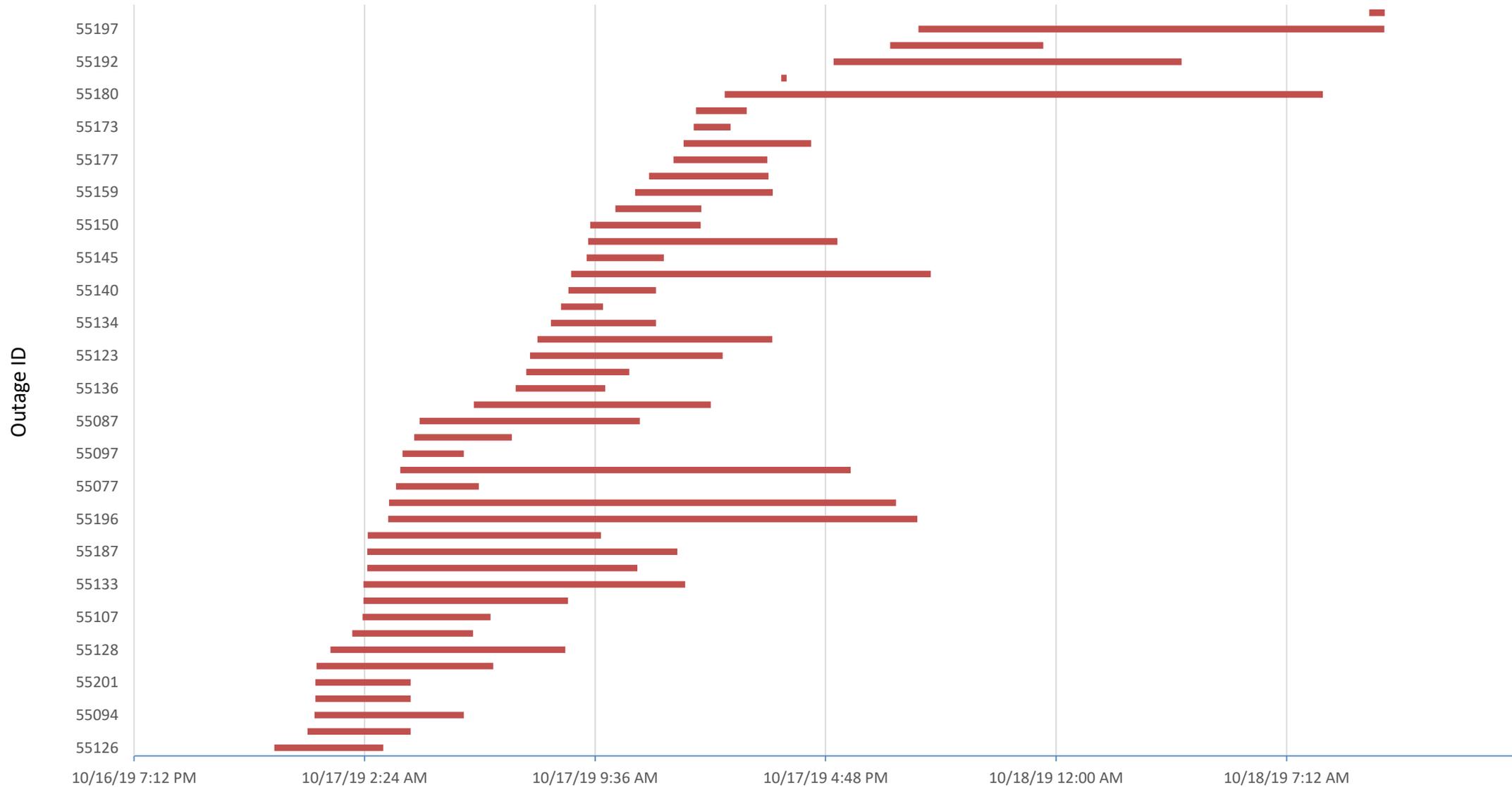
### January 9, 2019 Storm Event



\* Not all of the Outage IDs are listed on the axis however all of the outages are shown on the graph

