STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: August 18, 2015
AT (OFFICE): NHPUC

FROM: Anthony Leone, Examiner

SUBJECT: Northern Utilities, Inc.
DE 12-262-2014 CORE
FINAL Audit Report

TO: Tom Frantz, Director Electric Division NHPUC
Steve Frink, Assistant Director, Gas/Water Division NHPUC
Les Stachow, Assistant Director, Electric Division NHPUC
James Cunningham, Analyst III

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2014. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire (PSNH), New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and Energy North filed a joint petition for the program years 2013 through 2014. Each utility was audited individually.

In accordance with Commission Order #24,630 in Docket DG 06-036, Northern was directed to provide the Commission with monthly summaries of expenses and recoveries related to the energy efficiency programs in effect as well as a final report and to file those summaries in the most current docket; in this case DE 12-262. Audit thanks Chad Dixon and Karen Daniell for their timely assistance throughout the audit process.

Summary

Approved Programs

The Commission initially approved the 2013 and 2014 Core Energy Efficiency programs in Order# 25,462. The programs were then amended by Order# 25,615 on December 30, 2013. In that Order the programs approved were:

Residential – Non-Income Qualified
Energy Star Homes
NH Home Performance with Energy Star (HPwES)
Energy Star Appliance Program (Gas Networks)
Residential Education
Residential Energy Code Training
Residential Loan Buydown

Residential – Income Qualified
Home Energy Assistance Program (weatherization program)

Commercial and Industrial
Large Business Energy Solutions Program
Small Business Energy Solutions Program
Codes, Audits & Educational Programs

Program Updates

The Agreement, its attachments and the Order also included the following significant changes for the gas companies as appropriate:

- The Gas Utilities plan to increase their funding by an estimated $439,000.

Significant Mid-Year Adjustments

As a result of last years' audit, on October 1, 2014, Northern filed with the Commission a revised annual report and Performance Incentive. Northern indicated the adjustment was made to the presentation of the information only, to clarify sector expenses. Audit has reviewed the revised annual report and confirms the ending balance of the Fund is the same.

Program Year 2014 Activity

2014 Reported Activity & Reconciliation

Northern provided the following reconciliation as part of the Annual Reports and Performance Incentive package filed in docket DE 12-262 on June 2, 2015:

2014 Beginning Balance	**$ (42,551)**	**Over-Collection-Ties to 2013 Ending Balance**
2014 Actual Collections	$(1,412,414)	
2014 Interest	$ (14,625)	
	$(1,427,039)	
2014 Program Expenses	$ 1,166,809	
2014 Actual Incentive	$ 89,528	
2013 Incentive True-up	$ (10,209)	
	$ 1,246,128	
2014 Ending Balance	**$ (223,462)**	**Over-Collection**

The program activity reported was verified to the accounting model used by the Unitil Accounting Department as well as to the General Ledger accounts identified as the reconciling mechanisms. Audit verified the rolling over / under calculations of balances, revenues, expenses, and interest at 3.25% to the monthly reports required per the latest Settlement

Agreement in DE 12-262. Audit verified each monthly summary and identified immaterial rounding variances; there were no material exceptions noted.

The Core Programs are a non-profit generating activity; therefore any collections above and beyond the incurred expenses factor into the ending over/under collected balance at year end and are tracked by Residential and C&I sectors individually. The ending 2014 over-collection was verified to the following Energy Efficiency (EE) Residential and Commercial & Industrial GL Balance Sheet accounts without exception:

	12/31/2013	12/31/2014
#173-41-02 Accrued Revenue EE-R-NH	$ 9,186	$(113,266)
#173-41-06 Accrued Revenue EE-C&I-NH	$ (51,738)	$ (89,203)
	$ (42,552)	$(202,469)

The total of $202,469 reflected in the above chart of accounts is accurate as of 12/31/14 due to the use of the estimated Performance Incentive of $110,522. Audit requested and the Company stated that a true-up of the Accrued Revenue account balance using the actual Performance Incentive would occur after this report becomes final bringing the balance of the over/under accounts to the $223,462 noted above.

Budget vs Actual Expenses

Audit also compared the budgeted and actual expenses as presented in the 4th Quarter Energy Efficiency Report in DE 12-262 filed on March 2, 2015 and the 2014 Annual Report & Performance Incentive Calculation filed by the Company on June 2, 2015. The following tables display the overall figures for the Residential and Commercial & Industrial sectors as well as by individual program.

	Actual	Budgeted	% of Budget
Residential	$ 697,314	$ 819,069	85.1%
Com / Ind.	$ 469,495	$ 562,450	83.5%
	$1,166,809	$1,381,519	84.5%

*Figures do not include the Performance Incentive

**Budget amounts are from the Annual Report and PI Calculation dated 6/2/2015

GL Name	Program Name	Actual Expenses	Budgeted Expenses	% of Budget
Res New Construction	EnergyStar Homes	$ 62,669	$ 80,000	78%
Residential Retrofit	HPwES	$ 102,643	$ 80,000	128%
Residential Gas Equip	EnergyStar Appliances	$ 324,616	$ 400,000	81%
Low Income Retrofit	Home Energy Assist.	$ 201,215	$ 232,069	87%
Res Building Practices	Building Practices	$ 2,095	$ 17,000	12%
Education & Energy Code TNG	Residential Education	$ 4,076	$ 10,000	41%
Large Business Energy Solutions		$ 275,128	$ 304,000	91%
Small Business energy Solutions		$ 188,753	$ 252,450	75%
C&I Education		$ 5,614	$ 6,000	94%

HEA/LI Expenses

As found in Commission Order #25,615 and the Agreement, 15% of the overall budget shall be apportioned to the HEA/LI weatherization program. At the end of 2014, Northern had appropriated $201,214 or 17.25% of the actual expenses to HEA/LI weatherization program, as compared to $148,277 or 13.2% of actual expenses in the prior year. According to the 4th Quarter Report filed by the Company, 73% of the 2014 funds were used for rebates, while the remaining 27% covered all other expenses. Comparatively, last year the Company reported figures were 69% and 31% respectively.

Revenue

The CORE Gas programs are funded from a portion of the Local Delivery Adjustment Clause (LDAC). Audit requested and Northern provided a printout from the "HTE" customer information system, showing therms delivered for the month of June 2014. The report, HTRS 19B-Gas Service Revenues and Purchased Power-All Consumers, reflected therms sold, which agreed with the monthly filing from Northern. Audit then recalculated the Energy Efficiency revenue, using the LDAC rates established in DG 13-257 and DG 14-239. There were no exceptions noted. The 2014 program funding totals are listed in the table above.

Interest

The Energy Efficiency Program Monthly Report shows 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 actual days in the respective month. The month-end (over)/under recovery balance including interest is used as the beginning balance for the following month. Total interest for 2014 was reported as $14,625 without exception. Audit verified the interest rates reported correspond 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%.

Expenses

Audit reviewed the monthly reports as filed and verified that the expenses in total for the calendar year agree with the Annual Report and Performance Incentive filing as well as the general ledger accounts noted in the tables below.

The first table below represents all incurred expenses listed by General Ledger account number excluding the performance incentive. The GL account numbers provide information relative to the specific program and the expense type is indicated by the numbers included in each column heading. The GL accounts are then translated into the appropriate Program Tracking Activity as listed in tables 2 and 3, which represent the total expenses as found in the "4th Quarter 2014 CORE Energy Efficiency Report" filed by PSNH on 3/3/2015.

Table #1
Total Expenses by GL Account Number & Name excluding Performance Incentive

2014				3rd Party		All Costs	3rd Party		3rd Party	Reg &	Prog	
		Audits	Rebates	M&E	M&E	26, 27,	Marketing	Marketing	Admin	General	Admin	TOTAL by
GL Name	GL Account #	41	40	31	30	28 & 35	21	20	14	13	10	PROGRAM
Low Income Retrofit	30-49-02-72-908-01-	$12,270	$128,255	$ 895	$ 609	$ -	$ 1,250	$ 336	$ 6,206	$14,428	$ 36,965	$ 201,214
Residential Retrofit	30-49-02-72-908-25-	$ 7,223	$ 58,226	$ 369	$ 251	$ -	$ 1,779	$ -	$ 9,103	$ 5,941	$ 19,751	$ 102,643
Residential Gas Equip	30-49-02-72-908-29-	$ -	$275,725	$ 1,519	$ 896	$ -	$ 1,735	$ -	$ 6,980	$21,218	$ 16,542	$ 324,615
Res + C&I Code Edu	30-49-02-72-908-43-	$ -	$ -	$ -	$ -	$ 4,606	$ -	$ -	$ -	$ -	$ -	$ 4,606
Res New Construction	30-49-02-72-908-47-	$16,120	$ 26,822	$ 318	$ 251	$ -	$ 586	$ 2,046	$ 542	$ 5,941	$ 10,043	$ 62,669
Res Energy Code Tng	30-49-02-72-908-48	$ -	$ -	$ -	$ -	$ 1,565	$ -	$ -	$ -	$ -	$ -	$ 1,565
C&I Code Tng	30-49-02-72-908-43	$ -	$ -	$ -	$ -	$ 5,614	$ -	$ -	$ -	$ -	$ -	$ 5,614
Lg C&I Gas Networks	30-49-02-72-908-34	$ -	$ 23,005	$ 1,129	$ 720		$ -	$ -	$ 1,118	$ 5,941	$ 4,460	$ 36,373
Sm C&I Retrofit	30-49-02-72-908-49-	$ 1,775	$101,450	$ 640	$ 574	$ -	$ -	$ -	$ 1,238	$20,140	$ 10,061	$ 135,878
Lg C&I New Construction	30-49-02-72-908-50-	$ 6,767	$139,193	$14,826	$1,079	$ -	$ 268	$ -	$29,335	$14,428	$ 32,858	$ 238,754
Sm C&I	30-49-02-72-908-51-	$11,653	$ 16,177	$ 363	$ 143	$ -	$ 74	$ -	$ 2,830	$ 3,395	$ 17,400	$ 52,035
C&I MF Com Area	30-49-02-72-908-57-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 840	$ -	$ -	$ 840
		$55,808	$768,853	$20,059	$4,523	$11,785	$ 5,692	$ 2,382	$58,192	$91,432	$148,080	$1,166,806
		4.8%	65.9%	1.7%	0.4%	1.0%	0.5%	0.2%	5.0%	7.8%	12.7%	100.0%

Table #2
Residential Expenses by Program Tracking Activity (as found in the 4th Quarter Energy Efficiency Report filed March 2, 2015)

2014				Cust.				
		Internal	External	Rebates &	Internal			TOTAL by
GL Name	Program Name	Admin	Admin	Services	Impl.	Marketing	Evaluation	PROGRAM
Res New Construction	EnergyStar Homes	$ 5,378	$ 54	$ 43,430	$12,652	$ 586	$ 569	$ 62,669
Residential Retrofit	HPwES	$ 6,527	$ 910	$ 73,642	$19,165	$ 1,779	$ 620	$102,643
Residential Gas Equip	EnergyStar Appliances	$15,215	$ -	$282,705	$22,548	$ 1,735	$ 2,416	$324,619
Low Income Retrofit	Home Energy Assist.	$14,252	$ 621	$146,111	$37,477	$ 1,250	$ 1,505	$201,216
Residential Education	Other Residential	$ -	$ -	$ 6,171	$ -	$ -	$ -	$ 6,171
	Total Res	$41,372	$ 1,585	$552,059	$91,842	$ 5,350	$ 5,110	$697,318
		5.9%	0.2%	79.2%	13.2%	0.8%	0.7%	100%

Table #3

Commercial & Industrial Expenses by Program Tracking Activity (as found in the 4th Quarter Energy Efficiency Report filed March 2, 2015)

2014 Program Name	Internal Admin	External Admin	Cust. Rebates & Services	Internal Impl.	Marketing	Evaluation	TOTAL by PROGRAM
Large Business Energy Solutions	$17,819	$ 3,045	$196,373	$39,868	$ 268	$ 17,754	$275,127
Small Business energy Solutions	$18,240	$ 491	$135,473	$32,756	$ 74	$ 1,719	$188,753
Other C & I Programs	$ -	$ -	$ 5,614	$ -	$ -	$ -	$ 5,614
Total C & I	**$36,059**	**$ 3,536**	**$337,460**	**$72,624**	**$ 342**	**$ 19,473**	**$469,494**
	7.7%	**0.8%**	**71.9%**	**15.5%**	**0.1%**	**4.1%**	**100%**

Audit notes that the combined total of the two tables above of $1,166,812 materially match the total filed with the Commission and found in the GL of the Company of $1,166,806.

Third Party Financing Pilot Program

Northern indicated 3 Gas customers took advantage of the Third-Party Financing Pilot program. Audit requested and reviewed each of these 3 loans. Each of the three loans was either for a new furnace, new boiler or weatherization updates. Audit recalculated the loan payments and verified the $2,095 of interest rate buy down payments made as per the program stipulations.

Sponsorship, Membership and Other

The following list is a sample of sponsored organizations, paid memberships or collaborative workshops in which Northern took part during 2014:

- Northern New England Community Action Partnership Conference
  Gold Sponsor for May 2014 Conference
  Total invoice: $2,500- Northern portion: $1,250 (50%)
  Expensed as GL Account# 30-49-02-72-908-01-21-Low Income 3rd Party Marketing
  Northern indicated they sponsored the event given their close collaboration with the NH Community Action Agencies in participation of and support for the Low Income Energy Efficiency programs in NH, but that no employees attended the event.

- Association of Energy Service Professionals
  2014 Membership for two, includes two bonus memberships
  Total Invoice: $5,000- Northern portion: $1,250 (25%)
  Expensed as GL Account# 30-49-02-72-908-00-60- All Gas Internal Admin
  1 Year Membership beginning November 1, 2014. Members receive points to redeem for different benefits. Northern indicated they have redeemed some of their 2014 points on basic memberships with access to member only resources, e-mail updates on relevant topics and seminar/webinars held by AESP on relevant energy efficiency topics.

- Consortium for Energy Efficiency (CEE)
  2014 Membership
  Total Invoice: $5,000- Northern portion: $600 (12%)
  Expensed as GL Account# 30-49-02-72-908-00-95 All Gas 3rd Party Admin
  From the CEE website: CEE is the US and Canadian consortium of gas and electric efficiency program administrators. We work together to accelerate the development and availability of energy efficient products and services for lasting public benefit. The CEE role is not to develop or implement the programs delivered at the local level, but to influence national players—manufacturers, stakeholders, government agencies—to maximize the impact of efficiency programs.

- Plymouth Area Renewable Energy Initiative
  Co-Sponsor18 Button Up Workshops
  Total Invoice: 3,376.41- Northern portion: $1,003.76 (30%)
  Expensed as GL Account# 30-49-02-72-908-25-21- HPwES 3rd Party Marketing
  Discussed later in the Residential HPwES 3rd Party Marketing section.

Residential LI/HEA Weatherization—Audits & Rebates
Account # 30-49-02-72-908-01-40 & 30-49-02-72-908-01-41

The documentation indicated Southern NH Services sought reimbursement for costs related to weatherizing homes. This specific reimbursement check was for $94,785.64. Northern allocated $130 per customer to the Audit expense code and the remainder of the money, $87,245.64 to the Rebates expense code. A similar pattern of Rebate and Audit expenses was seen in other invoices from Southern NH Services and other similar organizations.

Residential HPwES—3rd Party Marketing Account# 30-49-02-72-908-25-21

Audit requested 1 invoice for review from this program. The invoice indicated Northern Utilities, Inc. paid $1,003.76 to Plymouth Area Renewable Energy Initiative (PAREI) to "Schedule, Coordinate, and Promote 18 Button Up Workshops in the State of NH in 2014 on behalf of Liberty Utilities, NHEC, PSNH and Unitil (Gas) to promote HPwES Program." After reviewing the list of 18 workshops, Audit concludes that only 5 of the workshops were hosted in a town or community center located in the official service territory of Northern. Audit asked Northern how the allocation was determined and Northern indicated the cost of PAREI's Button Up workshops...were shared among all the NH CORE utilities, with splits being determined according to the relative budgets of each Company's gas and electric residential programs. The actual amount to be billed to each Company was calculated by Eversource (PSNH) and agreed upon by the Company. Audit then requested further information from Eversource, and they have described the process of allocating the costs as "for both 2014 and 2015, the electric and gas utilities split the PAREI invoices for all planned Button-Up workshops using the typical utility split as a group. Each utility did not specifically fund any individual seminar by territory, they were all done jointly. The utilities did it this way since by design the seminars would be marketed to not only the town hosting it, but also to the surrounding area which would typically cross utility territories. PAREI makes every effort to spread the seminars throughout the state in an effort to attract all customers regardless of which electric or gas utility serves them.

Residential HPwES—3rd Party Admin, Audits &Rebates

Account# 30-49-02-72-908-25-14 & 30-49-02-72-908-25-40 & 30-49-02-72-908-25-41

Audit selected several invoices for review from this category. One invoice was from Newell & Crathern, LLC. According to the invoice produced from OTTER, the vendor provided home weatherization updates to four customers. The invoice also indicated each customer was charged an "Admin Cost" in addition to the cost of the Rebates performed. It was indicated in the 2013 UES Core Audit that the "Admin Cost" is actually a $230 Implementation/Audit charge and a 10% Vendor Administration/Incentive. All of the HPwES invoices reviewed followed the same pattern of charges.

