

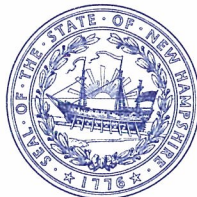
DE 10-188

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THE STATE OF NEW HAMPSHIRE



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July 16, 2013

NHPUC JUL16'13 AM 8:59

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

**Re: DE10-188 Final Audit Reports of the 2011 CORE Electric and Gas Efficiency Programs**

Dear Ms Howland:

In compliance with the Settlement Agreement dated 12/15/2010 and approved by Commission Order No. 25,189, enclosed is an original Final Audit Report of the 2011 CORE Electric and Gas Efficiency programs for EnergyNorth Natural Gas, Inc. d/b/a National Grid NH.

PUC Audit has verified with each of the Utilities that nothing within the Final Audit Reports is considered confidential. If you have any questions, please do not hesitate to contact me.

Sincerely

A handwritten signature in blue ink that reads "Karen J. Moran".

Karen J. Moran  
Chief Auditor  
New Hampshire Public Utilities Commission

Enclosures

Cc: Susan Chamberlin, Esq.

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** July 16, 2013

**AT (OFFICE):** NHPUC

**FROM:** Karen Moran, Chief Auditor  
Robyn Descoteau, Examiner

**SUBJECT:** EnergyNorth Natural Gas, Inc., d/b/a National Grid NH  
DE 10-188 - 2011 CORE  
FINAL Audit Report

**TO:** James Cunningham, Analyst III

### **Introduction**

The NHPUC Audit Staff (Audit) has reviewed the annual costs for EnergyNorth Natural Gas, Inc., d/b/a National Grid NH for the program year ended December 31, 2011, as filed with the Commission on June 21, 2012 in docket DE 10-188.

During this filing period, National Grid was in the process of selling its NH division to Liberty Utilities. The sale was announced in December 2010. The final state and federal regulatory approvals needed to complete the transaction were granted on May 30, 2012. The 2011 SHI filing was completed by National Grid NH.

National Grid NH reported that since the merger between National Grid and KeySpan (refer to docket DG 06-107), general ledger information comes from two systems and is consolidated into one file at which time monthly adjustments are made.

In accordance with Commission Order #24,630 in Docket DG 06-036, National Grid NH provided the Commission with monthly summaries of expenses and recoveries related to the energy efficiency programs in effect.

Audit worked with Angela Li, Kenneth Chan and Karen McColgan of National Grid NH and Eric Stanley of Liberty Utilities during this review.

### **Filing Summary**

Demand Side Management (DSM) expenses for the year ending December 31, 2011 as reported on June 21, 2012 were \$3,528,566. The Company filed the calculations on 6/21/2012, as approved by Secretarial letter dated 6/13/2012.

The 6/2012 filing amounts did not agree with the monthly summary amounts nor the general ledger amounts, though several versions have been supplied by National Grid NH.

In March 2013 and July 2013, revised general ledger pivot tables and a reformatted submission of the 2011 program expenses and fund balance were provided to Audit. The revised expenses reflect \$3,337,861, a reduction from the June 2012 shareholder incentive filing of \$190,705. Liberty Utilities has committed to submitting a revised 2011 shareholder incentive not later than July 29, 2013.

The revised fund balance details that the rolling over-collection of ratepayer funds at 12/2011 is \$4,006,393.

### **DSM Collections**

DSM Collections for the year totaled \$5,887,029. The Energy Efficiency Program Monthly Reports filed with the NHPUC detailed the DSM Collections breakdown as follows:

<u>Month</u>	<u>Collections</u>
January 2011	\$956,585
February 2011	1,032,649
March 2011	909,782
April 2011	707,528
May 2011	388,593
June 2011	243,273
July 2011	190,248
August 2011	161,144
September 2011	175,757
October 2011	200,771
November 2011	377,493
December 2011	<u>543,206</u>
TOTAL	\$5,887,029

Commission Orders: In DG 10-230, Order 25,161, the Residential DSM rate was \$0.0525 and the C&I DSM rate was \$0.0306 for the period of November 1, 2010 through October 31, 2011. In DG 11-192, Order 25,286, the Residential DSM rate was \$0.0498 and the C&I DSM rate was \$0.0298 for the period of November 1, 2011 through October 31, 2012.