 Outage Occurance Duration

### October 17, 2019 Storm Event

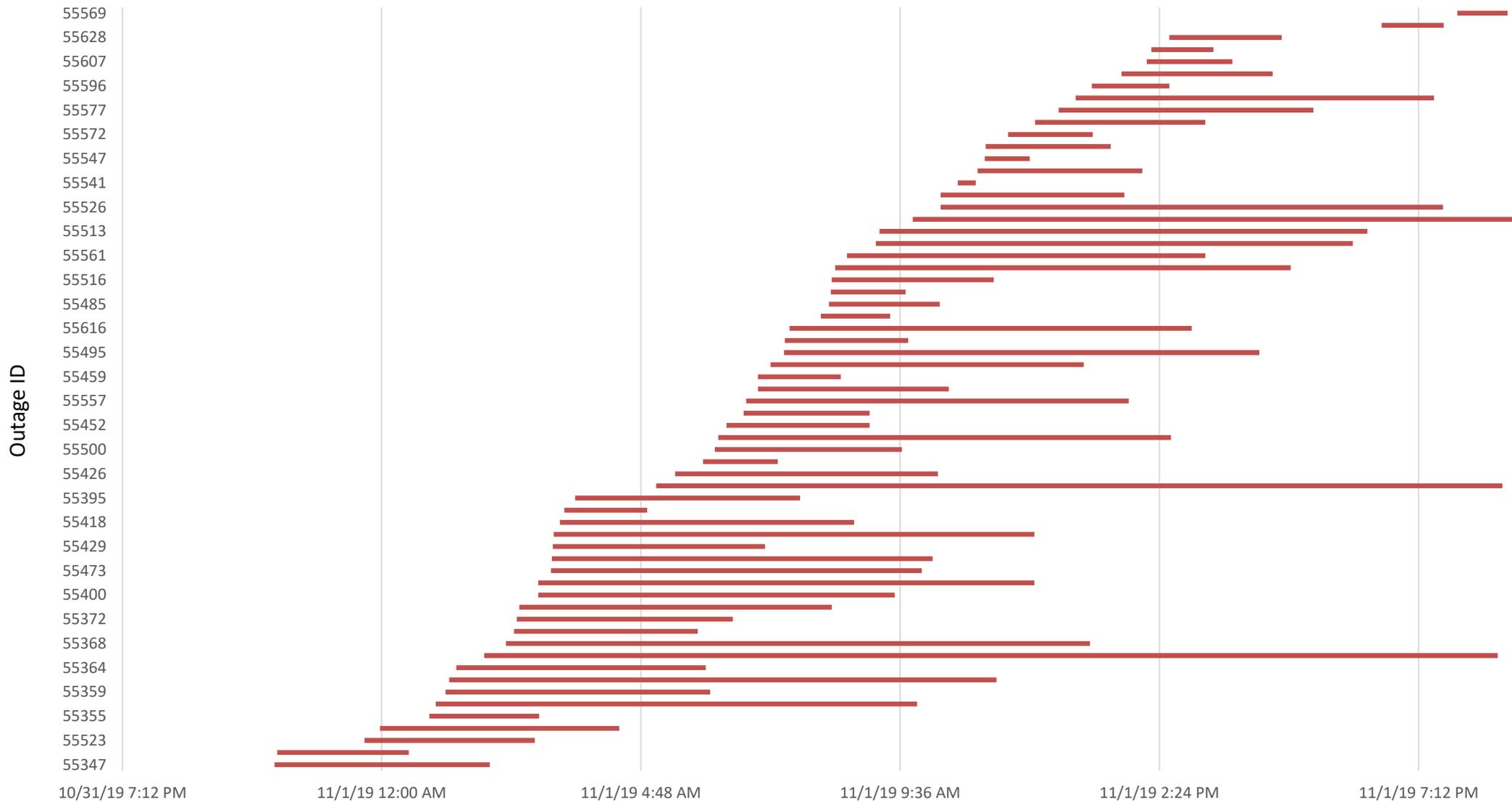


Note: Not all of the Outage IDs are listed on the axis however all of the outages are shown on the graph