Residential Gas Equipment—3rd Party Admin Account# 30-49-02-72-908-29-14

Audit selected one entry and the documentation provided by Northern indicated the administration fee was paid to EFI for processing of rebates for the Gas Equipment program during the month of October 2014. The total cost was $351.50 and was provided as part of an invoice totaling $21,901.50 from EFI with supporting documentation for the specific space heaters purchased by various customers.

Residential Gas Equipment—Rebates Account# 30-49-02-72-908-29-40

Audit selected one entry and the documentation provided by Northern indicated the rebate was paid to Energy Federation, Inc. (EFI) in the amount of $20,550 for various residential EnergyStar appliance rebates. Northern also included a printout from EFI detailing exactly which appliances were submitted and the corresponding rebate. Audit noted no exceptions.

Residential New Construction--Rebates Account# 30-49-02-72-908-47-40

Audit selected one entry and the documentation provided by Northern indicated the rebate was paid to Chinburg Builders for completing construction of a new energy efficient home in Portsmouth, NH. The rebate of $3,200 was calculated based on the HERS (Home Energy Rating System) score given to the new residential building where a lower rating is a better rating. As published by HERS, the standard American home has a value of 100. The target for the home was 70, and the final EE audit valued the complex at 48. The incentive allows for $1,000 for meeting the target and $100 per point below the target with a maximum of $4,000 per home.

Small Commercial and Industrial Retrofit--Rebates Account# 30-49-02-72-908-49-40

The first invoice selected indicated the rebate was paid to the Portsmouth School District for installation of three new gas fired boilers. The rebate of $12,000 represents 10% of the $112,000 total cost indicated.

Large Commercial and Industrial Gas Networks --Rebates Account# 30-49-02-72-908-34-40

The invoice reviewed from this category indicated the Portsmouth Middle School was reimbursed $23,005 or 60% out of the total cost of $38,240. The Middle School replaced 2 condensing boilers, three condensing water heaters and a solar hot water system.

Large C&I New Construction—3rd Party Admin Account# 30-49-02-72-908-50-14

Audit reviewed an invoice for $5,472.00 from Industrial Controls & Communications, LLC (ICC) for 3rd Party Administration for which Northern owed $1,728. Documentation submitted included the contract between Northern and ICC, the services being performed and the rate charged by ICC, a list of customers, and indication of which energy efficiency program was being administered as well as a time sheet covering one week of work. It should be noted the invoice was allocated between Unitil, Northern and other non-NH utility expense codes.

Large C&I New Construction--Rebates Account# 30-49-02-72-908-50-40

Audit selected four entries for review. The documentation provided by Northern for the first rebate was paid to Cobham Antenna Systems for installation of an energy efficient makeup air unit (MAU). The rebate of $24,610 represents 20% of the $112,000 total cost indicated.

The second set of documentation provided indicated the rebate went to Smuttynose Brewing. As part of the completion of a new facility and brew house on Towle Farm Road, Smuttynose installed various energy efficient systems in the Brew House portion of the facility. Northern included a detailed report from GDS verifying the equipment and the annual Therm savings. The rebate was $22,024 and represents 6% of the total cost of $366,992 indicated.

The third invoice reviewed was also for Smuttynose Brewing. A new waste heat recovery chiller was installed at a total cost of $305,350. The rebate of $47,464 represents 15.5% of the total cost. As with other large projects, GDS Associates performed an analysis of the gas and electric savings obtained through the new components.

The last invoice reviewed was for Lowell Audubon Holdings, LLC for replacement and upgrade of high efficiency condensing boilers and related equipment. The total rebate was $29,288 or 9.9% of the $295,438 total cost.

Large C&I New Construction --Audits Account# 30-49-02-72-908-50-41

Audit reviewed one invoice that was paid to GDS Associates, Inc. The invoice contains supporting documentation, in part, showing the work performed by GDS in analyzing the savings obtained from various projects including but not limited to the three projects in the Large C&I New Construction field described above. According to the invoice, each job was charged according to the number of hours it took to complete that job, with the hourly rate fluctuating between $106.25 and $153.00. The total invoice was $11,483.20. Northern's portion was $4,589.50 with the remainder charged to various Core programs for Unitil Electric.

Summary

During the forwarding of selected invoices, Northern notified PUC Audit that two of the invoices selected had been coded for NH when they were meant for Massachusetts resulting in a reduction from the NH Expenses of $1,235.79. Due to the amount, Audit concurs that a true-up during the 2015 Filing as well as a GL correction entry would be a more efficient use of resources than refiling for 2014.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 22, 2016
AT (OFFICE): NHPUC

FROM: Anthony Leone, Examiner

SUBJECT: Unitil Energy Systems, Inc.
DE 12-262 – 2014 CORE
FINAL Audit Report

TO: Tom Frantz, Director, Electric Division, NHPUC
Les Stachow, Assistant Director, Electric Division, NHPUC
Jim Cunningham, Analyst, Electric Division, NHPUC

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2014. The four participating electric utilities, Unitil Energy Systems, Inc. (Unitil or UES), Eversource Energy (Eversource), New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and Energy North filed a joint petition for the program year 2014. Each utility was audited individually.

Audit thanks Chad Dixon, Karen Daniell and the Energy Efficiency Group staff for their assistance during the audit process.

Approved 2014 Programs

The utilities submitted a joint energy proposal to the Commission on 9/17/2012 for program years 2013 and 2014. An updated Agreement for the 2014 program year was filed on 12/3/2013. The Commission approved this Agreement by Order #25,615 on 12/30/2013. The following summarizes Unitil's 2014 energy efficiency programs:

Residential
Home Energy Assistance - weatherization program (HEA)
Energy Star Homes (ESH)
Home Performance with Energy Star (HPwES)
Energy Star Lighting (ESL)
Energy Star Appliance (ESA)

Commercial and Industrial
Large Business Energy Solutions Program
Small Business Energy Solutions Program
Educational Programs

In addition, Unitil offered a Combined Heat and Power Pilot measure (CHP or Pilot) for the Commercial and Industrial customers only.

Significant Program Updates for 2014

Senate Bill 123 & House Bill 630-FN: As found in the Settlement Agreement dated 12/3/2013, this legislation provides, in part, that the Commission shall first allocate at least 15% of the RGGI proceeds to the low income energy efficiency program, after which the Core Utilities shall dedicate up to $2,000,000 of the remaining RGGI proceeds annually for municipal and local government energy projects, including projects by local governments that have their own municipal utilities.

On 7/26/2013, Commission Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from $5,000 to $8,000 (for electric utilities only) to better serve low-income residents. On 12/30/2013 the Commission issued Order #25,615 extending this change through the 2014 calendar year.

On 9/6/2013 Order #25,569 was approved authorizing a change in the calculation of the Performance Incentive by the Electric Utilities only, beginning with the 2014 program year. Specifically, the Order states, "the Core electric utilities would begin applying a new ratio of electric lifetime savings to total lifetime energy savings as they relate to the total portfolio of Core electric programs. Upon applying that ratio, if it is determined that electric lifetime savings are greater than or equal to 55% of total lifetime energy savings, a higher performance incentive would apply. If the electric lifetime savings fall below 55% of total lifetime energy savings, a lower incentive would apply. Once the ratio is determined, the proposed mechanism preserves the same basic structure as the existing mechanism, except that the baseline is lowered from 8% to 7.5% at the 55% and up level, and to 6% at the under 55% level. Moreover, the overall maximum performance incentive that can be achieved is lowered from 12% to 10% at the 55% and up level, and to 8% at the under 55% level. Staff and the Core utilities further recommend there be a cap on the individual components used to calculate the performance incentive (the kWh savings and benefit-cost components), rather than a cap on the overall performance incentive amount for each sector (residential and commercial/industrial sectors). Under the proposed mechanism, the individual component caps would be half the overall cap. For example, the kWh savings component would be capped at 5% and the benefit cost component would be capped at 5% at the 55% and up level. The minimum thresholds of 65% for planned savings and 1.0 for benefit-cost in the existing mechanism remain unchanged.

In addition, the proposed performance incentive mechanism covers all programs, including the HPwES Program, any legislatively mandated municipal programs funded by RGGI, and any pilot or future regular programs. The parties to this proposal also note that the proposal is limited to the programs operated by the Core electric utilities, as it is in response to the Commission's request to consider how non-electric savings from measures undertaken by the electric utilities should be factored into the incentive calculations. The proposal would not change the baselines and metrics for gas utility programs."

Mid-Year Adjustments

On September 25, 2014 the NH PUC received a letter from UES requesting to transfer funds between programs within the Residential sector. Specifically, UES requested to transfer a total of $69,000 into the HPwES program from the EnergyStar Homes and K-12 Education programs. Due to the amounts in question being greater than or equal to 20% of any 1 programs budget authorization was required. On October 7, 2014, a letter was issued from the PUC authorizing the transfer.

Net Metering

In a letter dated March 31, 2015 sent to the PUC concerning the PUC 900 Rules, UES indicated that as of the end of 2014, they had 150 eligible customer-generators as defined in PUC 902.02. The generating output rating of these installed units was customers with 1.31 MW-AC which was less than the 6.17 MW annual demand limit of Unitil as specified in PUC 903.02(b)

Program Activity

2014 Carry Forward Balance

The reconciliation of program year activity to the general ledger year end posting was noted in the June 2015 Performance Incentive Filing (Filing). According to the filing for program year 2013, the ending balance was an over-collection of $756,881.

Carry-forward Balance- 2013 Over Collection	$	756,881
SBC Funding	$	2,205,552
FCM Revenue	$	257,907
RGGI Proceeds	$	505,891
2014 Cumulative Interest	$	31,363
Actual Collections	$	3,000,713
Program Expenses	$	(2,759,858)
2014 Est. Performance Incentive	$	(261,415)
2014 Adj. to Prior Year PI	$	67,611
Actual Expenses	$	(2,953,662)
Carry-forward Balance- 2014 Over Collection	**$**	**803,932**

The 2014 ending over-collection was verified to the following Energy Efficiency (EE) Residential and Commercial & Industrial General Ledger (GL) Balance Sheet accounts without exception. As of the end of 2014, Unitil had over-collected $803,932. The difference between the reconciled amount of $803,932 above and the actual amount of money in the General Ledger account of $848,185 of $44,253 represents the actual PI vs the budgeted PI. The money was collected and correctly recorded in the GL, but is due to Unitil and therefore not counted in the reconciliation.

GL Account #	2013	2014
10-20-00-00-173-13-01 Residential Non-Low Income	$(347,184)	$(411,941)
10-20-00-00-173-13-02 Residential Low Income	$(162,864)	$ (94,633)
10-20-00-00-173-13-03 Commercial and Industrial	$(246,833)	$(341,611)
Net Over-collection per General Ledger	**$(756,881)**	**$(848,185)**

*Numbers in "( )" represent an over-collection.

The following table displays the amount of funds collected in excess of all expenses as accrued revenue. The accrued amount combined with the over-collection from 2013 equals the new over-collected balance.

	Amount
SBC Funding	$(2,205,552)
FCM Revenue	$ (257,907)
RGGI Proceeds	$ (505,891)
Cumulative Interest	$ (31,363)
Total Collections	$(3,000,713)
Program Expenses	$ 2,953,661
2014 Accrued Revenue	**$ (47,052)**

Quarterly Filings

Audit verified the rolling over / under calculations of balances, revenues, expenses, and interest at 3.25% to the monthly reports filed with the Commission. Audit verified each quarterly summary and identified immaterial rounding variances; there were no material exceptions noted.

Budgeted vs. Actual Performance

According to the Order and found in the Filing, the Utilities shall not exceed 5% of their prescribed budget without Commission approval. The table below details the Actual amounts of expenses vs. the Budgeted figures as found in the 2014 Annual Report Reconciliation and Performance Incentive Filing filed on June 2, 2015. Audit notes that like the other electric utilities in this state, Unitil has included rounded figures in their Annual Reconciliation that are materially accurate to the GL. There were no exceptions noted.

	Residential				C&I		
	Budgeted	Actual	Variance		Budgeted	Actual	Variance
EnergyStar Homes	$ 195,000	$ 122,000	63%	Large Business	$725,000	$715,000	99%
EnergyStar Lighting	$ 225,000	$ 218,000	97%	Small Business	$457,000	$505,000	111%
EnergyStar Appliance	$ 285,000	$ 276,000	97%	Municipal	$221,000	$121,000	55%
HPwES	$ 217,000	$ 285,000	131%	C&I Education	$19,000	$4,000	21%
HEA	$ 483,000	$ 484,000	100%	ISO	$11,000	$5,000	45%
Res Financing	$ 65,000	$ -	0%		$1,433,000	$1,350,000	94%
Res K-12 Edu & Code TNG	$ 52,000	$ 15,000	29%				
ISO	$ 7,000	$ 10,000	143%				
	$1,529,000	$1,410,000	92%				

Home Energy Assistance Budget

Expenses related to the Home Energy Assistance (HEA) portion of the 2014 CORE were ordered to be "at least 15% of the SBC budget". The total reported expenses relating to the HEA program were $484,356 which represents 17.5% of the overall expenses of $2,759,802 excluding the Performance Incentive.

Program Funding

The CORE program is comprised of funding from the Energy Efficiency portion of the System Benefits Charge (SBC), Regional Greenhouse Gas Initiative (RGGI) Auction Proceeds (Proceeds), the Forward Capacity Market (FCM) revenue less expenses, and interest on the CORE activity over/under collected balance. The 2014 program funding actual totals mentioned above were verified to the Unitil GL and PUC Business Office records.

SBC

KWh sales were verified to the Capital and Seacoast divisions' reports as verified in the Energy Assistance Program (EAP) Audit performed by the Commission and to the Accounting model provided by Unitil. Audit tested kWh sales and the corresponding Core portion of the SBC for the month of September 2014 and found the revenue calculated and recorded to the GL Revenue accounts 10.29.21.44x.xx correctly.

RGGI Auction Proceeds

Pursuant to House Bill 1490, passed into NH Law on June 23, 2012, a portion of the RGGI Auction Proceeds (Auction Proceeds) were to be combined with SBC Funded Energy Efficiency programs administered by the Core Electric Utilities. According to PUC Business Office information, $321,369 was allocated to Unitil over the course of 2014 from the Quarterly Auctions. Due to the timing of the 2013 4th Quarter Auction proceeds of $184,895.12, Unitil has stated that those proceeds would be included in the 2014 program year. The new funding total for the 2014 RGGI year was therefore $506,291 less the $400 adjustment from the prior report, $505,891.

Forward Capacity Market

UES reflected $257,907 in revenue and $14,393 in expenses related to ISO activities. The FCM expenses were properly outlined in the final quarterly report schedule entitled NH CORE Energy Efficiency FCM Budget & Expenses (January 1- December 31, 2014).

The FCM revenue was verified to the general ledger account 10-29-02-21-456-80-00 at $257,907 and the FCM expenses were verified to the following general ledger accounts:

GL Account #: 10-29-02-21-908-					
80-01	Residential Internal Admin	$ 5,822	80-04	C&I Internal Admin	$ 1,815
80-02	Residential External Admin	$ 2,878	80-05	C&I External Admin	$ 2,878
80-03	Residential Non-Admin	$ 1,000	80-06	C&I Non-Admin	$ -
	Total Residential	**$ 9,700**		**Total C&I**	**$ 4,693**
	Total FCM Expenses:	**$ 14,393**			

Interest

The CORE interest rate used is the Federal Reserve's prime rate as of the first of the month for which interest is calculated. Audit verified the rate to the quarterly interest rate as set by the Federal Reserve at 3.25% for the entirety of 2014. Audit also recalculated the interest and determined Unitil used the following interest formula:

Monthly Charge = (((((Beg Bal + End Bal)/2)*.0325)/365)*Actual # of days in month)

The total interest reported for 2014 was a net revenue of $31,363 which also includes the true-up from the change in the interest calculation from the previous report.

Program Expenses

Audit reviewed the quarterly reports as filed with the Commission and verified that the expenses in total for the calendar year agree with the Shareholder Incentive Package as well as the General Ledger accounts detailed in the tables below. The 2014 expenses have been divided into the following groups for ease of tracking: Residential, Commercial & Industrial and Other/shared. Additionally, each group was further broken down by expense class for greater transparency. Pictured below is a summary of those expenses incurred sourced from the General Ledger of Unitil without the Performance Incentive. The $56 difference in the Program total noted below from the GL and with the Filed Annual Report is noted as immaterial.

