

NASUCA Accounting and Finance Committee Presentation

Account 930.2



Agenda

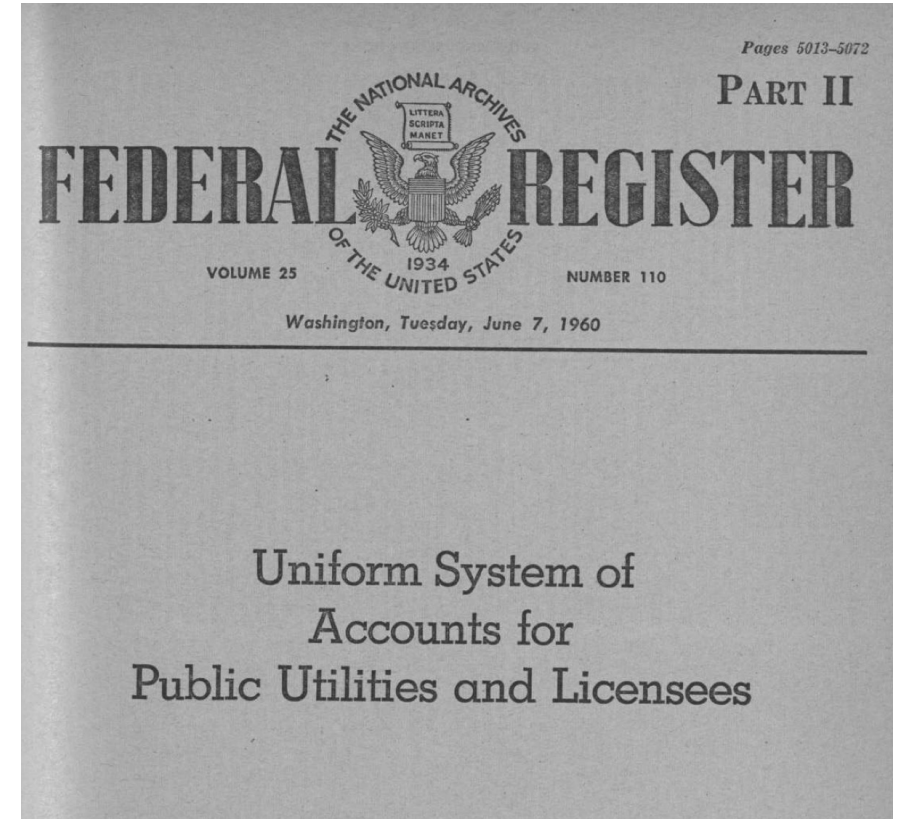
- About EPI
 - Research on 930.2 expenses
- Overview of the expense accounts
- Issues identified by FERC
 - The Division of Audits and Accounting (DAA)
- Issues identified in rate cases at the state level
 - Discovery
 - Testimony
- Developments at the state and federal level
 - Petition to FERC
 - Legislation

Energy and Policy Institute

- National utility watchdog and research nonprofit organization
- Publish reports and articles on variety of issues related to industry:
 - [Powerless in the U.S. – Utilities Shut Off Power 5.7 Million Times Since 2020](#), January 2023
 - [Utility front groups spending on disinformation advertising](#), September 2022
 - [Pollution Payday: Analysis of executive compensation and incentives of the largest U.S. investor-owned utilities](#), September 2020
 - [Strings Attached: How utilities use charitable giving to influence politics and increase investor profits](#), December 2019
- On the topic of 930.2:
 - [Paying for Utility Politics: How ratepayers are forced to fund the Edison Electric Institute and other political organizations](#), May 2017
 - [Getting Politics Out of Utility Bills](#), January 2023

930.2, Miscellaneous general expenses

- This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.
 - Labor:
 - Miscellaneous labor not elsewhere provided for.
 - Expenses:
 - Industry association dues for company memberships
 - Contributions for conventions and meetings of the industry
 - For Major utilities, research, development, and demonstration expenses not charged to other operation and maintenance expense accounts
 - Communication service not chargeable to other accounts
 - Trustee, registrar, and transfer agent fees and expenses
 - Stockholders meeting expenses
 - Dividend and other financial notices
 - Printing and mailing dividend checks
 - Directors' fees and expenses
 - Publishing and distributing annual reports to stockholders
 - Public notices of financial, operating and other data required by regulatory statutes ...



426.4, Expenditures for certain civic, political and related activities

- This account must include expenditures for the **purpose of influencing public opinion** with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises; **or for the purpose of influencing the decisions of public officials.**
- This account must not include expenditures that are directly related to appearances before regulatory or other governmental bodies in connection with an associate utility company's existing or proposed operations.

930.2 Examples in FERC Form 1

Description	Amount
Industry Association Dues	\$18,354,615
Service Co. Billings	\$4,893,494
...	\$22,904,799

Description	Amount
Amortize EEI Dues	\$607,343
Winner and Mandabach Campaigns	\$138,758
United Way	\$7,290
Director Fees	\$117,548
...	\$5,335,823

Description	Amount
Industry Association Dues	\$2,268,294
Director's Fees and Expenses	\$573,507
Environmental Health & Safety	\$239,057
Manatee Viewing Center	\$394,351
Fees – Report Filings	\$75,741
Intercompany Charges	\$12,675,729
...	\$18,436,026

Issues identified by FERC

- FY2023 Report on Enforcement: “DAA continues to observe certain areas in which compliance has been problematic for some entities ...
 - **“Administrative and General (A&G) Expenses – Most audits find that public utilities recorded non-operating expenses and functional operating expenses in A&G expense accounts, leading to inappropriate inclusion of such costs in revenue requirements produced by their formula rates.**
 - Examples of these costs include: employment discrimination settlement payments, lobbying expenses, charitable contributions, storm damage costs to distribution systems, distribution system maintenance expenses, generation function costs, costs of services provided to affiliates, and payments of penalties.”
 - “General Accounting – Other common accounting findings include ... donations, penalties/fines, and lobbying activities; and membership dues...”