Outage Occurance Duration

### October 31, 2019 Storm Event



Note: Not all of the Outage IDs are listed on the axis however all of the outages are shown on the graph



Outage Occurance Duration

**Heather Tebbetts**

**From:** DTN <EnergyEventIndex@dtn.com>  
**Sent:** Saturday, January 19, 2019 1:04 PM  
**To:** DL NH Londonderry Emergency Dispatch  
**Subject:** Energy Event Index: Threat Level 4

**Energy Event Index for ALGONQUIN POWER** Your forecast administrator: robert.mercier@libertyutilities.com  
Valid Time: January 19, 2019 1:00 PM EST Forecaster: nick.lesser1

Parameter	Region	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10
Wind Speed	Montauk NY	1	1	1	1	1	1	1	1	1	1
	Northern Lebanon Hanover NH	1	1	1	1	1	1	1	1	1	1
	Northwest Monroe Bath NH	1	1	1	1	1	1	1	1	1	1
	Southern Salem Derry NH	1	1	1	1	1	1	1	1	1	1
	Western Alstead Charlestown NH	1	1	1	1	1	1	1	1	1	1
Wind/Gust	Montauk NY	1	2	1	1	1	1	1	1	1	1
	Northern Lebanon Hanover NH	1	1	1	1	1	1	1	1	1	1
	Northwest Monroe Bath NH	1	1	1	1	1	1	1	1	1	1
	Southern Salem Derry NH	1	1	1	1	1	1	1	1	1	1
	Western Alstead Charlestown NH	1	1	1	1	1	1	1	1	1	1
Snow	Montauk NY	1	1	1	1	1	1	1	1	1	1
	Northern Lebanon Hanover NH	4	4	1	1	1	1	1	1	1	1
	Northwest Monroe Bath NH	4	4	1	1	1	1	1	1	1	1
	Southern Salem Derry NH	2	2	1	1	1	1	1	1	1	1
	Western Alstead Charlestown NH	4	4	1	1	1	1	1	1	1	1
Ice	Montauk NY	1	1	1	1	1	1	1	1	1	1
	Northern Lebanon Hanover NH	1	1	1	1	1	1	1	1	1	1
	Northwest Monroe Bath NH	1	1	1	1	1	1	1	1	1	1
	Southern Salem Derry NH	1	2	1	1	1	1	1	1	1	1
	Western Alstead Charlestown NH	1	1	1	1	1	1	1	1	1	1
Confidence Level	Montauk NY	High	High	High	High	Medium	Medium	High	High	High	High
	Northern Lebanon Hanover NH	High	High	High	High	Medium	Medium	High	High	High	High
	Northwest Monroe Bath NH	High	High	High	High	Medium	Medium	High	High	High	High
	Southern Salem Derry NH	High	High	High	High	Medium	Medium	High	High	High	High
	Western Alstead Charlestown NH	High	High	High	High	Medium	Medium	High	High	High	High

**Energy Event Index Definition**

No Leaves (Nov 17 - Apr 1)

EEL	Wind Speed	Wind/Gust	Snow	Ice
1	< 40 mph	< 45 mph	< 6 in.	< 1/10 in.
2	>= 40 mph	>= 45 mph	>= 6 in.	>= 1/10 in.
3	>= 50 mph	>= 55 mph	>= 8 in.	>= 3/8 in.
4	>= 60 mph	>= 70 mph	>= 12 in.	>= 1/2 in.
5	>= 70 mph	>= 85 mph	>= 24 in.	>= 1 in.