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Total Program Expenses

Residential	C&I	Other / shared	Program total
$1,385,715	$1,340,947	$ 33,140	$ 2,759,802

Residential Expenses – by GL Acct #

2014 Residential Expenses in $:				3rd Party		3rd Party	3rd Party	Reg &	Prog		Rebates
	GL Acct #	Audits	Rebates	M&E	M&E	Marketing	Admin	General	Admin	Total by	as % of all
GL Name	10-29-02-...	41	40	31	30	21	14	13	10	Program	Expenses
Res Lighting	21-908-28	$ -	$ 119,718	$ 1,133	$ 564	$ 10,177	$ 36,712	$ 14,587	$ 35,073	$ 217,964	55%
Res Low Income	21-908-41	$ 12,210	$ 346,408	$ 2,266	$ 1,127	$ 1,453	$ 33,915	$ 28,268	$ 58,709	$ 484,356	72%
Res New Const	21-908-47	$ 21,558	$ 47,397	$ 996	$ 501	$ 792	$ 1,193	$ 12,563	$ 36,658	$ 121,658	39%
Res Products	21-908-40	$ -	$ 166,913	$ 1,736	$ 689	$ 6,254	$ 42,280	$ 17,728	$ 40,695	$ 276,295	60%
Res Retrofit	21-908-26	$ 17,851	$ 182,044	$ 1,430	$ 501	$ 3,725	$ 22,399	$ 12,563	$ 44,929	$ 285,442	64%
		$ 51,619	$ 862,480	$ 7,561	$ 3,382	$ 22,401	$ 136,499	$ 85,709	$ 216,064	$ 1,385,715	62%
Expenes as % of total:		4%	62%	1%	0%	2%	10%	6%	16%	100%	

*Does not include the ISO or Education expenses.

Commercial & Industrial Expenses – by GL Acct

2014 C&I Expenses in $:				3rd Party		All	3rd Party	Reg & Gen	Prog		Rebates
	GL Acct #	Audits	Rebates	M&E	M&E	Mkting	Admin	& Eng Scvs	Admin	Total by	as % of all
GL Name	10-29-02-...	41	40	31	30	21 & 20	14	13 & 11	10	Program	Expenses
.arge Const.	21-908-33	$ 38,726	$ 479,168	$ 46,470	$ 2,135	$ 6,004	$ 54,791	$ 36,120	$ 51,149	$ 714,563	67%
5mall Const.	21-908-51	$ 13,244	$ 407,284	$ 5,902	$ 1,064	$ 1,961	$ 3,052	$ 26,697	$ 45,814	$ 505,018	81%
Vlunicipal	21-908-51	$ 4,233	$ 75,465	$ 1,289	$ 376	$ 68	$ 7,114	$ 9,423	$ 23,398	$ 121,366	62%
		$ 56,203	$ 961,917	$ 53,661	$ 3,575	$ 8,033	$ 64,957	$ 72,240	$120,361	$1,340,947	72%
Expenes as % of total:		4%	72%	4%	0%	1%	5%	5%	9%	100%	

*Does not include the ISO or Education expenses.

Expense Test Summary

Audit requested and reviewed 22 invoices totaling $528,439 or 20% of total expenses. Selected invoices are discussed below.

All Electric Third Party Administration--10-29-02-21-908-00

The documentation indicated that Unitil paid Northeast Energy Efficiency Partnerships (NEEP) $4,921 for a combination of "2014 Statewide Strategic Sponsorship & 2014 Summit Sponsorship. The documentation indicated NEEP 's services included but were not limited to statewide strategic sponsorship, a Northeast Energy Efficiency Summit, a Regional Evaluation, Measurement & Verification Forum & a Design lights consortium qualified products list."

HPwES--10-29-02-21-908-26

The documentation indicated the vendor, Quality Insulation, performed retrofit work under the HPwES program for 5 customers. The vendor bill totaled $13,335.24 and Unitil further broke down the cost between the Audit, Rebate and 3rd Party Administration expenses.

The second invoice review by Audit indicated Newell & Crathern provided similar weatherization services under the HPwES program to 6 different customers. As with the other HPwES invoice, Unitil further broke down the invoice to the Audit, Rebates / Services and the 3rd Party Admin expense codes. Due to the nature of all HEA & HPwES invoices flowing through OTTER, there is no variance in the prices charged and a record of all invoices is on file with the utilities.

HEA--10-29-02-21-908

The documentation indicated Southern NH Services sought reimbursement for costs related to facilitating the weatherizing of low income households in their operating area. The reimbursement check was for $20,863.46. The following expense codes were associated: 908-41-14-Third Party Administration of $2,085.22; 908-41-40-Rebates of $18,088.24; and 908-41-40-Audits of $690.00. A similar pattern of Admin, Rebate and Audit expenses was seen in other invoices from Southern NH Services and other similar organizations.

EnergyStar Appliances – 10-29-02-21-908-40

The documentation indicated that Unitil contracted with EFI (Energy Federation Inc.) to process mail-in rebates. The invoice from EFI detailed the amount of mail-in rebates, specific processing fees based on the appliance being rebated and the cost of the rebate per appliance. Unitil also submitted customer lists verifying the eligibility of the location of the customer. In this case, the cost of the invoice, $20,011 was split between the Rebates & Services expense (code 40), $19,600, and the 3rd Party Admin expense (code 14), $411. EFI is used by multiple utilities in the State of NH.

The second invoice reviewed by Audit was from Jaco Environmental. The invoice indicated Jaco picked up used refrigerators from customers' homes as part of the program. The cost per refrigerator was indicted as $120.50. Jaco charged $90.50 per unit for implementation and the customer also received a $30 rebate. The rebate was charged to expense code 40 (Rebates & Services) and the per unit fee was charged to expense code 14 (3rd Party Admin).

Residential Lighting--10-29-02-21-908-28

The documentation indicated the vendor Energy Federation, Inc. performed fulfillment and processing work of lighting and lighting equipment rebates under the Lighting program for customers of Unitil during the month of January 2014. The vendor bill totaled $7,824.79 and Unitil further broke down the cost between the Rebate (908-28-40) and 3rd Party Administration (908-28-14) expense codes.

Audit also reviewed a contract extension authorizing EFI to continue to process the lighting rebates. As part of the contract, the fixed management fees for their services were split between 4 utilities rather than 3 utilities thereby lessening the price paid by all utilities.

Audit reviewed one additional invoice covering the period of July 2014. EFI processed instant coupons at a total cost of $4,623.34 split between Rebates (expense code 40) and 3rd Party Admin (expense code 14).

EnergyStar Homes –10-29-02-21-908-47

The documentation submitted indicated a customer of Unitil finished a new home or completely gutted an existing home in Salisbury, NH. This home was audited for EnergyStar compliance by Horizon Residential Energy Services, LLC. The report produced by Horizon indicated a targeted Home Energy Rating System (HERS) index rating of 73 and a completed rating of 37. Along with other improvements such as a thermostat rebate, lighting rebate and appliance rebate the home qualified for a rebate of $4,600 but was capped at the limit or $4,000.

The second invoice indicated a local construction firm built a new home in Concord, NH. This home was audited by GDS Associates for compliance with the EnergyStar standards. The HERS target was 67 and the final rating was 44. Based on all energy efficiency implementations, the home qualified for a rebate of $3,400.

Residential Codes Education – 10-22-02-21-908-43

The documentation provided indicated Unitil contracted with Culver Company to facilitate a school outreach program. This program included renewal of e-SMARTkids website, and streaming video license for one year. In addition, the contract stated additional services as developing a list of schools and teachers [to reach out to], design, produce, and deliver to educators an offer of free safety educational materials for use in classrooms, fulfill those requests, track the progress of the program and provide a final audit-ready program summary. The invoice submitted was $3,123.75 and was part of a larger invoice billed to Unitil. Unitil Electric NH paid a total of $12,495 of the $49,000 contracted for.

Small Commercial Retrofit--10-29-02-21-908-51

The documentation indicated the vendor, Morrill Mill Pond, LCC installed LED lights at a facility in Concord, NH. The vendor cost was indicated to be $21,963 and Unitil rebated $10,981.50, or 50% of the indicated cost.

A second invoice reviewed was for Big Jim's in Concord, NH. The documents for this rebate indicated the vendor, R&T Electric, replaced various sets of lights at the facility. The total cost for project and other updates was listed as $18,642 and a 50% rebate of $9,321 was sent directly to the installer.

Large Commercial --10-29-02-21-908-52

The documentation indicated the vendor, Compressor Energy Services, installed a new, energy efficient compressed air system at the new Smuttynose Brewery in Hampton, NH. The project cost associated with the design, measurement and installation were documented as $180,986.11 and the rebate was $135,739.50, or 75% of the reported costs.

A second invoice reviewed was also for the new Smuttynose Brewery in Hampton, NH. The documentation indicated the Smuttynose installed a stack chiller, also known as a waste heat chiller recovery chiller. Various vendors were contracted and the total work was indicated as $44,788.19 and the rebate was $33,591, or 75% of the costs reported. GDS Associates, Inc. was contracted to verify the benefits and savings from the new equipment.

A third invoice was reviewed by Audit, again for the Smuttynose Brewery in Hampton, NH. This time, they installed a centrifuge which will result in less product waste, more efficient product batches and therefore electric and gas savings in product creation. The total cost of the centrifuge was indicated as $187,625 with a $47,424 rebate or 25%.

A fourth invoice reviewed by Audit was for a rebate given to NextEra Energy Seabrook Station. The Seabrook power station installed new, energy efficient parking lot lighting as well as warehouse lighting at the cost of $156,431 and was given a rebate of $31,355 or 20%.

Municipal – 10-29-02-21-908-54

Audit reviewed one invoice with a rebate issued to the Town of Hampton-DPW. The Town of Hampton-DPW installed energy efficient measures at the Church St pump station as well as upgrades to the facility on Hardardts Way. The combined cost of the measures was documented as $70,531 and the rebate was $50,562.50 or 72% of the total cost.

The second invoice reviewed was for new lighting at various municipal locations in the town of Stratham, NH. The total cost of the lights was indicated as $23,847.99 and a rebate of $11,923.99 or 50% of the cost.

Performance Incentive for 2014

According to the Settlement Agreement, approved by the Commission by Order# 25,189, dated 12/30/2010, a performance incentive based on the actual expenditures, rather than budgeted expenditures, was authorized. The earned incentive filed summed to $261,415. The estimated incentive noted in the same report was $217,162 with a true-up entry performed the following year to account for the variance between the estimated and the actual earned figures.

In Unitil's 2014 Annual Report Shareholder Incentive Calculation it is noted that Unitil calculated an incentive of 10.6% of the actual C&I expenses. In June of 2015, the PUC and Unitil became aware that the calculation used resulted in an incentive higher than the 10% cap of actual expense and that an adjustment, in the form of a true-up entry, would be made to the incentive and the associated interest after PUC Audit issues a final report. Prior to issuing the Final Report, Unitil adjusted the figures in the PI calculation resulting in a final amount of $132,289 for C&I and $118,014 for Residential and a combined amount of $250,303. Based upon the information submitted, the $250,303 is an accurate total. All tables and figures in this report are based upon the initial rather than subsequent Filings. **Audit Issue #1.**

RGGI Revolving Loan Fund (RLF)

On August 19, 2009, a $7,646,020 grant identified as Re-CORE was approved by the Governor and Council which among other things established the Revolving Loan Funds administered by the Core Electric Utilities. Specifically, each utility initially received the following amount:

GSE	$ 302,077
NHEC	$ 200,000
PSNH	$ 500,000
UES	$ 725,000
Total:	**$1,727,077**

Approved in the settlement Agreement covering the 2013/2014 CORE Programs, Unitil added $115,000 to the available to loan balance. For additional information regarding the RGGI Re-CORE grant refer to the Final PUC Audit Report of the Re-CORE issued on June 24, 2011 or to the previous audit report.

The following grid represents the RGGI RLF, which at full funding was $840,000. On a cumulative basis as of 12/31/14, $1,085,650 had been loaned, $351,940 had been repaid, and administrative costs (including a transfer of $13,888 to PSNH) in the amount of $14,656 resulted in $740,198 available to lend. Each year can be seen independently by viewing the appropriate column. Audit requested clarification of the RLF available to lend as of 12/31/2014 and was provided with the following information:

Loan Activity	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
Grants Received & Additions to Fund	$189,503	$ 535,497	$ -	$ -	$ 115,000	$ -	$ 840,000
Consumer Loans (net of buydowns)	$ -	$(106,199)	$(123,974)	$(376,177)	$(155,018)	$ 324,282	$(437,086
Loan Repayment (net of defaults)	$ -	$ 5,410	$ 39,451	$ 66,318	$ 102,756	$ 138,005	$ 351,940
Consumer Loan Admin Costs	$ -	$ (10,183)	$ (18,361)	$ 13,888	$ -		$ (14,656
Net Loan Activity per year (not cumulative)	**$189,503**	**$ 424,525**	**$(102,884)**	**$(295,971)**	**$ 62,738**	**$ 462,287**	

The Consumer Loans, net of buy-downs were verified to the following GL Accounts:

10-29-02-44-908-43-14	C&I RGGI RLF - LOAN - BUYDOWN	$ 211,120.00
10-29-02-44-908-43-22	RES RGGI RLF - LOAN - BUYDOWN	$ 113,162.00
		$ 324,282.00

The loan repayments, net of defaults, were verified to the following GL Accounts:

10-29-02-44-456-00-01	LOAN PAYBACK - RGGI - RES	$ 96,697
10-29-02-44-456-02-01	LOAN PAYBACK - RGGI - CI	$ 41,308
		$ 138,005

Audit Issue #1

Performance Incentive

Background

Each Utility is authorized to earn an incentive based upon actual money spent in the program using the approved Performance Incentive formula as found in the Settlement Agreement.

Issue

Unitil's 2014 Performance Incentive calculation was not correct. The Filed C&I Performance Incentive was over the 10% limit (5% for each of the two components) as defined in the 2014 Settlement Agreement and the Filed Residential Performance Incentive was too high.

Audit Recommendation

Unitil and PUC both became aware of the C&I Performance Incentive issue during the month of June 2015 and Unitil already agreed to recalculate the Performance Incentive utilizing the 5% cap on each component (or 10% of overall C&I Expenses). With respect to the Residential PI, Audit Recommends Unitil ensures rounding is used only where appropriate and that the approved formula is followed rather than its components re-ordered. Lastly, Unitil will need to resubmit their Filing with the appropriate changes.

Company Response

The Company agrees and will resubmit the filing within 15 business days of the issuance of the final version of this audit report.

Audit Comment

Audit concurs with Unitil's response.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: August 18, 2015
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor

SUBJECT: Liberty Utilities (Energy North Natural Gas) Corp.
DE 12-262 - 2014 CORE
FINAL Audit Report

TO: Tom Frantz, Director, NH PUC Electric Division
Steve Frink, Assistant Director, NH PUC Gas/Water Division
Les Stachow, Assistant Director, NH PUC Electric Division
James Cunningham, NH PUC Analyst III

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2014. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), PSNH d/b/a Eversource, New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and Energy North (ENG) filed a joint petition for the program years 2013 through 2014. Each utility was audited individually.

In accordance with Commission Order #24,630 in Docket DG 06-036, ENG provided the Commission with monthly summaries of expenses and recoveries related to the energy efficiency programs. For the 2014 program year, the monthly summaries were properly filed in the instant docket, DE 12-262.

Audit truly appreciates the assistance of Eric Stanley, Paul Kinch, Tina Poirier, Sue-Ellen Bellici, David Simek, and Jim Bonner from Liberty Utilities. The Company provided access to all supporting documentation requested by Audit.

Approved 2014 Programs

The participating utilities submitted a joint energy proposal to the Commission on 9/17/2012 for the program years 2013 through 2014. The Commission approved the 2013 programs by Order #25,462 on 2/1/2013. On 9/13/2013, the utilities submitted updated programs for calendar year 2014. The Commission approved the 2014 programs by Order #25,615, issued 12/30/2013. The ENG programs for 2014 were approved as follows:

Residential – Income Qualified
Home Energy Assistance Program (weatherization program)

Residential – Non-Income Qualified
Energy Star Homes
NH Home Performance with Energy Star (HPwES)
Energy Star Appliance Program-heating, hot water equipment and controls
Residential Building Practices and Demonstrations Program

Commercial and Industrial
Large Business Energy Solutions Program
Small Business Energy Solutions Program
Educational Programs

Program Changes or Updates for 2014

The Residential Energy Star Appliance program was updated to include Wi-fi thermostats and their related incentives to the list of Energy Star Hot Water and Heating system measures. ENG also added an Early Boiler Replacement (EBR) program, with rebates capped at $3,000.

The Residential Building Practices and Demonstrations Program is used by ENG to "*support new and/or advanced energy savings technologies installed by residential customers. In addition to the Early Boiler Replacement Pilot and the Wi-Fi Thermostats Pilot introduced previously, the NH Gas Utilities will investigate a* Third *Party Financing Pilot and a Home Energy Reports Pilot in 2014*" (see 9/2013 proposal, page 6)

The Third Party Financing Pilot is being offered by ENG and Northern. "*The primary goal of this pilot is to determine if lenders are interested in offering unsecured energy efficiency loans to customers and providing the administrative infrastructure for such financing. At this time, the NH Gas Utilities plan to collaborate with banks, credit unions or other financing institutions to develop the Third Party Financing Pilot Program...*" (see 9/2013 proposal, page 7)

Also noted in the proposal on page 7 is the Home Energy Reports (HER) Pilot. "*The NH Gas Utilities will investigate a behavioral pilot program for the 2014/2015 winter heating season that includes delivery of paper reports to a randomly selected group of residential gas customers. The HER pilot program would be designed to engage residential customers into a long term conversation about how they can save energy and money on their utility bills. Notably, the HER pilot program would be similar to PSNH's existing pilot program; however, the program would be tailored exclusively for gas customers with a focus on the heating season.*" Refer to the Residential Building and Practices portion of this report for further information.