Issues identified by FERC cont.

- Misclassification – utilities recording memberships in **Account 921**, Office Supplies and Expenses, and **Account 923**, Outside Services Employed
- Charitable contributions and Directors' charitable awards charged to 930.2; should be charged to **Account 426.1**, Donations
- Lobbying costs charged to 930.2; should be charged to **Account 426.4**, Expenditures for Certain Civic, Political and Related Activities
- Ratepayers successful challenge of PATH (No.ER09-1256; *Keryn Newman and Alison Haverty v. FERC* (No.20-1324) found Company charged over \$6 million in lobbying expenses to customer accounts
 - “Because indirect influence of state officials responsible for certification decisions was the undeniable purpose of the expenditures at issue here, they should have been assigned to Account 426.4.”
 - **“The Clause is not confined to expenditures for “directly” influencing the decisions of public officials.”**

- FERC has found millions of dollars in lobbying, charitable and political expenses that companies incorrectly recorded in accounts that led to the improper inclusion of those costs in wholesale power and transmission formula rates.
- This is in addition to other accounting errors found during the audit and investigation process.

Utility	Audit #	Amount	Type	Notes
Westar Energy, Inc. and Kansas Gas & Electric Company (KGE)	FA15-9-000; FA15-15-000	\$19,501	Charitable Donations	Westar and KGE improperly recorded nonoperating labor expenses associated w/nonoperating activities on behalf of the Westar Energy Foundation in operating expense accounts that are included in the wholesale transmission formula rate. As a result, Westar overstated various operating expense accounts and overbilled wholesale transmission customers. Amount was found in refund report link to on the right.
Duke Energy	PA14-2-000	\$2,400,000	Lobbying	Duke also had a 50/50 internal lobbyist allocation to above-the-line and below-the-line accounts. DAA could not determine why Duke had this procedure.
Duke Energy	PA14-2-000	\$39,000	Charitable Donations	
Entergy Corp.	FA-15-13-000	\$15,000	Legal	DAA sampled invoices and identified \$15,000 in merger-related legal costs were included in Account 923 for outside service expenses, and included in transmission formula rates, which resulted in their transmission revenue requirement being overstated. Should be in Account 426.5
Entergy Arkansas	FA-15-11-000	\$85,604	Lobbying	Reference that this included EEI dues
Entergy Gulf States Louisiana	FA-15-10-000	\$85,604	Lobbying	Staff confirmed that charges from 2013-2015 were in correct accounts
Enbridge (North Dakota Pipeline Company)	FA15-4-000	\$191,030	Charitable Donations	Enbridge/NDPL recorded the donations in Account 590. Overstated operating expenses. Such expenses should be recorded in a nonoperating account.
Dominion Energy Transmission	FA15-16-000	\$653,000	Lobbying	This FERC letter is notification that DAA completed the audit. It mentions that Dominion disagrees and intends to contest staff findings, including lobbying expenses. DAA found DETI included external entities lobbying portion of dues in operating accounts
Dominion Energy Transmission	FA15-16-000	\$2,200,000	Lobbying	This FERC letter is notification that DAA completed the audit. It mentions that Dominion disagrees and intends to contest staff findings, including lobbying expenses. DAA found DETI included internal lobbyists labor in operating accounts

Utility	Audit #	Amount	Type	Notes
National Fuel	FA19-6-000	none specified	Charitable Donations	Examples include Theatre of Youth and Big Brother Big Sister
National Fuel	FA19-6-000	none specified	Lobbying	Consumer Energy Alliance
San Diego Gas & Electric	FA19-3-000	\$742,000	Charitable Donations	Company did not establish effective controls after a 2014 audit. SDG&E made charitable donations and economic development grants - recorded in 930.2, but DAA discovered should be in 426.1
San Diego Gas & Electric	FA19-3-000	\$390,000	Lobbying	Company did not establish effective controls after a 2014 audit. DAA found \$114,000 paid to consultants hired to lobby and \$275,522 to industry groups paid to influence legislation. Must be in 426.4
Allete	FA20-2-000	\$26,000	Lobbying	
Maritimes & Northeast Pipeline	FA19-9-000	none specified	Lobbying	Enbridge and Commission-regulated subsidiaries allocated nonoperating expenses to Maritimes, which recorded them in Account 930.2. API's invoice noted 60% lobbying.
UGI	FA20-3-000	none specified	Charitable Donations	
UGI	FA20-3-000	none specified	Lobbying	PA Chamber of Business and Industry recorded in 930.2. Lobbying portion was NOT recorded in 426.4. Lobbying costs were improperly included in wholesale transmission rates.
Ameren	FA20-6-000	none specified	Political Donations	Ameren employees performed work on behalf of the Political Action Committees and allocated time to Accounts 920 and 566, which caused the salaries to be recovered from transmission customers. Work for the PACs should be charged to Account 426.4
Ameren	FA20-6-000	none specified	Lobbying	Ameren paid for membership dues and the lobbying portion for the dues and included all expenses in accounts associated with utility business expenses - not Account 426.4