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

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

Date: January 19, 2019  
Time: 1:00 PM EST  
Forecaster: Nick Lesser

Zones	SALEM	CHARLESTOWN	LEBANON
Event Starting in 30hrs	SNOW, ICE	SNOW	SNOW
Event Begin Time	8PM SAT	5PM SAT	5PM SAT
Event End Time	6PM SUN	5PM SUN	5PM SUN
Event Confidence	60%	80%	90%
TSTM Wind Gusts			
Ltng Intensity			
Storm Mvmt Dir			

Rain Amount			
Snow Accumulation	5-10"	8-16"	10-20"
Snow Character	NORMAL-WET	NORMAL-WET	NORMAL
Ice Amount	0.05-0.15"		
Sustained Wind			
Wind Gust			
Temp. Extremes	32/20	21/10	18/10

**LIBERTY UTILITIES SERVICE AREA 48 HOUR OUTLOOK:**

**SALEM:** Snow begins to work into the area after 8pm this evening, with winter storm impacts continuing through tomorrow. Heaviest snowfall: 11pm Sat-6am Sun. After 6am, expect the snow to stop, with sleet, freezing rain, then normal rain taking over, which will work to limit overall snow totals. Near hazard ice is possible as this system has now continued to track warmer, bringing ice chances more north. Timing of possible ice: 8am-4pm Sunday. See table above for additional details/timing. Winds could gust 25-35 mph late tonight/Sunday morning. Winds then die down slightly during the day on Sunday before picking up again Sunday night, gusting 25-35 mph through the day Monday, with peak gusts to 40 mph possible.

Confidence: Confidence is high in hazard snowfall occurring this evening-Sunday. EEI-2/3 chances: 80%/40%. Confidence is medium in hazard ice occurring Sunday morning/afternoon. EEI-2 chance: 60%.

**CHARLESTOWN:** Snow begins to work into the area after 5pm this evening, with winter storm impacts continuing through tomorrow. Heaviest snowfall: 9pm Sat-6am Sun. After 6am, expect the snow to begin mixing with sleet through 2pm, which will work to limit overall snow totals. No ice is expected at this time. See table above for snow details/timing. Winds could gust 25-35 mph late tonight/Sunday morning. Winds then die down slightly during the day on Sunday before picking up again Sunday night, gusting 25-35 mph with peak gusts to 40 mph possible through the day Monday.

Confidence: Confidence is high in hazard snowfall occurring this evening-Sunday. EEI-2/3/4 chances: 100%/80%/50%.

**LEBANON:** Snow begins to work into the area after 5pm this evening, with winter storm impacts continuing through tomorrow. Heaviest snowfall: 9pm Sat-8am Sun. After 8am, expect the snow to begin mixing with sleet through 2pm, which will work to limit overall snow totals. No ice is expected at this time. See table above for snow details/timing. Winds could gust 25-35 mph late tonight/Sunday morning. Winds then die down slightly during the day on Sunday before picking up again Sunday night, gusting 25-35 mph with peak gusts to 40 mph possible through the day Monday.

Confidence: Confidence is high in hazard snowfall occurring this evening-Sunday. EEI-2/3/4 chances: 100%/80%/60%.

**LIBERTY UTILITY SERVICE AREA 3-5 DAY OUTLOOK:** On Monday, mostly dry weather is expected, but a few flurries cannot be ruled out. Northwest winds will gust 30-40 mph through the daylight hours, decreasing to 25-35 mph overnight. On Tuesday, dry and hazard-free. Snow showers will continue into Wednesday morning and change to rain showers by Wednesday afternoon across Salem and possibly mix with or change to rain by Wednesday evening across Lebanon and Charlestown. Any snow amounts for Tuesday night into Wednesday will generally be tr-2", with the higher amounts across Lebanon and Charlestown.

Confidence: Confidence is high that no hazards will occur Monday through Wednesday. EEI-2 gust chance Monday: 10%.

Go to [WeatherSentry® Online](#) for a complete view of the forecast and other business critical weather information.

Please do not respond to this email.

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