Mid-Year Adjustments

On 12/12/2014, the Company notified the Commission of a transfer of funds within the Residential and C&I sectors of the CORE programs. Specifically:

Program	Budget	20% Cap	Amount Transferred	% Transferred
Res Building & Prac	$193,500	$ 38,700	$(26,100)	(13%)
Res ESA	$766,500	$153,300	$130,000	17%
Res ESH	$ 94,500	$ 18,900	$(18,900)	(20%)
Res HPwES	$766,500	$153,300	$(85,000)	(11%)
Small Business	$ 998,729	$199,746	$(130,000)	(13%)
Large Business	$1,394,458	$278,982	$ 136,463	10%
C&I Education	$ 32,314	$ 6,463	$ (6,463)	(20%)

Filing Summary

Expenses

Demand Side Management (DSM) expenses for the year ending December 31, 2014 as reported in the shareholder incentive on 5/29/2015 were $5,313,980.

Table 8 of the shareholder incentive report reflected the following activity:

EnergyNorth per Table 8 Incentive Report	Int. Admin.	Rebates	Int. Impl.	Marketing	Evaluation	TOTAL
Energy Star Homes	$ 1,564	$ 35,995	$ 17,370	$ 1,781	$ 2,114	$ 58,824
Home Performance with Energy Star	$ 7,674	$ 620,239	$ 90,013	$ 2,918	$ 15,153	$ 735,997
Energy Star Appliances	$ 10,015	$ 824,528	$ 33,942	$ 29,790	$ 13,085	$ 911,360
Home Energy Assistance	$ 9,941	$ 839,397	$ 41,862	$ 2,495	$ 12,210	$ 905,905
Res Bldg Practices & Demo	$ 864	$ 151,342	$ 757	$ 1,120	$ 2,400	$ 156,483
TOTAL RESIDENTIAL	**$ 30,058**	**$ 2,471,501**	**$183,944**	**$ 38,104**	**$ 44,962**	**$ 2,768,569**
Large Business Energy Solutions	$ 19,543	$ 1,419,397	$ 89,179	$ 28,365	$ 87,606	$ 1,644,090
Small Business Energy Solutions	$ 16,390	$ 671,319	$133,390	$ 30,266	$ 19,170	$ 870,535
C&I Education	$ 4,242	$ 7,572	$ 126	$ 18,671	$ 174	$ 30,785
TOTAL C&I	**$ 40,175**	**$ 2,098,288**	**$222,695**	**$ 77,302**	**$ 106,950**	**$ 2,545,410**
TOTAL RESIDENTIAL and C&I	**$ 70,233**	**$ 4,569,789**	**$406,639**	**$ 115,406**	**$ 151,912**	**$ 5,313,979**

The Company did not report any external administrative costs for 2014. However, the budget provided to the Commission in September 2013 included $533,730 in external administrative costs. The Company indicated that costs for service fees and technical assistance have been classified as "Rebates and Services" rather than external administrative costs, to be consistent with the other utilities.

Audit reviewed the overall budget totals by program and compared the reported actual expenses, with the following result:

	2014 Budget filed ENG 9/13/2013	Transfer 12/2014	Revised Budget	Actuals per 2014 Incentive	Actuals as % of Budget
Energy Star Homes	$ 94,500	$ (18,900)	$ 75,600	$ 58,824	78%
Energy Star Appliances	$ 766,500	$ 130,000	$ 896,500	$ 911,360	102%
Home Performance with Energy Star	$ 766,500	$ (85,000)	$ 681,500	$ 735,997	108%
Home Energy Assistance	$ 923,250	$ -	$ 923,250	$ 905,905	98%
Building Practices & Demos	$ 193,500	$ (26,100)	$ 167,400	$ 156,483	93%
Large Business Energy Solutions	$ 1,394,458	$ 136,463	$ 1,530,921	$ 1,644,090	107%
Small Business Energy Solutions	$ 998,729	$ (130,000)	$ 868,729	$ 870,535	100%
Codes, Audit Training & Education	$ 32,314	$ (6,463)	$ 25,851	$ 30,785	119%
SUBTOTAL	$ 5,169,751	$ -	$ 5,169,751	$ 5,313,979	103%
Performance Incentive	$ 413,580			$ 486,397	118%
	$ 5,583,331			$ 5,800,376	104%

The overall actual expenses reported were 103% of the adjusted budgeted total. The supporting spreadsheets provided to Audit agree with the reported total expenses identified in the updated shareholder incentive calculation.

The reported actual Low Income Home Energy Assistance figure of $905,905 represents 17% of the total expenses, excluding the performance incentive.

The shareholder incentive report indicated that the calculated incentives for 2014 were $251,019 for the Commercial & Industrial sector, and $235,378 for the Residential sector, for a total of $486,397.

General Ledger Detail (gl)

Audit verified the 2014 Rolling Fund Balance from the monthly reports filed in docket DE12-262 to:

1/1/2014 beginning	$ 2,037,869 agrees with gl recon prior audit
2014 revenue collected	$(4,225,514)
2014 expenses	$ 5,296,991
2014 estimated incentive	$ 289,506
2014 interest	$ 69,504
12/31/2014 balance per monthly report	**$ 3,468,356 under-collection at year-end**

GL 8840-2-0000-10-1163-1755 12/31/2014 **$ 3,468,356**

Audit was provided with the Energy North Gas Company Account Reconciliation for account 8840-2-0000-10-1163-1755, Deferred Peak Reserve DSM, which reflects the ending balances for 2014 $3,468,356. The Wennsoft Financial Reporting system is a system report by project code. Wennsoft is the basis for the expenses reported. If manual journal entries are made to the general ledger (known as Microsoft Dynamics GP 2010), there may not be the necessary system code associated with it. The Company has reconciled each month's reported information to the general ledger, resulting in the report to the Commission agreeing with the ending general ledger.

The reconciliation of the general ledger to the shareholder incentive expense figure is comprised of:

Per the general ledger	$5,475,494
2013 program entries in gl in 2014	$ (178,503)
Expenses per the monthly report	$5,296,991
2013 gl entries relating to 2014 program	$ 29,165
2014 gl entries relating to 2015 program	$ (2,924)
2015 gl entries relating to 2014 reallocations	$ (73,662)
2014 disallowed credit	$ 40
2015 gl entries moved to 2014 program	$ 64,369
Total 2014 reported SHI Expenses	$5,313,979

Incentive

The incentive totals included in the overall ending balance are comprised of:

Booked in year referenced		True-up booked in 2014	Activity in general ledger during 2014
2012	$223,949	+ $262,695	$262,695
2013	$261,600	+$193,450	$193,450
2014	$289,506		$289,506
		$456,145	$745,651

The true up for calendar year 2014 will be booked to the general ledger and will be reflected in the regulatory report in 2015. The incentive calculated in the Shareholder Incentive report submitted in May 2015 was $486,397. Therefore, the true-up for the 2014 program year should be:

$486,397 – $289,506 = $196,891

Revenue - $4,225,514

Audit reviewed the monthly reports provided to the Commission in the instant docket and noted therm sales by Residential sector and therm sales by C&I sector. Audit noted the accurate reflection of the approved Energy Efficiency rates as authorized by Commission Order 25,591 issued on October 31, 2013 in docket DG13-251, the 2013-2014 Winter Cost of Gas proceeding, and Order 25,730 issued on October 31, 2014 in docket DG14-220 for the 2014-2015 Winter Cost of Gas. The energy efficient rates approved by the above orders were:

	Rates 11/1/2013 – 10/31/2014	Rates 11/1/2014 – 10/31/2015
Residential	$0.0197	$0.0646
C&I Sales	$0.0264	$0.0502
C&I Transportation	$0.0264	$0.0502

The revenue reported for the months of September and October 2014 reflected debit entries, with a footnote stating that the column includes "adjustments to reconcile to actual collections as reported in the Company's general ledger". Audit requested further clarification and was informed that per discussions with PUC Audit in that timeframe, reports to the Commission would more accurately reflect the general ledger. As a result, those two monthly totals were entered to ensure that the reported month-end figure did in fact agree with the general ledger.

Per the Company, the Cogsdale billing system calculates customer invoices which are processed and printed from Fiserv, the Company's billing service provider. Audit requested and was provided with a summary revenue consumption file for the month of December. The summary reflected fixed revenue, therms, cost of gas, LDAC, and all other. Transportation customers' revenue, which is booked to general ledger account 8840-40-4460-4893, was summarized in one section, and the non-transportation residential and commercial/industrial customers' revenue was separately summarized. Those revenues are booked to general ledger account 8840-40-4295-4800 and 4810. Audit verified that the December therm figure on the monthly report, 17,654,115 agreed with the Cogsdale summary. The monthly energy efficiency revenue for December was reported to be $950,252.

Audit was unable to calculate the reported therms multiplied by the LDAC. The total LDAC revenue on the consumption file was $1,186,704. The Company provided the detail below, which explained the consumption file therms vs. consumption file revenue. **Audit Issue #1:**

Sales Account	Billed Rate	# Billed	Unit Description	Consumption		Billed Amount
8840-2-0000-10-1163-1755	0.0076	2	Commercial EE	(149)	$	(1.13)
8840-2-0000-10-1163-1755	0.0147	4	Residential EE	152	$	2.23
8840-2-0000-10-1169-1756	0.0073	6	RLIAP-Low Income	1	$	0.01
8840-2-0000-10-1920-1863	0.0011	6	Environmental	-	$	-
8840-2-0000-10-1930-1745	0.0027	5	RCEF rate case recovery	4	$	0.01
	Total December 2014 billed at DG12-265 rates				$	1.12
8840-2-0000-10-1163-1755	0.0197	22,172	Residential EE	188,975	$	3,722.81
8840-2-0000-10-1163-1755	0.0264	3,662	Commercial EE	435,293	$	11,491.74
8840-2-0000-10-1169-1756	0.0075	25,834	RLIAP-Low Income	622,753	$	4,670.65
8840-2-0000-10-1920-1863	0.0018	25,834	Environmental	608,400	$	1,095.12
	Total December 2014 billed at DG13-251 rates				$	20,980.31
8840-2-0000-10-1163-1755	0.0502	10,242	Commercial EE	10,350,541	$	519,597.16
8840-2-0000-10-1163-1755	0.0646	70,877	Residential EE	6,680,576	$	431,565.21
8840-2-0000-10-1169-1756	0.0071	81,119	RLIAP-Low Income	17,029,163	$	120,907.06
8840-2-0000-10-1920-1863	0.0055	81,119	Environmental	17,027,805	$	93,652.93
	Total December 2014 billed at DG14-220 rates				$	1,165,722.35
					$	**1,186,703.78**

Because the December 2014 revenue consumption file included customer billings from prior periods, Audit verified the reported charges to the following three Commission proceedings:

Docket DG 12-265, Order #25,435 issued for 11/1/2012 – 10/31/2013

Customer Class	Environ. Rate	Energy Efficiency	Low Income	Rate Case	Total LDAC
Residential	$0.0011	$0.0147	$0.0073	$0.0027	$0.0258
Comm/Ind	$0.0011	$0.0076	$0.0073	$0.0027	$0.0187

Docket DG 13-251, Order #25,591 issued for 11/1/2013 – 10/31/2014

Customer Class	Environ. Rate	Energy Efficiency	Low Income	Rate Case	Total LDAC
Residential	$0.0018	$0.0197	$0.0075	$0.0000	$0.0290
Comm/Ind	$0.0018	$0.0264	$0.0075	$0.0000	$0.0357

Docket DG 14-220, Order #25,730 issued for 11/1/2014 – 10/31/2015

Customer Class	Environ. Rate	Energy Efficiency	Low Income	Rate Case	Total LDAC
Residential	$0.0055	$0.0646	$0.0071	$0.0000	$0.0772
Comm/Ind	$0.0055	$0.0502	$0.0071	$0.0000	$0.0628

The revenue for the entire calendar year was traced to the following general ledger reconciling items:

	General Ledger	Regulatory Report	Variance
Revenue	$(4,639,114)	$(4,225,515)	$(413,598)
Small balance		$ (112)	
2012 incentive reclass		$ (262,695)	
Interest and timing		$ 55,120	
2013 incentive reclass		$ (193,450)	
Jan payroll new system		$ (12,462)	
Reconciled GL to Rpt	$(4,639,114)	$(4,639,114)	$ -0-

Audit requested clarification of the variance in general, and the majority, incentive postings from prior years, were included as debit items in the total revenue column on the monthly regulatory report but should have been reflected as expenses in the shareholder incentive column of the report. The total net activity and thus, ending balance, are not impacted by the misplacement of the incentive.

Other

Audit requested the status of accounts with "stays" or "holds" on them. That is, those accounts which have not been billed and are being "worked". The Company provided a detailed listing for year-end 2014 which reflected over 2,000 bills which have not been sent to the customers. The impact to the Company's revenue overall, and LDAC in particular, is undetermined. The bills have been held from prior meter read dates of May 2014 through November 2014. The accounts were placed in a hold status from June 2014 through January 2015, with a notation that each is being worked. **Audit Issue #1**

Interest - $69,504

Audit reviewed the rolling monthly summary for the period ended 12/2014 filed in the instant docket. The reported interest was properly calculated at 3.25% on the average monthly balance, including interest from the previous month. The average balance noted in September reflected a variance of $4,331, which when calculated for interest, reflected an immaterial overstatement of $12.

Due to the rolling under-collection, the interest for 2014 is an expense to the program. After the true-up of the shareholder incentive, the interest figure will be re-run and noted in the 2015 reconciliation.

EXPENSE REVIEW

Expenses were verified to the summary of expenses provided in the detailed Excel spreadsheet. Expenses are debited to general ledger account #8840-2-0000-69-5390-9080 and credited to the balance sheet #8840-2-0000-10-1163-1755.

	Internal Administration	Rebates	Internal Implementation	Marketing	Evaluation	Total
Energy Star Homes	$ 1,564	$ 35,995	$ 17,370	$ 1,781	$ 2,114	$ 58,824
Home Performance with Energy Star	$ 7,674	$ 620,239	$ 90,013	$ 2,918	$ 15,153	$ 735,997
Energy Star Appliances	$ 10,015	$ 824,528	$ 33,942	$ 29,790	$ 13,085	$ 911,360
Home Energy Assistance	$ 9,941	$ 839,397	$ 41,862	$ 2,495	$ 12,210	$ 905,905
Res Bldg Practices & Demo	$ 864	$ 151,342	$ 757	$ 1,120	$ 2,400	$ 156,483
TOTAL RESIDENTIAL	**$ 30,058**	**$ 2,471,501**	**$ 183,944**	**$ 38,104**	**$ 44,962**	**$ 2,768,569**
Large Business Energy Solutions	$ 19,543	$ 1,419,397	$ 89,179	$ 28,365	$ 87,606	$ 1,644,090
Small Business Energy Solutions	$ 16,390	$ 671,319	$ 133,390	$ 30,266	$ 19,170	$ 870,535
C&I Education	$ 4,242	$ 7,572	$ 126	$ 18,671	$ 174	$ 30,785
TOTAL C&I	**$ 40,175**	**$ 2,098,288**	**$ 222,695**	**$ 77,302**	**$ 106,950**	**$ 2,545,410**
TOTAL RESIDENTIAL and C&I	**$ 70,233**	**$ 4,569,789**	**$ 406,639**	**$ 115,406**	**$ 151,912**	**$ 5,313,979**

Audit selected a sample of the expenses for detailed review. Those results are summarized below. Expenses which are allocated among energy efficiency programs and between EnergyNorth and Granite State Electric are based on budget percentages.

Allocated Expenses

Audit reviewed the entries which were allocated to Internal Administration and Internal Implementation, which as reported, sum to $476,873.

	Internal Administration	Internal Implementation
Journal entries-labor	$ -0-	$ 20,225
Balance Professionals	$10,665	$ 1,447
Consortium for Energy Efficiency	$ -0-	**$ 3,350**
Margaret Curran	$ 255	$ 657
Graphix Plus	$ -0-	$ 84
Chris Kintz	$ -0-	$ 92
Lakes Region Community College	**$ 2,960**	$ -0-
Robert McLean	$ 504	$ 1,594
Bob Reals	$ -0-	$ 612
Eric Stanley	$ 1,198	$ -0-
Staples Advantage	$ -0-	$ 325
Monica Ward	$ -0-	$ 197
CORE Team labor	$54,653	$378,055
Total	$70,234	$406,639
Misclassifications	**$ (2,960)**	**$ (3,350)**
Revised Internal Adm/Impl	$67,274	$403,289

The journal entries-labor figure of $20,225 represents the net activity for the year of labor cost accruals and reversals plus bonus pay and pay rate increases during the year.