Utility	Audit #	Amount	Type	Notes
NV Energy (Nevada Power and Sierra Pacific Power)	PA15-2-000	none specified	Lobbying	DAA audit result of requirements established in Commission order authorizing the merger. Lobbying expenses with nonoperating activities were in operating accounts - operating expenses reported in Form 1 were overstated. NV Power and Sierra Pacific did not identify and correctly account for the invoiced portion of dues and fees designated for lobbying.
American Transmission Company (ATC)	FA16-1-000	\$95,395	Lobbying	ATC recorded all labor costs of its internal lobbyist in Account 920. Should be charged to 426.4. ATC added interest to the refund calculation, which brought the total to \$111,835
Black Hills Power	FA16-3-000	none specified	Lobbying	Black Hills included lobbying portion of dues in Account 920.
Black Hills Power	FA16-3-000	none specified	Political Donations	Black Hills included political contributions as part of the transmission formula rate
National Grid	FA-16-2-000	none specified	Lobbying	Membership dues including lobbying-related portion included in Account 921
National Grid	FA-16-2-000	none specified	Improper allocation among affiliates	National Grid USA Service Company allocated a portion of its electric and gas subsidiaries association dues to the National Grid public utility subsidiaries. Various errors with allocating dues to the subsidiaries and not to other subsidiaries caused companies to subsidize costs of others' association dues
National Grid	FA-16-2-000	\$55,000	Charitable Donations	National Grid USA Service Company made a \$30,000 donation through an electric industry association and recorded the payment in 921 or 930.2. Utility also made a \$25,000 donation to a research institute aimed at high school electrical engineering careers. Commission has directed voluntary contributions to non-operating expenses and 426.1.
AEP	FA17-1-000	\$275,443	Charitable Donations	
Marathon	FA16-7-000	none specified	Charitable Donations	Marathon recorded donations in Account 320 (outside services). Should be recorded in Account 660 since they were nonoperating in nature

Issues identified in rate case applications at PUCs

- Costs in 930.2 such as trade associations, membership groups, chambers of commerce are not itemized or detailed in applications – **burden falls on intervenors**

SUPERIOR WATER, LIGHT and POWER COMPANY
Non-Labor Miscellaneous General Expense Break-down (acct 930.2)

Inflation Rate 4.10%

Description	WO	Location	Account	2021	2022	2023	2025 TY
SWLP- Electric Dues (Non-lobbying)	1670460	1600	930.22	\$27,121	\$27,964	\$30,796	\$32,059
SWLP- Community Outreach	2403358	1900	930.22	-	-	-	-
SWLP- Gas Dues (Non-lobbying)	1670464	1700	930.22	3,541	8,862	9,542	9,933
SWLP- Water Dues (Non- lobbying)	1670465	1800	930.22	3,096	2,868	2,647	2,756
SWLP Board of Directors' Fees and Expenses	1672221	1900	930.24	34	466	-	-
				\$33,792	\$40,159	\$42,985	\$44,747

Description	FERC Account No.	12 Months Ended December 2021	12 Months Ended December 2020	12 Months Ended December 2019
Outside Services Employed				
Electric	923	\$ 68,823,428	\$ 66,439,481	\$ 64,762,078
Gas	923	\$ 11,493,603	\$ 10,566,287	\$ 10,820,799
General Advertising Expenses				
Electric	930.1	\$ 708,019	\$ 478,062	\$ 731,040
Gas	930.1	\$ 93,640	\$ 60,324	\$ 114,171
Miscellaneous General Expenses				
Electric	930.2	\$ 7,163,038	\$ 7,056,229	\$ 7,554,140
Gas	930.2	\$ 95,189	\$ 100,747	\$ 82,644

Miscellaneous General Expense (FERC 930.2)						
		2018	2019	2020	2022	2023
		Actuals	Actuals	Actuals	Test Year	Test Year
Industry Association Dues	Electric	315,860	331,956	322,117	339,594	339,594
	Gas	64,029	70,581	60,782	66,212	66,212
Director Fees and Expenses	Electric	185,384	199,936	238,002	249,809	250,064
	Gas	23,748	24,216	26,143	27,059	27,087
Stockholder Information Expense	Electric	63,351	40,542	17,198	48,274	48,756
	Gas	8,160	4,932	1,863	5,229	5,281
SEC Filing Expense	Electric	6,221	26,244	7,354	10,254	10,254
	Gas	794	3,171	796	1,111	1,111
Total		667,547	701,578	674,255	747,542	748,359
	Electric	570,816	598,678	584,671	647,931	648,668
	Gas	96,731	102,900	89,584	99,611	99,691

Note: the above data represents total Company balances

Issues identified in rate case applications at PUCs cont.

- What happens when we see the breakdown of 930.2?

