

DPU Data Request 2.3

Please refer to adjustment 4.5 – Remove Non-Recurring Entries, please explain what was identified in the FERC audit and why it caused a prior period correction.

Response to DPU Data Request 2.3

In Finding No. 5, Allowance for Funds Used During Construction (AFUDC) of the Federal Energy Regulatory Commission (FERC) audit in Docket FA16-4-000, FERC identified that the AFUDC rate should have excluded the following items:

- Commitment fees (up-front and quarterly) as part of interest expense used to compute the short-term debt interest rate component of the AFUDC rate;
- FERC Account 216.1 (Unappropriated Undistributed Subsidiary Earnings), as part of the equity component for the purpose of computing the AFUDC rate;
- FERC Account 219 (Accumulated Other Comprehensive Income), as part of the equity component for purposes of computing the AFUDC rate in 2011, 2012 and 2013.

The table below reflects non-recurring entries recorded in December 2017 to FERC Account 403 (Depreciation expense), and FERC Account 419.1 (Allowance for other funds used during construction (AFUDC Equity)), in order to adjust for the cumulative impact of AFUDC over-accruals in calendar years 2011 through 2017.

Adjustment amount	Adjustment description
\$ 1,035,802	An adjustment to record FERC correction of CY 2011 through CY 2017 cumulative impact to depreciation for capitalized AFUDC over-accrual to production assets.
\$ 368,870	An adjustment to record FERC correction of CY 2011 through CY 2017 cumulative impact to depreciation for capitalized AFUDC over-accrual to transmission assets.
\$ (8,844,503)	An adjustment to record FERC correction of CY 2001 through CY 2017 cumulative impact to over-accrual of interest expense (AFUDC Equity) that impacted FERC Account 216 (Retained Earnings) used in the AFUDC rate calculation.