The Balance Professionals figures reflect the time worked on the ENG CORE by two temporary employees.

The misclassification of the two items above does not change the overall CORE total expenses for the year.

- Lakes Region Community College was a misposting of **$2,960** Rebate/Service expense as Internal Administration. Refer to the C&I Education portion of this report for additional information.
- The **$3,350** represents the annual membership to the Consortium for Energy Efficiency. The expense was misposted as Internal Implementation. Refer to the all program details below as well as the discussion below regarding Allocated Expenses for further information.

Margaret Curran, Chris Kintz, Robert McLean, Bob Reals, Eric Stanley, and Monica Ward are Liberty employees.

CORE Team labor expenses represent the majority of both the Internal Administration and Internal Implementation costs. Audit reviewed supporting pivot table detail of the weekly timesheet entries. There were eight dedicated CORE employees, two of whom worked specifically for CORE for a portion of the 2014 year. In addition, labor expenses originally allocated to Customer Sales and Marketing were reallocated to more accurately reflect the tasks performed. The decision to align the labor costs more closely with the work performed was made by the executive team and the Finance group. Audit was provided with the journal entries' details which reallocated $33,928 for ENG and $18,260 for GSE for the nine employees.

The Company paid ANB Enterprises a total of $163,450. ANB is the software system provider used by the Company to track the energy efficiency programs. The costs were allocated among the programs as follows, and between ENG and GSE. The total allocated to GSE was $124,029. The total allocated to ENG was identified as evaluation costs, and was spread among the programs:

C&I Large Business - Evaluation	$10,404
C&I Small Business - Evaluation	$ 7,638
Residential Appliance - Evaluation	$ 4,832
Residential Low Income - Evaluation	$ 7,602
Residential ES Home - Evaluation	$ 1,110
Residential Tech Demo - Evaluation	$ 936
Residential HPwES - Evaluation	$ 6,900
Total ANB Enterprises	$39,421

The Company paid Antioch University $1,000 for sponsorship of the Local Solutions: Northeast Climate Change Preparedness Conference, held at Antioch in May 2014. The charges were posted in March 2014 to the following programs in ENG and GSE, which was allocated $250:

C&I Large Business	Marketing	$250
Residential HPwES	Marketing	$250
Residential ES Homes	Marketing	$250
Total Antioch		$750

Audit reviewed the 40 page brochure relating to the Conference, and did not note any of the other NH Utilities as contributors. The focus of the conference appears to have been much broader than energy efficiency, and included 500 participants from Washington D.C. and states along the coast through Maine and the eastern provinces of Canada. Antioch partnered with the US EPA and provided sessions related to preparations for severe weather and climate change impacts in the Northeast. While the overall amount of funds expended is small, Audit does not concur with the use of the energy efficiency funds for this purpose.

Capstar Radio Operating Co d/b/a Clear Channel was paid a total of $6,000, allocated between ENG and GSE as well as between CORE and marketing expenses booked to operations and maintenance. Audit reviewed the Wennsoft detail and noted allocation to ENG CORE marketing expenses:

C&I Large Business	$ 499
C&I Small Business	$ 350
Residential HPwES	$ 273
Residential HEA	$ 324
Residential ES Homes	$ 24
Residential Appliances	$ 275
	$1,745

The Company paid the Consortium for Energy Efficiency, Inc. a total of $5,000 which was allocated $3,500 to ENG and $1,500 to GSE. The invoice requested, and provided to Audit, reflected the $5,000 represented annual dues for January through December 2014. Liberty, Unitil, New Hampshire Electric Cooperative, and Eversource were noted among the program administrators (members) of the Consortium. Refer to those individual audit reports. ENG allocated the costs among the programs as follows:

C&I Small Business	Internal Implementation	$ 700
C&I Large Business	Internal Implementation	$ 950
Residential ES Homes	Internal Implementation	$ 50
Residential HEA	Internal Implementation	$ 550
Residential HPwES	Internal Implementation	$ 550
Residential Appliances	Internal Implementation	$ 550
Res. Building Practices	Marketing	$ 150
	ENG total	$3,500

Audit requested clarification of why the expenses were primarily considered Internal Implementation costs. The Company responded that the coding was in error and the expenses should have been classified as evaluation costs, as the Consortium provides research and analysis information regarding the energy efficiency activities, along with product and program trends.

The Company paid Esource a total of $39,531. The Company informed Audit that Esource is a subscription based membership service which provides Liberty with research, evaluation, and technical support relating to the energy efficiency programs. GSE was allocated $12,080. The costs were spread among the following programs in ENG:

C&I Education Evaluation	$ 174
C&I Education Marketing	$ 37
C&I Large Business Evaluation	$ 6,367
C&I Large Business Marketing	$ 2,120
C&I Small Business Evaluation	$ 5,878
C&I Small Business Marketing	$ 1,525
Residential Appliance Evaluation	$ 3,924
Residential Appliance Marketing	$ 1,172
Res. Building Practices Evaluation	$ 376
Res. Building Practices Marketing	$ 298
Residential ES Homes Evaluation	$ 484
Res. HPwES Evaluation	$ 3,924
Res. HPwES Marketing	$ 1,172
Total Horizon	$27,541

Fletcher Media was paid $6,901, split between GSE $6,277 and ENG $624, for marketing materials for the NHSaves.com website and for the NHSaves Lighting catalog. The cost was noted in the Residential Energy Star Homes program as a marketing expense. Overall expenses relating to Fletcher Media are spread among all utilities participating in the CORE.

The Company paid GDS Associates $47,131 for service provider costs and energy code workshops. The costs were spread among the following programs in ENG. The amount posted to GSE was $6,045.

C&I Small Business Rebates/Services	$17,975
C&I Education Rebates/Services	$ 5,492
Res. ES Home Rebates/Services	$17,619
Total GDS Associates	$41,086

The Company paid Horizon Residential Energy Services NH, LLC a total of $736,559. Horizon pays HPwES contractors for weatherization work, and they receive funding for scheduling, inspecting, billing and reporting HPwES services. Tech Demo expenses include rebates for the Early Boiler Retirement program and interest rate buy-downs. (refer to the Third Party financing portion of this report for further information) GSE reflected $176,588. The costs were spread among the following programs in ENG:

C&I Small Business Rebate/Service	$ 614
Residential Appliance Evaluation	$ 63,928
Res. Low Income Rebate/Service	$ 3,193
Res. Tech Demo Rebate/Service	$ 18,115
Res. HPwES Marketing	$ 700
Res. HPwES Rebate/Service	$473,422
Total Horizon	$559,972

Audit selected six invoices for review. Refer to the Small Business Rebates and Services portion of this report, the Home Performance with Energy Star Rebates and Services portion, and the Home Energy Assistance Rebates and Services portion for specific details.

Audit requested a copy of the contract in place between Liberty and Horizon and was provided with the document in place from June 2013 through December 2014. The terms, scope, purchase orders, pricing schedule, contractor safety requirements, environmental requirements, and background check requirements were included. The purchase order total dated 6/5/2013 was for $250,000. The contract also noted that Horizon will enter all project information into Liberty's eTrack work flow system, prior to invoicing the Company. As projects are completed, Horizon invoices (electronically) for the labor and materials involved, with payment term of "net 10" via automated clearing house (ACH) transaction.

Services covered by the contract, purchase order, and additional services included early boiler replacement program, HPwES Energy Star Gas energy efficiency program, pass-through weatherization costs, payment of third party loan payments, and commercial multi-family weatherization.

The HPwES pass-through payments exceeded the purchase order, but rather than expanding the purchase order for 2014, the Company went to bid for the services and issued a larger purchase order for the next two program years.

Audit selected six invoices for review. Refer to the Small Business Rebates and Services portion of this report, the Home Performance with Energy Star Rebates and Services portion, and the Home Energy Assistance Rebates and Services portion.

Ideas Agency, Inc. was paid a total of $67,661 and was split between GSE $41,918 and ENG $25,742. The Company indicated that Ideas Agency provided marketing support for the energy efficiency programs. Audit noted that the expenses were identified as marketing costs and allocated to all programs.

The Northeast Energy Efficiency Partnerships was paid a total of $19,490, with $12,020 allocated to ENG and $7,470 allocated to GSE. The funds paid for evaluation studies for both companies and were allocated among the ENG programs as follows:

C&I Large Business Evaluation	$ 3,298
C&I Small Business Evaluation	$ 2,381
Residential Appliance Evaluation	$ 1,815
Res. Building Practices Evaluation	$ 475
Residential ES Homes Evaluation	$ 210
Res. HEA Evaluation	$ 2,026
Res. HPwES Evaluation	$ 1,815
Total Horizon	$12,020

New Hampshire Sustainable Energy Association was paid $500 for ENG Marketing with none allocated to GSE. The total represents an annual membership fee of $500 for 2014

Plymouth Area Renewable Energy Initiative (PAREI) ENG $6,541 GSE $2,810

The PAREI provides services around the state, most specifically, Button Up NH workshops. Audit reviewed the PAREI website and calendar for 2014 and noted several workshops throughout the state and throughout the year.

An invoice in the amount of $8,851 dated 11/13/2013 was reviewed during the 2013 CORE audit. The invoice represented expenses for home shows to take place in 2014. As a result, the 2013 expenses were reduced and the amount included in this 2014 CORE. Specifically, $2,810 for GSE and $6,041 for ENG were properly allocated to 2014. The remaining $500 of the ENG expense represents 2014 corporate sponsorship.

Questline was paid a total of $34,730 with $4,007allocated to ENG and $30,723 to GSE for the setup and distribution of monthly energy efficiency email newsletter programs to Liberty gas and electric customers. The ENG expenses were noted as Marketing and were allocated among the ENG programs:

C&I Large Business – Marketing	$1,136
C&I Small Business – Marketing	$1,917
Residential HPwES - Marketing	$ 954
Total ENG Questline	$4,007

Ram Marketing was paid $13,475 for providing outbound calls to customers to generate project leads for the C&I gas and electric programs. The costs were noted as marketing expenses within the C&I Small Business program with $3,500 ENG and $9,975 GSE.

RISE Engineering was paid a total of $555,054. The allocation between ENG and GSE was ENG $385,501, GSE $169,553. The ENG expenses were incurred for C&I program implementation activities such as customer field audits, inspections, and technical assistance. The $385,501 was identified within the following ENG programs:

C&I Small Business - Rebates and Services $257,999, representing 38% of the total C&I Small Business Rebates and Services $671,319.

C&I Large Business - Rebates and Services $127,503, representing 9% of the total C&I Large Business Rebates and Services $1,419,397.

Residential Energy Performance Association (REPA) $300 posted to ENG representing membership for two people for 2014. The expense was noted in the 2013 audit report and corrected in 2014.

River Energy was paid a total of $42,278, with $1,492 posted to GSE and $40,786 posted to ENG. River Energy provides GasNetwork marketing, education and handouts for the prescriptive rebate forms and for the AECS Avoided Cost Study. Expenses incurred were allocated among all utility companies participating in the CORE. Audit reviewed the 158 line item entries related to River Energy for ENG and noted the allocation among:

C&I Education – Marketing	$ 6,551
C&I Large Business – Marketing	$ 2,715
C&I Small Business – Marketing	$ 7,455
Residential Appliances –Marketing	$23,684
Residential HEA – Marketing	$ 178
Residential ES Homes – Marketing	$ 18
Residential Building Practices – Marketing	$ 37
Residential HPwES – Marketing	$ 148
	$40,786

WMUR-TV was paid a total marketing expense of $18,000. The six invoices of $3,000 each, for the months April through September, were split 50/50 between operations and maintenance accounts and ENG / GSE CORE. GSE CORE was allocated $2,700 and ENG CORE was allocated $6,300. The expenses were noted across all CORE programs as marketing costs.

C&I Education

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Excel detail provided to Audit:

Evaluation	$ 174
Internal Administration	$ 4,242
Internal Implementation	$ 126
Marketing	$18,671
Rebates and Services	$ 7,572
Total for program	$30,786

The 9/17/2012 filing summarized the educational programs for residential and commercial customers as an integral part of raising awareness of energy efficiency. Specifically identified were Energy Code Training for all stakeholders; Commercial Energy Auditing classes which provide training to facility managers; C&I Customer Education includes training sessions for C&I customers and professionals; Energy Education for Students provides support for programs available to students from kindergarten through high school.

The marketing expenses of $18,671 were paid to:

River Energy Associates	$ 6,551	
Plymouth Area Renewable Energy Initiative	$ 6,041	(paid in 2013 for 2014)
Plymouth Area Renewable Energy Initiative	$ 6,041	(correction to 2013 clerical error)
Esource Companies	$ 37	
Ideas Agency	$ 1	
allocation of one Liberty	$ -0-	
	$18,671	

The Company indicated that the $6,041 PAREI invoice which was paid in 12/2013 for 2014 was posted incorrectly to the HPwES program rather than to C&I Education. Therefore, the adjusting entry to correct the clerical error was made in 12/2014. Audit verified that the reversal did in fact take place. The credit was noted in the Home Performance with Energy Star program, rather than this C&I Education program. As a result, this program's expense for marketing is overstated by $6,041 and the HPwES program's expense for marketing is understated by $6,041. The total marketing expense for C&I Education should be $12,630.

Of the $7,572 noted as Rebates and Services, Audit selected for review Plumbers Fuel Gas Fitter & HVAC which was paid $600. Two payments made in September in the amounts of $100 and $500 were noted as rebates.

Audit also requested and was provided with invoices from Lakes Region Community College. ENG participates with Lakes Region with tuition payments for Building Operator Certification courses. Two invoices reflected nine participants. One participant dropped the class, so the invoice for $1,850 was booked to ENG for $1,480 and was noted in the C&I Education Rebates and Services expense category. The second invoice, which reflected an increase in the tuition rate, summed to $2,960 but was posted to Internal Administration rather than to Rebates and Services. Audit clarified that none of the listed students works for Liberty.

The Company paid GDS Associates a total of $47,131, of which $5,492 was allocated to the C&I Education program. Refer to the Allocated Expenses portion of this report for additional information.

Summary C&I Education

As a result of the identified items above, the breakdown of the C&I Education expenses for 2014 should have been:

	Original		Recommended
Evaluation	$ 174		$ 174
Internal Administration	$ 4,242	-$2,960 =	$ 1,282
Internal Implementation	$ 126		$ 126
Marketing	$18,671	- $6,041 =	$12,630
Rebates and Services	$ 7,572	+$2,960 =	$10,532
Total for program	$30,786	-$6,041 =	$24,744

Large Business Energy Solutions Program

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Excel detail provided to Audit:

Evaluation	$ 87,606
Internal Administration	$ 19,543
Internal Implementation	$ 89,179
Marketing	$ 28,365
Rebates and Services	$1,419,397
Total for program	$1,644,090

Noted in the 9/17/2012 filing (page 38) and the 12/4/2012 update, this program is designed for electric customers with a twelve month average demand of 200kW or an average annual energy usage of 40,000 therms or more for gas customers. Program customers will receive rebates for new construction, major renovations, failed equipment replacement, replacement of inefficient equipment, and gas customers who use natural gas to heat the facility or have food service operations. Rebate amounts for new construction are the lesser of 75% of incremental costs or a one year payback, and for retrofit projects, the lesser of 35% or a one year payback. The filing also indicates that an initiative called Energy Efficient Schools will offer rebates up to 100% of incremental costs, with 5% of the Large Business Energy Solutions budget set aside for this portion of the program.

Audit was informed that for 2014, there were 15 offer letters sent for school projects, three of which were accepted and completed in 2014. The remaining twelve will be completed in 2015, and 19 additional projects were offered in 2015 as well. Audit selected one rebate paid to the city of Manchester for project work at the Southside Middle School. Refer to the Small Business portion of this audit report.

C&I Large Business Evaluation -$87,606

Audit reviewed the seven invoices received from KEMA, Inc. which sum to $62,850 for ENG. The impact evaluation services are based on a contracted amount of $557,599, with the expense paid by all NH CORE utilities. Specifically, Audit noted that the invoices were allocated as follows:

Utility	Percentage	2014 Total
PSNH d/b/a Eversource	59.69%	$250,269
Liberty Utilities-Gas (ENG)	14.99%	$ 62,850
Unitil	12.52%	$ 52,494
Liberty Utilities –Electric (GSE)	6.71%	$ 28,134
New Hampshire Electric Cooperative	6.09%	$ 25,534
KEMA statewide 2014 expenses		$419,282

$10,404 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

C&I Large Business Internal Implementation - $89,179

Audit reviewed the Internal Implementation charges (refer to the Allocated Expenses portion of this report), and noted that $950 allocated from the Consortium for Energy Efficiency had been miscoded as Internal Implementation but should have been identified as an Evaluation cost.

C&I Large Business Rebates and Services - $1,419,397

RISE Engineering was paid a total of $127,503 for services related to field audits, inspections, and technical assistance. See also the Small Business Rebates and Services section of this report.

Concord Steam was paid a total of $8,374. $2,900 of the total was for a steam trap survey. $5,474 was paid for repairs which resulted from that survey. The repair total was $10,948 of which 50% was the resulting incentive.