ORGANIZATION	AMOUNT			
INDUSTRY ASSOCIATION DUES FOR THE 12 MONTHS ENDED 12/31/22				
		930.2	EL PASO CENTRAL BUSINESS ASSOCIATION	200
		930.2	EL PASO CENTRAL BUSINESS ASSOCIATION	25
		930.2	EL PASO CENTRAL BUSINESS ASSOCIATION	500
			EL PASO CENTRAL BUSINESS ASSOCIATION Subtotal	<u>725</u>
		921	EL PASO CLUB	271
		921	EL PASO CLUB	271
AMERICAN GAS ASSOCIATION	217,207	921	EL PASO CLUB	271
		921	EL PASO CLUB	271
THE ASSOCIATED GAS DISTRIBUTORS OF FLORIDA	12,500	921	EL PASO CLUB	314
		921	EL PASO CLUB	271
			EL PASO CLUB Subtotal	<u>1,669</u> **
FLORIDA NATURAL GAS ASSOCIATION	82,419	930.2	EL PASO HISPANIC CHAMBER OF COMMERCE	35,000
			EL PASO HISPANIC CHAMBER OF COMMERCE Subtotal	<u>35,000</u>
GTI - OPERATIONS TECHNOLOGY DEVELOPMENT (OTD)	165,000	921	EL PASO HOTEL & MOTEL ASSOCIATION	150
		921	EL PASO HOTEL & MOTEL ASSOCIATION	150
			EL PASO HOTEL & MOTEL ASSOCIATION Subtotal	<u>300</u>
COALITION FOR RENEWABLE NATURAL GAS	18,000	921	GREATER EL PASO CHAMBER OF COMMERCE	1,650
			GREATER EL PASO CHAMBER OF COMMERCE Subtotal	<u>1,650</u>
SOUTHERN GAS ASSOCIATION	40,350	930.2	GREATER EL PASO CHAMBER OF COMMERCE	60,000
			GREATER EL PASO CHAMBER OF COMMERCE Subtotal	<u>60,000</u>
GTI - UTILIZATION TECHNOLOGY DEVELOPMENT (UTD)	200,000	930.2	GREATER LAS CRUCES CHAMBER OF COMMERCE	10,000
		930.2	GREATER LAS CRUCES CHAMBER OF COMMERCE	10,100
NATURAL GAS VEHICLE COALITION	22,869		GREATER LAS CRUCES CHAMBER OF COMMERCE Subtotal	<u>20,100</u>
ENERGY SOLUTIONS CENTER	19,530	930.2	HATCH VALLEY CHAMBER OF COMMERCE	250
			HATCH VALLEY CHAMBER OF COMMERCE Subtotal	<u>250</u>
GTI	25,000	921	JUNIOR ACHIEVEMENT OF DESERT SOUTHWEST INC	100
			JUNIOR ACHIEVEMENT OF DESERT SOUTHWEST INC Subtotal	<u>100</u>
TAMPA BAY CLEAN CITIES COALITION	2,500	921	LAS CRUCES FORUM	100
		921	LAS CRUCES FORUM	100
		921	LAS CRUCES FORUM	100
		921	LAS CRUCES FORUM	100
		921	LAS CRUCES FORUM	100
			LAS CRUCES FORUM Subtotal	<u>500</u>
NATIONAL DIVERSITY COUNCIL	16,500	930.2	LAS CRUCES HISPANIC CHAMBER OF COMMERCE	5,000
			LAS CRUCES HISPANIC CHAMBER OF COMMERCE Subtotal	<u>5,000</u>
TOTAL	<u>821,875</u>			

Line No.	Year	FERC ACCT	Description	Total Amount	Allocation to SPS	Test Year Amount to SPS
1	2012	930.2	Electric Power Research Institute (EPRI)	\$ 62,909.00	10.68%	\$ 6,719.12
2	2012	930.2	Electric Power Research Institute (EPRI)	270,836.53	12.77%	34,586.64
3	2012	930.2	Electric Power Research Institute (EPRI)	77,112.00	13.23%	10,198.06
4	2012	930.2	Electric Power Research Institute (EPRI)	158,848.06	21.81%	34,650.00
5	2012	930.2	Electric Power Research Institute (EPRI)	89,385.00	24.49%	21,887.17
6	2012	930.2	Electric Power Research Institute (EPRI)	103,996.17	26.43%	27,487.12
7	2012	930.2	Electric Power Research Institute (EPRI)	311,988.51	30.64%	95,604.82
				\$ 1,075,075.27		\$ 231,132.94
8	2013	930.2	Electric Power Research Institute (EPRI)	3,951.00	10.74%	424.31
9	2013	930.2	Electric Power Research Institute (EPRI)	304,992.48	13.09%	39,909.18
10	2013	930.2	Electric Power Research Institute (EPRI)	78,465.32	13.23%	10,378.37
11	2013	930.2	Electric Power Research Institute (EPRI)	185,949.16	22.67%	42,155.60
12	2013	930.2	Electric Power Research Institute (EPRI)	73,354.75	30.64%	22,478.54
13	2013	930.2	Electric Power Research Institute (EPRI)	234,177.03	31.70%	74,244.42
14	2013	930.2	Electric Power Research Institute (EPRI)	7,244.07	100.00%	7,244.07
				\$ 888,133.81		\$ 196,834.50
15	2014	930.2	Electric Power Research Institute (EPRI)	73,943.59	0.23%	171.03
16	2014	930.2	Electric Power Research Institute (EPRI)	64,231.45	0.46%	297.58
17	2014	930.2	Electric Power Research Institute (EPRI)	77,328.38	13.09%	10,118.65
18	2014	930.2	Electric Power Research Institute (EPRI)	19,947.36	13.23%	2,638.38
19	2014	930.2	Electric Power Research Institute (EPRI)	272,385.14	13.24%	36,074.42
20	2014	930.2	Electric Power Research Institute (EPRI)	59,842.08	13.44%	8,043.07
21	2014	930.2	Electric Power Research Institute (EPRI)	62,628.38	22.67%	14,198.17
22	2014	930.2	Electric Power Research Institute (EPRI)	153,871.14	23.30%	35,856.90
23	2014	930.2	Electric Power Research Institute (EPRI)	73,943.59	31.11%	23,007.18
24	2014	930.2	Electric Power Research Institute (EPRI)	64,231.45	31.24%	20,066.61
25	2014	930.2	Electric Power Research Institute (EPRI)	147,887.18	31.35%	46,356.40
26	2014	930.2	Electric Power Research Institute (EPRI)	45,045.28	100.00%	45,045.28
27				\$ 1,115,285.02		\$ 241,873.68