## **Interest**

The Energy Efficiency Program Monthly Reports show that interest is calculated based on the average (over)/under recovery balance multiplied by the prime rate, divided by 365, then multiplied by the number of days in the month. The month-end over/under recovery balance, including interest, is used as the beginning balance for the following month. Total interest for 2011 was \$125,312.

Audit tied the interest rates reported to the prime rates of the Federal Reserve that were in effect on the first day of the month prior to the quarter start; all of which were 3.25%. Audit also verified the rates to the quarterly interest rate letters sent to all utilities by the Director of the Gas/Water Division of the NHPUC

## **Senate Bill 323 – Vermont Energy Investment Corporation (VEIC)**

Senate Bill 323 required the PUC, in conjunction with the Energy Efficiency and Sustainable Energy (EESSE) Board, to choose an independent consultant to conduct a comprehensive review and analysis of energy efficiency, conservation, demand response, and sustainable energy programs and incentives in the state, and provide recommendations for possible improvements, among other things. Vermont Energy Investment Corporation (VEIC) was chosen in December 2010. The final report was provided to the legislature on September 30, 2011. Per legislation, the total cost of the review was not to exceed \$300,000 (statewide). Audit reviewed the VEIC records on file in the PUC Business Office and noted the total contract amount was \$282,965. Two gas utilities and four electric utilities were assessed the invoiced costs as incurred. The utilities were assessed by the PUC Business Office through February 2012:

<u>Company</u>	<u>Amount</u>
Northern Utilities (gas)	\$ 12,623
National Grid NH (gas)	63,373
NHEC (electric)	12,428
UES (electric)	26,477
GSEC (electric)	15,852
PSNH (electric)	<u>152,213</u>
Total	\$282,965

## **DSM Expenditures**

Expenses and Shareholder Incentive activity amounts are recorded to account #17522 – DEF PEAK RES DSM for Residential and account #17526 – DEF PEAK CI DSM for Commercial.

Audit received several versions of DSM Expenditure amounts. Audit contacted National Grid NH several times in an attempt to reconcile the Filing to the Energy



Efficiency Program Monthly Filings. Each attempt resulted in another version of reports that did not match the filing nor the monthly reports.

Expenses per original 6/2012 filing	\$3,528,566
Expenses per Energy Efficiency Program Monthly Filings	\$3,508,887
Expenses per NH Gas Reconciliation-Field Audit (Revised amount)	\$3,262,072
Expenses per March 1, 2013 Email requesting explanation of variance	\$3,337,861

National Grid provided the following explanation of the various totals, in response to the initial draft report issued on June 5, 2013:

*“The correct adjusted general ledger activity was provided to the auditor (as noted in the Draft Audit Report) on 03/01/2013 and totals \$3,337,861. This file captures all of the activity and is the final file that should be used for the audit. In addition, we are also including the revised Monthly Report and an Annual Reconciliation which ties the monthly reports to the adjusted general ledger total. Please note that the adjusted general ledger activity includes adjustments recorded in 2012 which should be applied to the year under audit -2011. After review of those transactions, certain adjustments were made to the monthly report in order to correctly reflect those general ledger adjustments.”*

*“National Grid and Liberty Utilities can provide whatever level of detail is available in National Grid's financial systems to support the adjusted general ledger detail. To summarize the normal process for monthly reporting by National Grid in 2011: Expenditures were recorded in two legacy accounting systems, PeopleSoft (legacy National Grid) and Oracle (legacy KeySpan). Labor related to the programs that originated in the Oracle system was transferred by journal entry to the Peoplesoft system without the program specific fidelity. Some of those Journal Entries were posted in 2012 and for reporting purposes National Grid appropriately revised 2011 numbers. Because of the periods these adjustments were recorded in, the numerous debits and credits on these journal entries, and the corresponding effort to make matching manual adjustments to the Monthly Report, some adjustments were applied incorrectly in the final Monthly Report resulting in incorrect totals originally provided.”*

As a result, Audit requested the specific adjusting entries and the general ledger detail of account #17522 (requested on 6/17/2013), a reconfigured presentation of the data to reflect the Commission approved programs and expense categories, as well as the adjusted rolling balance (carry-forward, or fund balance).