Concord Hospital was paid a total of $491,871 for four individual incentives. The first was completed in 2013, with the rebate of $223,700 paid in February 2014 after certification, testing, etc., of the custom HVAC installation. The total installed cost of the project was $1,789,600, of which $447,400 was calculated as gas related. 50% of the gas cost, or $223,700 was paid as the incentive.

The second project was completed and rebated in 2014 in the amount of $246,605. The incentive represents 75% of the installed cost of a boiler and combustion controls.

A steam trap survey invoiced by American Plant Maintenance, Inc. in the amount of $14,500 was paid by Concord Hospital, which was then reimbursed for the full amount. The final rebate of $7,066 represents 50% of the cost of 52 steam traps.

Southern NH University was paid a total of $155,250 per an incentive offer and acceptance form, both dated February 5, 2014. The project was completed October 31, 2013. Audit requested clarification of the delay in processing the request for rebate, and was told that the certification of the combined heat and power project required commissioning and testing the measures that were installed. The overall project cost was $310,500, of which the $155,250 rebate is 50%.

Summary of C&I Large Business Energy Solutions

As a result of the identified items above, the breakdown of the C&I Large Business expenses for 2014 should have been:

	Original	Adjusted
Evaluation	$ 87,606 + $950 =	$ 88,556
Internal Administration	$ 19,543	$ 19,543
Internal Implementation	$ 89,179 - $950 =	$ 88,229
Marketing	$ 28,365	$ 28,365
Rebates and Services	$1,419,397	$1,419,397
Total for program	$1,644,090	$1,644,090

Small Business Energy Solutions Program

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Excel detail provided to Audit:

Evaluation	$ 19,170
Internal Administration	$ 16,390
Internal Implementation	$133,390
Marketing	$ 30,266
Rebates and Services	$671,319
Total for program	$870,535

Noted within the 9/17/2012 filing (pages 40-41) this program is designed for business customers using less than a twelve month average of 200kW or 40,000 therms. Similar to the Large Business Energy Solutions program, this program is intended for new or retrofit projects. The rebate amount for new projects is the lesser of 75% or a one year payback, and for retrofit projects is the lesser of 50% for gas customers (35% for electric customers) or a one year payback.

Small Business Evaluation - $19,170

$7,638 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

Small Business Rebates and Services- $671,319

Audit reviewed 60 line items from the Company provided Excel detail which reflected payments to RISE Engineering. For 2014, a total of $257,999 was paid to this company, which was contracted by Liberty to "*help support the C&I program implementation activities such as customer field audits, inspections, and technical assistance work.*" The amount paid to RISE represents 38% of the reported small business rebates and services. (refer to the Large Business Rebates and Services for additional payments to RISE)

Audit requested and was provided with invoices for RISE as follows:

- $6,500 administrative fee for March 2014. The invoice was identified as Large Business $3,900 and Small Business $2,600.

- $75,050 invoice issued June 3, 2014 was identified as Small Business Service fees $65,038 and Large Business Service fees $10,013. Liberty further provided a summary of the 70 Small Businesses identified by RISE as receiving rebates ranging from $300 to $1,850.

Audit also requested documentation to support one entry paid to Horizon Residential Energy Services NH, LLC in the amount of $614. The invoice for the month of November, 2014 reflected inspection, administration, clerical and mileage charges for a site visit to the Canterbury Apartments in Nashua.

The Company paid GDS Associates a total of $47,131, of which $17,975 was allocated to the C&I Small Business program. Refer to the Allocated Expenses portion of this report for additional information.

The city of Manchester received two incentives. One condensing boiler at the Southside Middle School was installed by Palmer & Sicard, resulting in the incentive payment of $22,538 in July 2014. A request for payment was provided which outlined the contract terms, payments to date, and retainage. The overall contract was $179,505.

The second incentive had been paid to the city of Manchester Fire Department in 2013, for two custom condensing boilers and an indirect fired water heater. The payment made to the Fire Department should have been made to the city. The original 2013 $2,400 was reversed in 2014, and the updated payment was included in the 2014 total. The net for program year 2014 was zero.

Small Business Summary

	Original	Adjusted
Evaluation	$ 19,170 + 700 =	$ 19,870
Internal Administration	$ 16,390	$ 16,390
Internal Implementation	$133,390 – 700 =	$132,690
Marketing	$ 30,266	$ 30,266
Rebates and Services	$671,319	$671,319
Total for program	$870,535	$870,535

The mispost of the Small Business allocation of the Consortium for Energy Efficiency, allocated at $700 to the Small Business Internal Implementation rather than Evaluation, does not impact the program's overall expense total. (Refer to the Allocated Expenses portion of this report for further information.)

Residential Home Performance with Energy Star (HPwES)

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Excel detail provided to Audit:

Evaluation	$ 15,153
Internal Administration	$ 7,674
Internal Implementation	$ 90,013
Marketing	$ 2,918
Rebates and Services	$620,239
Total for program	$735,997

HPwES Evaluation - $15,153

Audit noted that reported Evaluation expense of $15,153 was comprised of the following:

ANB Enterprises, Inc.	$ 6,900
ESource Companies, LLC	$ 3,924
Northeast Energy Efficiency Partnership, Inc.	$ 1,816
New Hampshire Public Utilities Commission	$ 2,513
Reported total	$15,153
Adjust for miscoding of CEE invoice	$ 550
Adjusted total Evaluation	$15,703

Audit reviewed the entries relating to the Consortium for Energy Efficiency (CEE), and requested clarification of the postings as Internal Implementation. Refer to the Allocated Expenses portion of this report. The entries should have been for Evaluation.

$6,900 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

HPwES Internal Implementation - $90,013

The total expense is overstated by $550 due to the posting of the Consortium for Energy Efficiency (CEE) allocation to this expense type, rather than to Evaluation. See above. Therefore, the adjusted Internal Implementation figure should be $90,013 – $550 = $89,463

HPwES Marketing - $2,918

The total marketing expense related to HPwES is understated by $6,040.72 due to the reversal of an invoice from Plymouth Area Renewable Energy which had not posted to HPwES, rather had posted to the C&I Education program. Audit concurs with the reconciling entry, as the invoice relates to program year 2015. The overall HPwES Marketing expense should therefore be $2,918 + $6,041=$8,959

See also the discussion relating to the reconciling item within the C&I Education portion of this report.

HPwES Rebates and Services - $620,239

Audit noted that Horizon Residential Energy Services NH, LLC was paid $473,422 , representing 76% of the total rebates and services for the year. Audit requested supporting documentation for:

- $47,224 invoiced for Air Sealing building #3 at Oak Bridge in Concord NH. The building is an apartment building.
- $50,400 invoice for 36 $1,400 gas energy efficiency multi-family measures at Briston Manor, which is a 70 unit apartment building in Bedford, NH. The invoice indicated it was a prepayment, dated 11/14/2014. Audit questioned what measures were installed and whether they were completed in 2014. ENG indicated the measures were insulation and air sealing and were completed in 2014.
- $14,000 invoice for 10 gas energy efficiency multi-family measures at the Briston Manor. The invoice was a prepayment dated 9/2/2014. ENG indicated that the measures were insulation and air sealing, completed in 2014.

Refer to the Allocated Expenses portion of this report for additional information.

HPwES Summary

As a result of the items identified above, the expense breakdown for HPwES should have been:

	Original		Revised
Evaluation	$ 15,153	+ $550 =	$ 15,703
Internal Administration	$ 7,674		$ 7,674
Internal Implementation	$ 90,013	- $550 =	$ 89,463
Marketing	$ 2,918	+ $6,041 =	$ 8,959
Rebates and Services	$620,239		$620,239
Total for program	$735,997	+ $6,041 =	$742,038

Residential Energy Star Appliance Program

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Excel detail provided to Audit:

Evaluation	$ 13,085
Internal Administration	$ 10,015
Internal Implementation	$ 33,942
Marketing	$ 29,790
Rebates and Services	$824,528
Total for program	$911,359

Energy Star Appliance Evaluation - $13,085

$4,832 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

The Evaluation cost category is understated by $550. The Consortium for Energy Efficiency was misclassified as an Internal Implementation expense but should have been an Evaluation cost. Therefore, the Internal Implementation expenses are overstated by $550. The total program cost is unchanged. Refer to the Allocated Expenses portion of this report for further details and to the Summary below.

Energy Star Appliance Rebates - $824,528

Audit reviewed one Horizon Residential Energy Services NH, LLC invoice, dated 1/21/2014 in the amount of $59,800. The invoice represented a prepayment for "approximately 17 FHW boiler rebates and approximately 5 steam boiler rebates". ENG provided a detailed accounting of fifteen rebates of $3,000, three rebates of $1,900, one rebate of $2,448, one net administrative invoice of $46, and a transfer of $6,801 to HPwES. $200 had been carried forward from 2013.

Refer to the Allocated Expenses portion of this report for additional information.

Summary of the Energy Star Appliance program:

As a result of the items identified above, the expense breakdown for Energy Star Appliance program should have been:

Evaluation	$ 13,085 + $550 =	$ 13,635
Internal Administration	$ 10,015	$ 10,015
Internal Implementation	$ 33,942 - $550 =	$ 33,392
Marketing	$ 29,790	$ 29,790
Rebates and Services	$824,528	$824,528
Total for program	$911,359	$911,359

Residential Home Energy Assistance Program

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Wennsoft pivot table provided to Audit:

Evaluation	$ 12,210
Internal Administration	$ 9,941
Internal Implementation	$ 41,862
Marketing	$ 2,495
Rebates and Services	$839,397
Total for program	$905,904

The reported expenses reflect 17% of the overall 2014 CORE expenses. The budget $923,250, also represented 17% of the total budget. Actual expenses vs. the budget were 98%.

Income qualified gas customers are eligible to receive up to $5,000 for insulation, weatherization, cost effective appliance and lighting upgrades, and appropriate health and safety measures. Gas customers "may be eligible" for additional efficiency measures (see 9/17/2012 filing page 33).

HEA Evaluation - $12,210

$7,602 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

HEA Rebates and Services - $839,397

Audit reviewed the Rebates and Services and noted the payments made to the following:

Belknap Merrimack Community Action	$293,571
Brown and Company	$ 5
Horizon Residential Energy Services NH	$ 3,193
Millennium Integrated Marketing	$ 461
Northeast Utilities	$ 33
Performance Systems Development	$ 4,325
Southern NH Services	$537,809
	$839,397

Audit was informed that the Community Action Agencies did participate in a bidding process, and that statewide rates were negotiated. Audit was provided a copy of the rate sheet from during the 2013 audit. An updated rate sheet, reflecting changes to the lighting measures in September 2014 was provided to Audit.

Of the $3,193 paid to Horizon Residential Energy Services NH, LLC, $1,067 was for services rendered in November 2013. Due to the immateriality of this item, Audit does not recommend that either the 2013 or 2014 shareholder incentive be recalculated. Refer to the Allocated Expenses portion of this report for additional information regarding Horizon.

Audit requested supporting documentation for three entries paid to Southern NH Services.

$89,312	2014 Home ENG Assistance Gas 12/17/2014
$95,694	eTrack invoice #93831 1/22/15
$51,998	eTrack invoice #93826 1/22/15

Each of the items was posted to eTrack through OTTER. Of the 74 customers who received services, none reflected a total cost above the Commission approved cap of $5,000. Each line item included an administrative fee and a rebate fee. The administrative fee represented a home energy audit at the agreed cost of $230 plus 10% of the actual rebate amount as well as instant savings measures (ISM) installed as part of the gas program audit. Three customers had gas furnaces installed, with two of the customers receiving assistance from PSNH as well. The total noted in the ENG CORE reflects only ENG's portion of the cost.

Summary of the Home Energy Assistance program:

As a result of the items identified above, the expense breakdown for Home Energy Assistance program should have been:

	Original	Adjusted
Evaluation	$ 12,210 + $550 =	$ 12,760
Internal Administration	$ 9,941	$ 9,941
Internal Implementation	$ 41,862 - $550 =	$ 41,312
Marketing	$ 2,495	$ 2,495
Rebates and Services	$839,397 - $1,067	$838,330
Total for program	$905,904 - $1,067	$904,837

Residential Energy Star Homes - New Construction

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Wennsoft pivot table provided to Audit:

Evaluation	$ 2,114
Internal Administration	$ 1,564
Internal Implementation	$17,370
Marketing	$ 1,781
Rebates and Services	$35,995
Total for program	$58,824

As noted on page 24 of the 9/17/2012 filing (for program years 2013 – 2014), this program is fuel neutral designed to encourage homeowners and builders to build homes that are at least 15% more efficient than homes built to the 2009 International Energy Conservation Code (IECC). The program provides home builders with technical assistance, financial incentives, and instruction relating to compliance with Energy Star standards. New single family and multi-family projects are eligible, as are complete rehabilitations of existing structures. Project rebates are based on a sliding scale of Home Energy Rating System (HERS) results. The electric and gas utilities will coordinate to provide rebates for high efficiency gas HVAC equipment.

Energy Star Homes Evaluation - $2,114

$1,110 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

Refer to the Allocated Expenses portion of this report for the miscoding of allocations related to the Consortium for Energy Efficiency. As a result of the miscode, the Internal Implementation is overstated and Evaluation understated for the Energy Star Homes by $50. The overall program costs did not change.

Energy Star Homes Rebates and Services - $35,995

The Company paid GDS Associates a total of $47,131, of which $17,619 was allocated to the Residential Energy Star Homes program. Refer to the Allocated Expenses portion of this report for additional information.

The company paid Neighborworks Southern New Hampshire $13,700. Invoices provided supported seven single family homes' HERS performance reviews and Energy Star appliance rebates. There were no exceptions noted.

Summary of the Residential Energy Star Homes program:

As a result of the items identified above, the expense breakdown for Energy Star Homes program should have been:

	Original		Adjusted
Evaluation	$ 2,114	+ $50 =	$ 2,164
Internal Administration	$ 1,564		$ 1,564
Internal Implementation	$17,370	- $50 =	$17,320
Marketing	$ 1,781		$ 1,781
Rebates and Services	$35,995		$35,995
Total for program	$58,824		$58,824

Residential Building Practices and Demonstrations

Audit verified the reported expenses found on the shareholder incentive report, Table 8, as filed on 5/29/2015, to the Wennsoft pivot table provided to Audit:

Evaluation	$ 2,400
Internal Administration	$ 864
Internal Implementation	$ 757
Marketing	$ 1,120
Rebates and Services	$151,342
Total for program	$156,843

Evaluation

$936 was paid to ANB Enterprises. ANB is the software system provider used by the Company to track the energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information.

Refer to the Allocated Expenses portion of this report for the miscoding of allocations related to the Consortium for Energy Efficiency. As a result of the miscode, the Marketing is overstated and Evaluation understated for the Energy Star Homes by $150. The overall program costs did not change.

Rebates and Services

$141,949 of the rebates and services total was paid in one lump sum to OPower for set up of the program, an annual license fee, and print management services. The payment was verified to an invoice from OPower, along with a contract signed by Liberty (ENG) dated 3/26/2014.

Audit requested and was provided with the first quarterly report of preliminary savings results and customer surveys. 80 customers have opted out of the pilot (through March 2015).

$10,000 of the total rebates and services was paid to Horizon Residential as prepayment of the 2% loan buy-down. See Third Party Financing Pilot below. See the Allocated Expenses portion of this report for additional information.

The combined total of the above two rebates is $151,949. The reported total rebate is less due to reclassifications of $8,826 to HPwES and six other smaller rebates.

Third Party Financing Pilot

The proposed 2014 programs included the "*NH Gas Utilities are in the process of assessing the potential of offering low interest third party financing to support residential customers' participation in the CORE Energy Efficiency Programs. The primary goal of this pilot is to determine if lenders are interested in offering unsecured energy efficiency* *loans to customers and providing the administrative infrastructure for such financing. At this time, the NH Gas Utilities plan to collaborate with banks, credit unions or other financing institutions to develop the Third Party Financing Pilot Program. To the extent possible, the NH Gas Utilities will draw on the experience obtained from financing programs offered in other states in order to minimize program costs. In addition, if determined as relevant, the NH Gas Utilities may conduct participant surveys to assess customer motivation, behavior and satisfaction, and will utilize the results to improve future program offerings*". (see 9/13/2013 proposal, page 7)

Audit requested the results of the assessment, details regarding the lenders with whom the interest rate buy downs (IRB) were negotiated, loan limits, the number of customers, the amount of the loans, the total of the IRB included as an expense in 2014, and any information relating to defaults. The IRB is paid in full, up front, and buys the interest rate down to 2% for the customer.