Albany Area Chamber of Commerce
Albany-Millersburg Economic Development Corporation
Association of Washington Cities
Bay Area Chamber of Commerce
Butte Valley Chamber of Commerce
Carbon County Chamber of Commerce
Central Point Chamber of Commerce
Cheyenne Sunrise Rotary Club
Clatsop Economic Development Resources
Clatsop Economic Development Resources
Cody Country Chamber of Commerce
Cottage Grove Chamber of Commerce
Creswell Chamber of Commerce
Dayton Chamber of Commerce
Grants Pass Josephine County Chamber of Commerce
Greater Yakima Chamber of Commerce
Green River Chamber of Commerce
Idaho Economic Development Association
Idaho Economic Development Association
Klamath County Economic Development Association
Klamath County Economic Development Association
Klamath Falls Downtown Association
League of Oregon Cities
Lebanon Area Chamber of Commerce
Linn-Benton Utilities Coordinating Council
Madras-Jefferson County Chamber of Commerce
Mount Shasta Chamber of Commerce
Oregon Business Council
Oregon Economic Development Association
Oregon Economic Development Association
Pendleton Chamber of Commerce

Pendleton Chamber of Commerce
Pomeroy Chamber of Commerce
Powell Valley Chamber of Commerce
Redmond Chamber of Commerce
Redmond Executive Association
Riverton Chamber of Commerce
Rock Springs Chamber of Commerce
Roseburg Area Chamber of Commerce
Rotary Club of Roseburg
Rotary Club of Salt Lake City
Southern Oregon Regional Economic Development
Southern Oregon Regional Economic Development
Stayton-Sublimity Chamber of Commerce
Sublette County Chamber of Commerce
Sweet Home Chamber of Commerce
Tooele County Chamber of Commerce
Toppenish Chamber of Commerce
Tri-County Chamber of Commerce
Umatilla Chamber of Commerce
Utah Manufacturers Association
Vernal Area Chamber of Commerce
Wallowa County Chamber of Commerce
Washakie Development Association
Wyoming Business Alliance
Yakima Sunrise Rotary Club
Yakima Valley Tourism
Zillah Chamber of Commerce
Casper Area Economic Development Alliance
Casper Area Economic Development Alliance
Laramie Chamber of Business Alliance

Utah Manufacturers Association
Vernal Area Chamber of Commerce
Wallowa County Chamber of Commerce
Washakie Development Association
Wyoming Business Alliance
Yakima Sunrise Rotary Club
Yakima Valley Tourism
Zillah Chamber of Commerce
Casper Area Economic Development Alliance
Casper Area Economic Development Alliance
Laramie Chamber of Business Alliance
Laramie Chamber of Business Alliance
Ogden-Weber Chamber of Commerce
Oregonians for Food & Shelter, Inc.
Portland DAMA International Chapter
Rexburg Rotary Club
Utah Alliance for Economic Development
Utah Taxpayers Association
Utah Technology Council
Utility Economic Development Association, Inc.
Yreka Chamber of Commerce
Friends of Old Town Stayton
Grandview Chamber of Commerce
Heber Valley Tourism/Economic Development, Chamber
Park City Chamber Bureau
Richfield Area Chamber of Commerce
Rotary Club of Pendleton
St. George Area Economic Development
St. George Area Economic Development
Albany Downtown Association

Issues identified in rate case applications at PUCs cont.

- Board of Director expenses, investor relation fees, aircraft, clubs, gifts

Operations Expense Adjustments:		
Advertising Expense	\$	(10,757)
Acct 909	\$	(34.74)
Acct 913	\$	(700.00)
Acct 930.1	\$	(10,022.13)
Industry Dues	\$	(15,991)
Acct 930.2	\$	(15,990.51)
Food or Meals	\$	(5,930)
Acct 930.2	\$	(5,929.67)
General Disallowances	\$	(102,342)
Acct 930.2	\$	(102,341.72)
Medical Expenses	\$	(129)
Acct 930.2	\$	(129.42)
Business Gifts and Entertainment Expenses	\$	(27,901)
Acct 930.2	\$	(27,900.84)
Marketing Expenses	\$	(3,966)
Acct 930.2	\$	(3,965.55)
Aircraft Expenses	\$	(3,200)
Acct 930.2	\$	(3,200.00)
Club Memberships and Spousal Travel	\$	(2,025)
Acct 930.2	\$	(2,025.40)
Board Member Retreat	\$	(275)
Acct 930.2	\$	(275.00)
Non-Employee Director Compensation	\$	(24,569)
Acct 930.2	\$	(24,569.00)
O&M Portion of Incentive Compensation	\$	(226,667)
Acct 930.2	\$	(226,666.96)
Executive Compensation	\$	(28,176)
Acct 930.2	\$	(28,176.00)
	\$	<u>(451,927)</u>