On July 12, 2013, the Company directed Audit to the general ledger pivot table, version 5, which was provided to the Audit staff in March 2013. In addition the \$3,337,861 total was provided in the following format:

	Internal Admin	External Admin	Rebates/ Services	Internal Implmntn	Marketing	Evaluation	TOTAL
Low Income	\$ 38,967	\$ -	\$ 566,038	\$ 141,225	\$ -	\$ 16,984	\$ 763,214
High-efficiency Heating, Water Heating, Controls	\$ 46,781	\$ -	\$ 550,401	\$ 17,960	\$ 43,913	\$ 15,043	\$ 674,098
New Home Construction w/EnergyStar	\$ 61,680	\$ 441	\$ 12,813	\$ 3,500	\$ 1,358	\$ 2,989	\$ 82,781
Building Practices and Demo	\$ 197	\$ -	\$ -	\$ -	\$ 421	\$ 14	\$ 632
Energy Audit w/Home Performance and Weatherization	\$ 83,661	\$ 1,310	\$ 407,674	\$ 87,451	\$ 13,298	\$ 85,762	\$ 679,156
Residential Energy Analysis Internet Audit	\$ -	\$ -	\$ -	\$ -	\$ 686	\$ -	\$ 686
<b>Total Residential</b>	<b>\$ 231,286</b>	<b>\$ 1,751</b>	<b>\$ 1,536,926</b>	<b>\$ 250,136</b>	<b>\$ 59,676</b>	<b>\$ 120,792</b>	<b>\$ 2,200,567</b>
Large C&I Retrofit	\$ 116,761	\$ -	\$ 353,872	\$ 96,746	\$ 13,773	\$ 12,377	\$ 593,529
New Equipment and Construction	\$ 67,746	\$ -	\$ 210,258	\$ 21,332	\$ 14,180	\$ 6,818	\$ 320,334
Small Business Energy Solutions	\$ 7,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,804
C&I Custom Small, Medium, Large	\$ 11,037	\$ -	\$ 111,124	\$ 47,113	\$ 37,952	\$ 5,214	\$ 212,440
Multi-family	\$ 186	\$ -	\$ 876	\$ 35	\$ 1,997	\$ 66	\$ 3,160
Economic Redevelopment	\$ 26	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ 28
<b>Total C&amp;I</b>	<b>\$ 203,560</b>	<b>\$ -</b>	<b>\$ 676,130</b>	<b>\$ 165,226</b>	<b>\$ 67,903</b>	<b>\$ 24,476</b>	<b>\$ 1,137,295</b>
<b>Grand Total</b>	<b>\$ 434,846</b>	<b>\$ 1,751</b>	<b>\$ 2,213,056</b>	<b>\$ 415,362</b>	<b>\$ 127,579</b>	<b>\$ 145,268</b>	<b>\$ 3,337,862</b>

### **Fund Balance**

1/1/2011 Beginning Balance	\$(1,331,657) over-collection at 1/1/2011
Expenditures	\$3,337,860
Collections	\$(5,887,029)
Interest	\$(125,567)
<b>Ending Balance</b>	<b>\$(4,006,393) over-collection at 12/2011</b>

### **Conclusion**

Due to the difficulties encountered with the actual expense figure, detailed testing of the costs could not be conducted.

The shareholder incentive filed with the Commission in June 2012 must be re-submitted to reflect the adjusted expense total for 2011. Any over-collection of incentive booked as a result of the incorrect program year 2011 expenses must be returned to EnergyNorth.

The over-collection of ratepayer funds, in excess of \$4million was noted in the review of this 2011 filing.