The Company indicated that the lenders do not report loan defaults. The Company provided copies of contracts executed with Meredith Village Savings Bank and Merrimack County Savings Bank. Both were signed on October 4, 2013. Subsequently, the highest loan amount was increased from $7,500 to $10,000. Both contracts indicated that the loan amounts and terms were:

$1,000 up to $2,000	for up to 2 years	(24 months)
$2,001 up to $4,000	for up to 3 years	(36 months)
$4,001 up to $6,000	for up to 4 years	(48 months)
$6,001 up to $10,000	for up to 5 years	(60 months)

The Company also provided a detailed spreadsheet with the date, location, loan amount and term, related 2% IRB, the total of any related HPwES, Boiler, or EBR rebate, any customer co-pay, the total investment, total rebate, project type, and contractor. For 2014, there were a total of 31 customers who borrowed $200,296. Twenty eight of the loans originated through Merrimack Valley Savings Bank and three through Meredith Village Savings Bank. The Company indicated that it had signed an agreement with the Northeast Credit Union at the end of 2014, but did not have any customers execute loans with the Credit Union until 2015.

ENG contracted with Horizon to ensure that the buy-down of the loan from the total present value to 2% interest rate was paid to the issuing bank within a five day window, required by both banks. Audit requested clarification of the verification process used by ENG to ensure the "subsidy disbursement (interest rate buy-down) is properly calculated. The Company indicated that an interest buy down spreadsheet is used (Microsoft Excel amortization and present value calculation). The buy down calculation is compared to the figure prepared by the bank, and the lower of the two amounts is paid.

Audit requested the calculations for three customers. The calculations were reviewed without exception, and the lesser of the buy down amounts was paid for each. The variances were immaterial (under $1).

Audit also requested the process used to ensure that the payment made by Horizon to the participating bank is made within the contracted five day timeframe. The

Company stated *"Liberty Utilities' Program Administrator (PA) receives an email from the bank with the detailed invoice and required documents attached. Within two business days the PA reviews the documents and emails the documents to HorizonRES for payment to the specific bank. The email states the bank name and payment amount. HoizonRES then pays the bank and emails a confirmation to the PA when the payment was made.*" Horizon charges Liberty (in quarter hour installments) $60 per hour to process the 2% buy-downs. Audit requested clarification of the use of Horizon vs. processing the checks internally, and was told that the internal processing for expedited checks is not cost effective.

Summary of the Residential Building Practices and Demonstrations program:

As a result of the items identified above, the expense breakdown for Building Practices and Demonstrations program should have been:

	Original		Adjusted
Evaluation	$ 2,400	+$150 =	$ 2,550
Internal Administration	$ 864		$ 864
Internal Implementation	$ 757		$ 757
Marketing	$ 1,120	- $150 =	$ 970
Rebates and Services	$151,342		$151,342
Total for program	$156,843		$156,843

Summary of Recommended Adjustments to the 2014 Activity

Audit reviewed the noted expense total of $5,313,919 which does appear to reflect the correct figure for the year. The only errors identified as a result of this audit were the mispostings of certain expenses among cost categories and/or between programs. One immaterial error was identified by Audit. The Company provided the allocation below:

	Internal Administration	Rebates	Internal Implementation	Marketing	Evaluation	Total
Energy Star Homes	$ 1,564	$ 35,995	$ 17,370	$ 1,781	$ 2,114	$ 58,824
Home Performance with Energy Star	$ 7,674	$ 620,239	$ 90,013	$ 2,918	$ 15,153	$ 735,997
Energy Star Appliances	$ 10,015	$ 824,528	$ 33,942	$ 29,790	$ 13,085	$ 911,360
Home Energy Assistance	$ 9,941	$ 839,397	$ 41,862	$ 2,495	$ 12,210	$ 905,905
Res Bldg Practices & Demo	$ 864	$ 151,342	$ 757	$ 1,120	$ 2,400	$ 156,483
TOTAL RESIDENTIAL	**$ 30,058**	**$ 2,471,501**	**$ 183,944**	**$ 38,104**	**$ 44,962**	**$ 2,768,569**
Large Business Energy Solutions	$ 19,543	$ 1,419,397	$ 89,179	$ 28,365	$ 87,606	$ 1,644,090
Small Business Energy Solutions	$ 16,390	$ 671,319	$ 133,390	$ 30,266	$ 19,170	$ 870,535
C&I Education	$ 4,242	$ 7,572	$ 126	$ 18,671	$ 174	$ 30,785
TOTAL C&I	**$ 40,175**	**$ 2,098,288**	**$ 222,695**	**$ 77,302**	**$ 106,950**	**$ 2,545,410**
TOTAL RESIDENTIAL and C&I	**$ 70,233**	**$ 4,569,789**	**$ 406,639**	**$ 115,406**	**$ 151,912**	**$ 5,313,979**

After Audit's review and the details within this report regarding the Internal Administration, Internal Implementation, Marketing, Consortium for Energy Efficiency, Lakes Region Community College, and the Plymouth Area Renewable Energy Initiative, the overall total expense figure remains the same, but the allocation among programs and expense types should have been different. The reduction of actual expenses (refer to the HEA program) in the amount of $1,067 is immaterial:

	Internal Administration	Rebates	Internal Implementation	Marketing	Evaluation	Total
Energy Star Homes	$ 1,564	$ 35,995	$ 17,320	$ 1,781	$ 2,164	$ 58,824
Home Performance with Energy Star	$ 7,674	$ 620,239	$ 89,463	$ 8,959	$ 15,703	$ 742,038
Energy Star Appliances	$ 10,015	$ 824,528	$ 33,392	$ 29,790	$ 13,635	$ 911,360
Home Energy Assistance	$ 9,941	$ 838,330	$ 41,312	$ 2,495	$ 12,760	$ 904,838
Res Bldg Practices & Demo	$ 864	$ 151,342	$ 757	$ 970	$ 2,550	$ 156,483
TOTAL RESIDENTIAL	**$ 30,058**	**$ 2,470,434**	**$ 182,244**	**$ 43,995**	**$ 46,812**	**$ 2,773,543**
Large Business Energy Solutions	$ 19,543	$ 1,419,397	$ 88,229	$ 28,365	$ 88,556	$ 1,644,090
Small Business Energy Solutions	$ 16,390	$ 671,319	$ 132,690	$ 30,266	$ 19,870	$ 870,535
C&I Education note 2	$ 1,282	$ 10,532	$ 126	$ 12,630	$ 174	$ 24,744
TOTAL C&I	**$ 37,215**	**$ 2,101,248**	**$ 221,045**	**$ 71,261**	**$ 108,600**	**$ 2,539,369**
COMBINED RESIDENTIAL and C&I	**$ 67,273**	**$ 4,571,682**	**$ 403,289**	**$ 115,256**	**$ 155,412**	**$ 5,312,912**

Audit Issue #1
December 2014 Revenue Test

Background

Audit selected the month of December 2014 to determine that the Commission approved energy efficiency rate was in place, and the reported revenue was fairly and accurately calculated.

Issue

Audit was unable to calculate the overall local delivery adjustment charge (LDAC) revenue noted on the consumption file, using the therm sales noted on the same consumption file.

The Company provided specific detail demonstrating that the total for December included six bills at the LDAC approved in DG 12- 265; 25,834 bills at the DG 13-251 rate; and 81,119 bills at the current DG 14-220 rate. While the rates were verified to the Commission approved LDAC for the years identified, 25% of the total number of bills issued in December 2014 were issued later than they should have been.

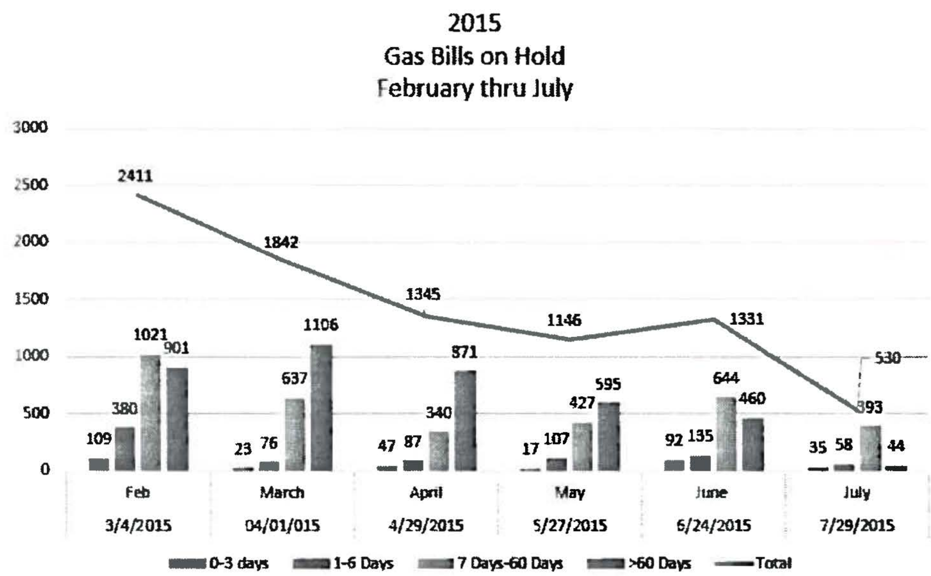
Audit was also provided with a detailed list of accounts for which over 2,000 bills have been placed on a "hold" status. The bills have been held from prior meter read dates as early as May 2014. The accounts were placed in a hold status from June 2014 through January 2015, with a notation that each is being worked. The impact to the Company's revenue overall is undetermined.

Recommendation

Audit understands that the Cogsdale billing system is being used to the extent possible, and encourages the Company to continue to clear the older billings as soon as possible. Audit also understands that the Company continues to work those accounts placed on a hold status.

Company Comment

Company concurs with Audit's comments. The company has also made significant progress since the end of 2014 in clearing the Held accounts. In November 2014, Liberty Utilities and PUC staff led by Amanda Noonan began meeting on a regular basis to discuss the formalized list of concerns raised by PUC staff members. One of the items discussed in subsequent meetings was the issue of 'bills on hold", specifically listed under item #14 Failure to stay on top of billing exceptions. In February of this year, a plan was developed and implemented by the Liberty Utilities' Billing Team to reduce the back log of accounts place on hold (ie. Bills on Hold). Significant progress has been made and the status of issue #14 has been considered closed as of the last meeting held on June 29th. Below is a chart which illustrates the progress made on the back log. Efforts continue to work towards the internal goal of having no more than 5 bills on hold in the greater than 60 day bucket.



Audit Response

Audit appreciates the update from the Company and encourages the continuing efforts.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: February 22, 2016
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor

SUBJECT: Liberty Utilities (Granite State Electric) Corp.
DE 12-262 - 2014 CORE Program
FINAL Audit Report

TO: Tom Frantz, Director NH PUC Electric Division
Les Stachow, Assistant Director, NH PUC Electric Division
James Cunningham, NH PUC Analyst III

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2014. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire d/b/a Eversource, New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and Energy North (ENG) filed a joint petition for the program years 2013 through 2014 on September 17, 2012. Each utility was audited individually.

Audit appreciates the assistance of Eric Stanley, Tina Poirier, Sue-Ellen Bellici, James Bonner, Mark Savoie, and Heather Tebbetts from Liberty Utilities.

Approved 2014 Programs

The utilities submitted a joint energy proposal to the Commission on 9/17/2012 for the program years 2013 through 2014. An update for the 2014 program year was submitted to the Commission on 9/13/2013. On 12/3/2013, a settlement agreement was provided to the Commission, which approved the agreement by Order #25,615 on 12/30/2013. The updated 12/3/2013 proposal included the following programs:

Home Energy Assistance Program – income qualified
ENERGY STAR® Homes
NH Home Performance with ENERGY STAR® (HPwES)
ENERGY STAR® Lighting
ENERGY STAR® Appliance
Large Business Energy Solutions Program
Small Business Energy Solutions Program
Educational Programs

Program Updates for 2014

CORE Specific Changes Approved by Order #25,615

- Wi-Fi thermostats associated with Energy Star Hot Water and Heating system measures as part of the Energy Star Appliance program were added

- Municipal and Local Government program added to the existing C&I programs (as a result of SB123, see below)

- HEA spending cap $8,000, with goal of fund spending for space/water heating equipment not to exceed 25% of each utility's HEA budget

- At first quarterly meeting in 2014, Staff and the Utilities "*shall meet to identify steps and create a procedural schedule to establish a multi-year program monitoring and evaluation plan.*"

Relative to the use of the Regional Greenhouse Gas Initiative Quarterly Auction Proceeds

In 2013, Senate Bill 123 and House Bill 630 amended RSA 125-O:23. As found in the Settlement Agreement dated 12/3/2013 on page 2: "*This legislation provides, in part, that the Commission shall first allocate at least 15% of the RGGI proceeds to the low income energy efficiency program after which the Core Utilities shall dedicate up to $2,000,000 of the remaining RGGI proceeds annually for municipal and local government energy projects, including projects by local governments that have their own municipal utilities.*" The reference to the $2,000,000 was also reenacted by Senate Bill 268, approved 8/4/2014 with an effective date of 10/3/2014.

Authorization Level for Electric HEA

On 7/26/2013, Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding through the end of 2013. The changes include among other things, increasing the per-customer spending cap from $5,000 to $8,000 (for electric utilities only) to better serve low-income residents. On 11/1/2013, extension of the program through 2014, or until the HEA is adjusted, was approved by Secretarial letter. On 12/30/2013 the Commission issued Order #25,615 which included extending this change through the 2014 calendar year.

Relative to the Performance Incentive Calculation

On 9/6/2013 Order #25,569 authorized a change in the calculation of the Performance Incentive, for the Electric Utilities only, beginning with the 2014 program year.

Specifically, on pages 2-3, the Order states: "*[T]he Core electric utilities would begin applying a new ratio of electric lifetime savings to total lifetime energy savings as* *they relate to the total portfolio of Core electric programs. Upon applying that ratio, if it is determined that electric lifetime savings are greater than or equal to 55% of total lifetime energy savings, a higher performance incentive would apply. If the electric lifetime savings fall below 55% of total lifetime energy savings, a lower incentive would apply. Once the ratio is determined, the proposed mechanism preserves the same basic structure as the existing mechanism, except that the baseline is lowered from 8% to 7.5% at the 55% and up level, and to 6% at the under 55% level. Moreover, the overall maximum performance incentive that can be achieved is lowered from 12% to 10% at the 55% and up level, and to 8% at the under 55% level. Staff and the Core utilities further recommend there be a cap on the individual components used to calculate the performance incentive (the kWh savings and benefit-cost components), rather than a cap on the overall performance incentive amount for each sector (residential and commercial/industrial sectors). Under the proposed mechanism, the individual component caps would be half the overall cap. For example, the kWh savings component would be capped at 5% and the benefit cost component would be capped at 5% at the 55% and up level. The minimum thresholds of 65% for planned savings and 1.0 for benefit-cost in the existing mechanism remain unchanged. In addition, the proposed performance incentive mechanism covers all programs, including the HPwES Program, any legislatively mandated municipal programs funded by RGGI, and any pilot or future regular programs. The parties to this proposal also note that the proposal is limited to the programs operated by the Core electric utilities, as it is in response to the Commission's request to consider how non-electric savings from measures undertaken by the electric utilities should be factored into the incentive calculations. The proposal would not change the baselines and metrics for gas utility programs.*"

In addition, the expenses related to the ISO Forward Capacity market should be included in the calculation of the performance incentive. Refer to page 19 of the program proposal dated 12/3/2013.

Audit reviewed the Table 1B and noted the following:

Lifetime MMBtu savings	90,177 * conversion factor 293 = 26,429
Lifetime MWh	71,943

Because the lifetime MWh of 71,943 exceeded the lifetime energy savings of 26,429 by a factor of 2.7, the 55% savings threshold has been met for 2014.

On table 3a in the incentive filing GSE calculated the 2014 incentive to be $196,915. During the calendar year 2014, $105,249 was booked to the accrued revenue account. GSE identified the incentive figure to be a reconciling item at year end, to be booked to the GL during 2015. The incentive was based on:

Commercial & Industrial Expenses	$1,306,949	SHI = $124,419	9.5%
Residential	$ 837,831	SHI = $ 72,497	8.7%
Net Expenses 2014	$2,144,780	SHI = $196,915	9%

Audit recalculated the performance incentive, using the formula outlined in the 9/13/2013 proposal on page 19:

PI=[3.75 x ACTUAL] x [(BCact/BCpre) + (kWhact/kWhpre)]

For the 2014 residential sector, the PI in the incentive filing is $72,496.58. Audit requested clarification from the Company and was provided:

PI =[(3.75% * $837,830.62) * (2.08/2.27)] + [(3.75%*$837,830.62)*(10,361,270/7,436,718)]
PI = ($31,418.65 * 0.9163) + ($31,418.65 * 1.393258)
PI = $28,788.89 + $43,774.30
PI = **$72,563.19**

For the 2014 C&I sector, the PI in the incentive filing is $124,418.67.
PI =[(3.75% * $1,306,948.76) * (2.30/1.37)] + [(3.75%*$1,306,948.76)*(61,581,760/37,807,486)]
PI = ($49,010.58 * 1.678) + ($49,010.58 * 1.629)
PI = $82,239.75 + $79,838.24
PI = **$162,077.98**

The C&I sector was capped at 10% of the budget, $1,244,186.72, therefore the actual incentive for the 2014 program year is $124,418.67.

The 2012 true-up of $86,883 was booked in October 2014. The 2013 incentive of $187,203 was booked in October 2014. The activity noted was a debit to 8830-2-0000-20-2142-2423 and a credit to income account 8830-2-0000-40-4210-4511.