Other Miscellaneous Costs	
Description	Amount
CORSERVA INC - WFH (Investor Relations)	\$ 41
WB MASON CO INC (Investor Relations)	\$ 102
Wequassett Resort (Board of Trustees Conference Location)	\$ 19,340
Palm Beach Resort (Board of Trustees Conference Location)	\$ 3,006
Premier Elite Transportation (Board of Trustees - Travel/Transportation)	\$ 2,382
Chatham Inn (Board of Trustees - Lodging)	\$ 594
Mandarin Boston Hotel (Board of Trustees - Lodging)	\$ 172
Boston Catering & Events (Board of Trustees - Food/Beverage)	\$ 2,311
Misc. Board of Trustees Expenses	\$ 595
Employee Benefit Overheads (Investor Relations)	\$ 18,255
Misc. Employee Expenses (Investor Relations)	\$ 266
Picnic Basket Catering (CL&P Board of Directors - Food/Beverage)	\$ 489
Sebastian's Catering (CL&P Board of Directors - Food/Beverage)	\$ 129
Registrations and Conference Expense (Investor Relations)	\$ 263
Travel (Investor Relations)	\$ 1,733
Total:	\$ 49,678
Total BOT, Board of Directors, and Investor Relations Expenses:	\$ 57,256

CT Public Act 23-102 ratepayer accountability compliance filings provide specifics on what comprises these expenses

Issues identified in rate case applications at PUCs cont.

- Service company / affiliate charges to the Company
 - Is there a cost allocation methodology?
 - How is the Company determining what gets charged to the utility subsidiaries?
 - Is the Company charged at an unfair rate compared to regulated and non-regulated subsidiaries?
 - Reasonable and necessary?

2	930.2	Industry Association Dues	821,875
3	930.2	Emera Intercompany Charges	697,145
4	930.2	Direct Software/Hardware Maintenance/Support	606,846
5	930.2	Registration/Report Filing Fees/Bank and Letter of Credit Fees	452,589
6	930.2	Facility Costs	424,152
7	930.2	Director Fees and Expenses	129,850
8	930.2	New Mexico Gas Company (NMGC) - I.T. charges	64,032
9	930.2	Tampa Electric (TEC) - Telecom	743,505
10	930.2	Tampa Electric (TEC) - Facilities Charge	258,504
11	930.2	Tampa Electric Other Direct Intercompany Charges	4,618,712
12	930.2	Tampa Electric Shared Services (TEC) Corporate OH Allocation	4,059,400
13	930.2	Tampa Electric Shared Services (TEC) - HR and Employee Relations	446,242
14	930.2	Tampa Electric Shared Services (TEC) - Procurement	839,071
15	930.2	Tampa Electric Shared Services (TEC) - I.T.	6,444,709
16	930.2	Tampa Electric Shared Services (TEC) - Admin, Emergency Mgmt, AP, Claims	1,590,799
17	930.2	Tampa Electric (TEC) - IT and Telecom Asset Usage	890,734
18	930.2	Peoples Gas System Miscellaneous Internal Costs	523,214
19	930.2	COVID Related Costs (PPE and other)	92,872

Holding company / affiliate charges to the Company – Examining FirstEnergy

- “The Maryland investigation has revealed millions of dollars in charges from FESC to Potomac Edison that Potomac Edison has been unable to explain.
- In one example, Potomac Edison refused (or is unable) to say what it got for the \$6.83 million it paid FirstEnergy and accounted for as ‘Non-Third Party Vendors.’”

Potomac Edison Other	930.20	MiscGeneralExp	210037111	CUMBERLAND-ALLEGANY COUNTY	\$ 275.00
Potomac Edison Other	930.20	MiscGeneralExp	210037186	GRANT COUNTY CHAMBER OF COMMERCE	\$ 300.00
Potomac Edison Other	930.20	MiscGeneralExp	210037205	PENDLETON COUNTY CHAMBER OF	\$ 300.00
Potomac Edison Other	930.20	MiscGeneralExp	210037265	BERKELEY SPRINGS-MORGAN COUNTY	\$ 250.00
Potomac Edison Other	930.20	MiscGeneralExp	210037608	MARYLAND CHAMBER OF COMMERCE	\$ 2,091.00
Potomac Edison Other	930.20	MiscGeneralExp	210038733	CLEAN FUELS OHIO	\$ 36.20
Potomac Edison Other	930.20	MiscGeneralExp	210038845	ALLEGANY COUNTY CHAMBER OF COMMERCE	\$ 454.50
Potomac Edison Other	930.20	MiscGeneralExp	210038846	MARTINSBURG BERKELEY COUNTY	\$ 1,054.35
Potomac Edison Other	930.20	MiscGeneralExp	210038878	CASE WESTERN RESERVE UNIVERSITY	\$ 2,172.00
Potomac Edison Other	930.20	MiscGeneralExp	210038946	THE CADMUS GROUP INCORPORATED	\$ 3,221.09
Potomac Edison Other	930.20	MiscGeneralExp	210039744	CHAMBER OF COMMERCE OF FREDERICK CO	\$ 2,746.80
Potomac Edison Other	930.20	MiscGeneralExp	210040132	ASSOCIATION OF ENERGY SERVICES	\$ 1,573.76

Potomac Edison Other	923.00	OutsideSvcxEmployed	210063220	PGA TOUR INC	\$ 8,193.97
Potomac Edison Other	923.00	OutsideSvcxEmployed	140016239	CLEVELAND INDIANS BASEBALL	\$ 32,637.74
Potomac Edison Other	923.00	OutsideSvcxEmployed	210017920	DEMOCRATIC GOVERNORS ASSOCIATION	\$ 3,065.00
Potomac Edison Other	923.00	OutsideSvcxEmployed	140027389	CLEVELAND BROWNS FOOTBALL CO LLC	\$ 1,211.44
Potomac Edison Other	923.00	OutsideSvcxEmployed	210056935	REPUBLICAN ATTORNEYS GENERAL ASSOC	\$ 1,226.00

Discovery

- Please provide breakdown of items ...
- Please provide invoices for the industry and membership organizations and how the Company determined if any amount of money paid is excluded from rates ...
- Please provide industry/membership org. board materials, finance committee materials, presentations, meeting minutes ...
- Please provide a complete copy of Company Board of Director meeting minutes, reports, documents ...
- Please provide aircraft travel logs (first-class or business class costs), detailed explanation what the corporate aircraft is used for, how the Company determines use of the aircraft versus commercial air travel ...
- Please provide an explanation of the Company's policy regarding spousal and guest travel on the corporate aircraft ...

CLIMATE CHANGE COMMITTEE		
THIRD FUNDING REQUEST - 2017		
1. TECHNICAL		
None requested		
2. LEGAL	H&W	\$400,000
<ul style="list-style-type: none"> - Participation in proceedings and litigation involving the establishment of GHG performance standards for new, modified, and reconstructed EGUs under § 111(b). This activity involves possible participation in litigation in the D.C. Circuit over the rule should the court deny the pending motion to hold the case in abeyance, including possible preparation for and participation in oral argument; preparation of a possible replacement for the current section 111(b) rule; possible rulemaking activity on a repeal of the current section 111(b) rule; communications with UARG members; and coordination with states and other stakeholder groups. - Participation in proceedings and litigation involving the establishment of guidelines for GHG performance standards for existing EGUs under § 111(d) (the Clean Power Plan). This activity involves possible participation in litigation in the D.C. Circuit over the rule should the court deny the pending motion to hold the case in abeyance; review of any opinion that could be issued by the D.C. Circuit; preparation of a possible replacement for the Clean Power Plan; possible rulemaking activity on the repeal of the Clean Power Plan; communications with UARG members; and coordination with states and other stakeholder groups. - Participation in proceedings and litigation involving the denial of petitions for reconsideration of the Clean Power Plan. This activity involves possible participation in litigation in the D.C. Circuit should the court deny the pending motion to hold the case in abeyance; communications with UARG members regarding the litigation; and continued coordination with states and other stakeholder groups. - Participation in proceedings and litigation involving the authority of EPA to revise emission guidelines under § 111(d). This activity involves possible participation in rulemaking activity on EPA's reconsideration of the revised guidelines under § 111(d) for emissions of landfill gas from municipal solid waste landfills and possible participation in litigation depending on whether the issue on which UARG is interested (whether § 111(d) guidelines can be revised) is addressed on reconsideration; possible preparation of a briefing proposal; communications with UARG members; and continued coordination with landfill groups that are also petitioners in the litigation. - Tracking and reporting on other EPA activities related to potential regulation of carbon dioxide and other GHG emissions under the CAA and petitions to EPA or citizen suits seeking such regulation; monitoring litigation and other proceedings on such matters; responding to members' questions; coordinating with the Committee co-chairs; and preparing for and participating in the September Policy Committee meeting. 		
COMMITTEE TOTAL		\$400,000

Testimony

- Company's board helps to allow the utility to maintain financial integrity, high quality, reliable service. Parent company's board oversees investments in various companies ... does not provide any added management or value ... chief objective is to protect shareholder interests.
- Staff found numerous expenses for meals and entertainment that included liquor, lack of documentation ... due to an excessive number of these instances, removed 100 percent of costs.
- Staff has determined that the Company's current allocation methodology creates subsidization, including inappropriate mark-ups.
- Company has the affirmative burden of proof to demonstrate that its proposed rates are just and reasonable ... failed to show these dues do not include impermissible costs ...

Discovery and testimony cont.

- NARUC audits showed breakdown of operating expenses
- “Hopefully you will find the information contained herein to be useful in helping you decide which, if any, of the costs of the association you should approve for inclusion in utility rates...”
- We don’t see this breakdown anymore

IMPORTANT IRS REQUIRED NOTICE

Dues payments, contributions or gifts to the American Gas Association are not tax deductible as charitable contributions for federal income tax purposes. However, they may be deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of AGA’s lobbying activities as defined by the Budget Reconciliation Act of 1993. AGA estimates that the nondeductible portion of your 2021 dues -- **the portion that is allocable to lobbying is 3.8%.**

- 1 The portion of 2018 membership dues relating to influencing legislation, which is not deductible for federal income tax purposes, is estimated to be 13%.
- 2 The portion of the 2018 industry issues support relating to influencing legislation is estimated to be 24%.
- 3 The Restoration, Operations, and Crisis Management Program is related to improvements to industry-wide responses to major outages (e.g. National Response Event); continuity of industry and business operations; and EEI’s all hazards (storms, cyber, etc.) support and coordination of the industry during times of crises. No portion of this assessment is allocable to influencing legislation.
- 4 The Edison Foundation is an IRC 501(c)(3) educational and charitable organization. Contributions are deductible for federal income tax purposes to the extent provided by law. Please consult your tax advisor with respect to your specific situation.

AMERICAN GAS ASSOCIATION
SUMMARY OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1990

EXPENSE CATEGORY	PERCENTAGE
Communications	9.65%
MEDIA COMMUNICATIONS:	
Commercial Equipment	8.13%
Environmental	8.36%
Industrial Equipment	3.02%
Institutional	.84%
Power Generating Equipment	.70%
Promotional	8.23%
Residential Equipment	13.69%
Consumer & Community Affairs	2.54%
Finance & Administration Services	5.61%
General Counsel & Corporate Secretary	4.72%
Government Relations	10.24%
Marketing Services	9.39%
Membership & Meeting Services	2.77%
Operating & Engineering Services	5.01%
Planning & Analysis	10.64%
TOTAL	103.54%*

* Total exceeds 100% because a portion of AGA’s activities are funded by interest i

Table 11: EEI Spending
Edison Electric Institute
Schedule of Expenses by NARUC Category
For Core Dues Activities
For the Year Ended December 31, 2005

NARUC Operating Expense Category	% of Dues
Legislative Advocacy	20.38%
Legislative Policy Research	6.02%
Regulatory Advocacy	16.49%
Regulatory Policy Research	13.99%
Advertising	1.67%
Marketing	3.68%
Utility Operations and Engineering	11.31%
Finance, Legal, Planning and Customer Service	18.75%
Public Relations	7.71%
Total Expenses	100.00%

State level developments

- **CA PUC PFD/Order (No.16-09-001)**
 - “SCE provides a description of EEI activities and relies on the EEI invoice to support its contention that SCE is properly seeking recovery of \$1,552,609 from ratepayers ... The EEI invoice however, is insufficient evidence to establish the portion which should be recovered from ratepayers.”
- **KY PSC Order (No.2020-00349)**
 - “KU should know, it has the affirmative burden of proof in this matter as to whether its proposed rates are fair, just and reasonable ... The second and third reasons for the denial ... are both reasons are the result of intervening activities ... EEI is engaging in activity the Commission has previously denied recovery of expenses for ...”
- **OR PUC Order (No.UG 461)**
 - Parties agreed to remove expenses associated with the American Gas Association and Northwest Gas Association
- **ACC Chairman O'Connor Proposed Amendment No.2 (No.E-0135A022-0144)**
 - “However, the Commission does not support paying for APS’s membership in advocacy organizations such as EEI with ratepayer-derived funds, and thus is not including APS’s operating expenses the TY dues paid for APS’s EEI membership.”
- 14 states have filed legislative proposals in the ‘23-’24 session to prohibit utilities from using customer funds to support political activities – bills in CT, CO, ME became law (NY passed SB1556 that prohibited cost recovery of trade association dues in ‘21)

State level developments cont.

Section 3 prohibits an investor-owned electric or gas utility from recovering various costs from its customers, including:

- More than 50% of annual total compensation or of expense reimbursement for a utility's board of directors;
- Tax penalties or fines issued against the utility;
- Investor-relation expenses;
- Certain advertising and public relations expenses;
- Lobbying and other expenses intended to influence the outcome of local, state, or federal legislation or ballot measures;
- Charitable giving expenses;
- Certain organizational and membership dues;
- Certain political contributions or expenses;
- Travel, lodging, food, or beverage expenses for the utility's board of directors and officers;
- Gift or entertainment expenses;
- Expenses related to aircraft for a utility's board of directors and officers; and
- Expenses related to unregulated products or services sold or provided by a utility.

Sec. 3. (NEW) (*Effective from passage*) (a) No public service company shall recover through rates any direct or indirect cost associated with membership, dues, sponsorships or contributions to a business or industry trade association, group or related entity incorporated under Section 501 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time.

(b) No public service company shall recover through rates any direct or indirect cost associated with lobbying or legislative action, as such terms are defined in section 1-91 of the general statutes.

(c) No public service company shall recover through rates any direct or indirect cost associated with advertising, marketing, communications that seek to influence public opinion or any other related costs identified by the authority, unless such marketing, advertising, communications or related costs are specifically approved or ordered by the authority or the Department of Energy and Environmental Protection.

(d) No public service company shall recover through rates any direct or indirect cost associated with (1) travel, lodging or food and beverage expenses for such company's board of directors and officers or the board of directors and officers of such company's parent company; (2) entertainment or gifts; (3) any owned, leased or chartered aircraft for such company's board of directors and officers or the board of directors and officers of such company's parent company; or (4) investor

Federal level developments

- **March 2021 Center for Biological Diversity petition to FERC (Docket RM21-15-000)**
 - *“Petition does not seek to change the [IRC] definition of “lobbying” ... the Petition merely seeks to ensure that utility regulators have sufficient information to determine whether industry association activities that do not fit this narrow legal definition should be funded by ratepayers.” - CBD*
 - *“AGA does conduct advocacy to advance its members’ interests ... but many of AGA’s activities, advocacy or otherwise, does not involve lobbying. While lobbying is a form of advocacy, not all advocacy is lobbying...” - AGA*
- **December 2021 Notice of Inquiry issued by FERC (Docket RM22-5-000)**
 - *“Nothing keeps the monopoly from spending money on First Amendment protected speech, including lobbying legislators and related public-relations activities, but its investors should pay those costs, not captive customers.” - Commissioner Christie*
 - *“Regulated utilities have every right to engage in outreach to influence public opinion on political issues. Presumptively, however, they do not have the right to pass through the costs of this outreach to their customers’ bills.” Commissioner Clements*
 - Comments filed by consumer advocates, AG offices, environmental and public interest organizations, large energy users, HEPG
- **H.R. 5075 – Ethics in Energy Act of 2023**
 - To direct FERC and amend Uniform System of Accounts to place expenses in accounts that are presumptively not recoverable from ratepayers
 - Itemized list of expenses filed with the Commission

Questions?

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