A portion of the total $196,915 calculated incentive, $114,817, was debited to the 2142-2423 account in December 2014 and credited to the income account above. The balance, $82,098, was booked after the close of the program year. Therefore, the remaining 2014 incentive to post to the general ledger is:

Actual calculated residential	$ 72,563.19
C&I	$124,418.67
Adjusted actual 2014	$196,981.86
Booked to GL 2014	$114,817.00
2014 remaining to post to GL	$ 82,164.86

Regarding the Regional Greenhouse Gas Initiative (RGGI) 2012 – 2013 Expansion

House Bill 1490 passed on 6/23/2012 updating RSA 125-O:23. In October 2012, the Commission, by Order #25,425 in docket DE10-188, approved a budget for use of the RGGI fund pursuant to HB1490 which went into effect January 1, 2013. The law replaced the Greenhouse Gas Emission Reduction Fund with a new Energy Efficiency Fund. Distribution of funds in excess of $1 threshold price for carbon allowances were required to be rebated to all default service electric ratepayers. The remaining proceeds "*shall be allocated by the commission as an additional source of funding to electric distribution companies for core energy efficiency programs that are funded by SBC funds*".

The funds were fully expended by February 2013. A final payment, in the form of the 8% shareholder incentive (excluding HEA) was provided to the utilities by the Business Office of the NHPUC in October 2014. Specifically:

PSNH/Eversource	$ 92,012
Unitil	$ 14,470
GSE	$ 10,868
NHEC	$ 7,802
Performance Incentive	125,152

Group Net Metering

In compliance with Puc 908.07, Liberty provided the 2014 Registered Group Host Facilities report to the Commission's Executive Director on April 15, 2015. As of the end of 2014, there were two group hosts with generating capacity of 15kW.

GSE Mid-Year Adjustments

On 11/17/2014, GSE requested permission for the following transfers between CORE programs:

Program	Budget	20% Cap	Amount Transferred	% Transferred
HPwES	$ 174,578	$ 34,916	$ 46,000	26%
ES Homes	$ 96,321	$ 19,264	$(46,000)	48%

Within the same letter, GSE informed the Commission of transfers below 20% between Energy Star Appliance and Energy Star Lighting budgets:

ES Appliances	$222,739	$44,548	$(21,000)	09%
ES Lighting	$108,360	$21,672	$ 21,000	19%

On 7/26/2013, Commission Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from $5,000 to $8,000 (for electric utilities only) to better serve low-income residents. On 11/1/2013 a Secretarial Letter authorized the continuation of the increased spending cap through the end of 2013, as federal funds had not become available as anticipated. On 12/30/2013 the Commission issued Order #25,615 approving the 2014 energy efficiency programs, and extending the increased cap through 2014.

2014 CORE Filing Summary

Table 5 of the Shareholder Incentive package originally reflected a 12/31/2014 net over-collection of $150,322. Audit reviewed the table and noted that the January 2014 beginning balance was the year-end balance of 12/31/2012, not 12/31/2013. The 1/1/2014 balance should have included $737,011 of RGGI auction proceeds received during the year 2013, ISO proceeds for 2013, and the requisite adjustment to the interest calculation, as outlined in the PUC audit report issued in October 2014. A revised Table 5, for program year 2013, had been provided in November 2014, but the current 2014 table 5 did not reflect the adjustments. Audit brought the error to the attention of the Company, and on January 22, 2016 was provided with a revised 2014 Table 5.

Original Table 5		REVISED Table 5 1/22/2016	
Beginning Over-collection	$ 318,162	Beginning Over-collection	$ 1,153,839
System Benefit Charge	$ 1,640,116	System Benefit Charge	$ 1,635,154
RGGI Quarterly Auction	$ 384,422	RGGI Quarterly Auction	$ 384,422
ISO Proceeds	$ 159,904	ISO Proceeds	$ 159,904
Total Revenue	$ 2,184,442	Total Revenue	$ 2,179,480
Total Expense	$ (2,167,931)	Total Expense	$ (2,167,931)
Total Interest	$ 18,840	Total Interest	$ 46,420
Total Incentive	$ (203,191)	Total Incentive	$ (203,191)
Net Over-collection	$ 150,322	Net Over-collection	$ 1,008,617

The general ledger account reconciliation at 12/31/2014 reflects an over-collection of $999,010.48. The difference of $9,606 consists primarily of the payroll reversal, accrual, and non-reversing bonus accrual. Audit recommends that the Company ensure the Table 5 running balance is adjusted for the 2015 program year.

Revenue

Revenue	Budget	Reported Actual	**REVISED** 1/22/2016
System Benefit Charge	$1,706,900	$1,640,116	$1,635,154
RGGI Quarterly Auction	$ 488,000	$ 384,422	$ 384,422
ISO Proceeds	$ 128,600	$ 159,904	$ 159,904
Total Revenue 2014	$2,351,000	$2,184,441	$2,179,479

System Benefits Charge and Reported kWh sales

The (originally reported) kWh was verified to quarterly customer migration reports filed per Order 24,715. Those reports sum to 911,865 MWh. The total CRIS/Cogsdale sales of 910,825 represented all customer classes. The variance of 1,040 MWh was explained to be due to the reporting of billed sales reports vs. month-end reports. The REVISED reports, provided to Audit in December 2015 and January 2016 reflect a total kWh of 905,891,002. **Audit Issue #1**

The change from the original $1,640,116 to $1,635,154 is the result of the Company reviewing several entries, assumptions, mispostings, among other things. The causes of the reduction were a debit of $8,036 and a credit of $3,074 for a net reduction of $4,962. The $8,036 is the net result of reversing and rebooking the allocation of the September, October, and November 2014 SBC. The corrections were made to the general ledger in December 2015. **Audit Issue #1**

The $3,074 represents the borderline sales that were billed and received from the MECO customers, but that revenue was not reflected on the Table 5. Audit noted that in March 2014, the Electric Assistance Program monthly GSE reconciliation included an adjustment in the amount of $2,305.79 for revenue collected from Border Sales customers from November 2012 – March 2014. An adjustment to the CORE was not noted. The adjusting entry of $3,074 was booked in May 2014 but not reflected on the CORE report. The REVISED report includes the revenue. Audit was informed that the border customers are now part of the Cogsdale billing system and do not have to be tracked separately.

KWh sales were verified to the "Total Monthly Revenue" report number CR97992A without exception for January through July. In July 2014, the Company converted from the CRIS to the Cogsdale billing system. The consumption reports, identified as GSE Customers and Deliveries, for August through December were reviewed. The kWh for August, and December agreed with the reported kWh per the monthly EAP reconciliations, but the kWh for September, October and November did not agree.

PUC Audit met with Liberty on 12/28/2014 to understand how the kWh/ SBC split is actually done between EAP and CORE. October 2014 and November 2014 revised consumption reports were provided to Audit on 12/29/2015. The revisions reflected updated kWh sales and updated SBC totals. The reports reduced the total originally reported kWh by 4,933,514 and overall related EE/EAP SBC by $16,281.

Audit requested clarification of why different reports were provided. Audit also requested clarification regarding the prior 2014 reports, and if any of those had been adjusted. On 1/13/2016 Audit was informed of a "data extract file" error which was duplicating certain bits of data while not incorporating others. There is no way for Audit to verify that the revised reports are accurate, nor to verify the stated reason for the initial variances. **Audit Issue #1**

Monthly, the allocation between the EAP and EE is performed, using the appropriate $.0015 for EAP and $.0018 for EE, noted as percentages of the $.0033 full SBC. A pivot table of the SBC account 8830-2-0000-20-2142-2542 is part of the monthly allocation. The pivot identifies CCSM bills, voids, among others. The allocation report reflects the funds associated with the Cogsdale billing system, but not the kWh. Bills are represented as credits and voids as debits. The net *should* agree with the consumption report. However, small variances were noted in October and November 2014. The September revised allocation varied from the revised Cogsdale by $1,505. **Audit Issue #1**

Audit reviewed the originally provided Cogsdale kWh sales and the related Cogsdale SBC per rate class as well as the revised consumption reports. The reports do not reflect, by rate class, the kWh * $0.0033. Audit cannot determine why the Cogsdale billing system kWh does not reflect the accurate Cogsdale system benefit charge of $0.0033 per rate class. There were variances noted in each of the months reviewed.

Audit was told that the Cogsdale SBC revenue is mapped to the general ledger account 8830-2-0000-20-2142-2542, Systems Benefit Charge. In September 2014, an additional account was added, #8830-2-0000-40-4290-4402, which was established to hold residential sales variances. Amounts less than $20 were posted to the new account in September, October, November, and December 2014.

RGGI Quarterly Auction

Funding from the RGGI Quarterly was verified to documentation on file with the NHPUC Business Office, provided to them by the Electric Division of the NHPUC in coordination with the Sustainable Energy Division of the NHPUC. The table below summarizes the four quarterly auction proceeds distributed among the utilities and municipalities in accordance with Order #25,425 in docket DE 10-188 and RSA 125-O:23.

	Electric Service	CORE	TOTAL
Eversource	$ 7,972,852	$ 2,085,156	$10,058,009
NHEC	$ 770,261	$ 217,391	$ 987,653
Liberty-GSE	$ 937,054	$ 243,685	$ 1,180,739
Unitil	$ 1,235,881	$ 321,396	$ 1,557,277
Ashland	$ 19,344	$ -	$ 19,344
Littleton	$ 72,147	$ -	$ 72,147
New Hampton	$ 3,132	$ -	$ 3,132
Wolfeboro	$ 66,845	$ -	$ 66,845
Woodsville	$ 22,954	$ -	$ 22,954
Total	$ 11,100,472	$ 2,867,629	$13,968,101

The total included in the $2,184,144 Total CORE Revenue figure also includes $140,737 which was posted to the general ledger in September. This amount represents the final 2012 Greenhouse Gas Emission Reduction Fund disbursement, which was not available for issuance to the utilities until 2014.

As required by 2013 and 2014 legislative updates to RSA 125-O:23, 15% of the RGGI proceeds remaining after distribution to the electric service customers must be allocated to the Low Income Energy Efficiency Program, and up to $2,000,000 for municipal programs. Any remaining funds are to be used to other CORE programs.

	Overall	GSE
Total RGGI Auction Proceeds	$ 13,968,101	$1,180,739
Less funds in excess of $1	$(11,100,472)	$ (937,054)
Total to CORE	$ 2,867,629	$ 243,685
Less 15% allocation to Low Income	$ (430,144)	$ (36,553)
Available to Municipal and other	$ 2,437,485	$ 207,132

Overall, $430,144 of the $2,867,629 was dedicated to the Low Income, with GSE's portion of that $36,553.

ISO -Forward Capacity Market

The Forward capacity detail, as reported in the final 2014 quarterly report in docket DE12-262 reflected revenue of $172,462 and expenses of $23,151 for a net funding source of $149,311.

The total ISO revenue included in the Table 5 of the shareholder incentive package sums to $159,904. The Company indicated that the variance from the revenue reported in the Quarterly report vs. the Table 5 was the result of timing of the revenue. The quarterly report reflected the revenue for the month in which the transmission service occurred, while the Table 5 reflected when the revenue was received and booked to the general ledger.

The general ledger reconciliation information provided to Audit reflects monthly net entries of the ISO revenue and expenses, which for the year sum to $143,408. Audit was told (on 1/13/2016) that the ISO general ledger is incorrect, but the information within the shareholder incentive was correct. An adjusting entry was provided which corrected the ledger. The adjustments posted to the general ledger on 12/2/2015 in the net amount of $16,495.72 credit. The offsetting account was 8830-2-0000-40-4210-4511, Misc. Service Revenue-Open Access DSM.

The Company included the $159,904 revenue in the overall revenue stream and the $23,151 expenses in the overall expense totals noted in the fund balance on Table 5 (refer to discussion above). The Company noted that the FCM expenses were not included in the reported program expenses and thus not included in the shareholder expense calculation. Audit noted that in the joint proposed program 12/3/2013, inclusion of the FCM expenses was identified as legitimate expenses to include in the shareholder incentive calculation. The expenses were verified to 8830-2-0000-69-5010-9080 without exception.

Interest

Interest of $18,840 as reported to the Commission was calculated at 3.25% on the average monthly balance, including interest from the previous month. The rate was verified to the quarterly interest rate letters issued to all utilities by the Director of the NH PUC Gas/Water division. The REVISED interest calculation, provided to Audit on 1/20/2016, reflects interest of $46,420 as a result of the large adjustment to the Table 5 beginning balance.

Expenses - $2,167,931

Expenses for the year ending December 31, 2014 as reported on 5/29/2015 in the shareholder incentive filing were reported to be $2,144,779. The total does not include the expenses associated with the Forward Capacity Market (ISO). A spread among the programs and expense types was provided to Audit and reflected the following:

	Evaluation	Internal Administration	Internal Implementation	Marketing	Rebates and Services	TOTAL
C&I Education	$ 289	$ -	$ 630	$ 6,744	$ 6,182	$ 13,845
C&I Large Business	$ 94,339	$ 10,058	$ 84,203	$ 27,076	$ 517,352	$ 733,029
C&I Small Business	$ 35,694	$ 5,717	$ 17,425	$ 43,368	$ 288,940	$ 391,144
C&I Municipal	$ 14,070	$ 363	$ 523	$ 2,566	$ 151,409	$ 168,932
Resi - Appliances	$ 10,334	$ 2,991	$ 16,939	$ 13,090	$ 150,585	$ 193,939
Resi - ES Homes	$ 1,552	$ 1,962	$ 3,646	$ 2,099	$ 6,831	$ 16,090
Resi - HEA - Low Income	$ 7,928	$ 3,085	$ 10,692	$ 1,790	$ 255,849	$ 279,346
Resi - HPwES	$ 7,313	$ 1,233	$ 23,631	$ 5,298	$ 176,209	$ 213,684
Resi - Lighting	$ 4,344	$ 1,076	$ 7,569	$ 18,946	$ 102,836	$ 134,772
Program Total	$ 175,864	$ 26,487	$ 165,258	$ 120,977	$ 1,656,194	$ 2,144,779
ISO Expenses Residential						$ 9,955
ISO Expenses C&I						$ 13,196
Total ISO Expenses						$ 23,151
GRAND TOTAL	$ 175,864	$ 26,487	$ 165,258	$ 120,977	$ 1,656,194	$ 2,167,931

The supporting spreadsheets provided to Audit agree with the reported total expenses identified in the 5/29/2015 shareholder incentive calculation.

Expenses were verified to the summary of expenses provided in the detailed Excel pivot table provide to Audit. Expenses are debited to general ledger account #8830-2-0000-69-5390-**9080** and credited to the balance sheet #8830-2-0000-20-2142-**2423** Audit selected a sample of the expenses for detailed review.

Allocated Expenses

Expenses which are allocated among energy efficiency programs and between EnergyNorth and Granite State Electric are based on budget percentages. The following were reviewed:

Payroll Audit selected the payroll for the week ended November 8, 2014 for detailed review. Two of the seven Energy Efficiency employees were paid weekly on an hourly basis, and five of the seven were salaried bi-weekly. Audit reviewed the time record for one week of the period, and recalculated the hourly pay rates. The pay as allocated among the programs for GSE (and ENG as applicable) was verified to the Wennsoft jobs and to the general ledger without exception. Vacation pay and "Liberty Day" pay was noted. Liberty Day is the payroll associated with the employee performing community service. While the Liberty Day and Vacation do not directly benefit the CORE, payroll and allocation of those costs, are mapped to the employee. Audit requested the payroll process, from timesheet to general ledger allocation, and was provided with the following:

Payroll –Biweekly (non-union employees)

1. Employees complete and submit Excel timesheets weekly to supervisor, timesheets include Work orders that link to GL accounts in Great Plains.
2. Timesheets are approved by supervisor and submitted to Payroll Specialist

3. Payroll specialist uploads the information onto the Wennsoft spreadsheet for upload into a Great Plains payroll batch
4. The Batch is committed using the Great Plains process to commit a batch
5. A report is pulled for process to be submitted to corporate.
6. Totals are put on a batch report for verification for Finance Manager to use when posting.
7. The payroll batch is then posted to the General ledger by the Finance manager.
8. Biweekly employees are paid every other Friday

Audit verified that the union employees who complete weekly timesheets, and are paid weekly, follow similar procedures.

ANB Enterprises, Inc. was paid a total of $163,450 allocated between GSE and ENG. The total allocation was $124,029 to GSE and $39,421 to ENG. ANB is the software system provider used by the Company to track the energy efficiency programs. The allocated costs were spread among the following programs and identified as evaluation costs:

Granite State Electric:		
8830-EEE0-1-5 -C&I Large Business	$57,890.60	
8830-EEE0-1-5 -C&I Municipal	$12,982.71	
8830-EEE01-5 -C&I Small Business	$30,527.22	
8830-EEE01-5 -Residential Appliances	$ 7588.66	
8830-EEE01-5-Res Audit & Weathrztn (HPwES)	$ 5,270.24	
8830-EEE01-5 -Residential Lighting	$ 3,043.22	
8830-EEE02-5 -Residential Low Income	$ 5,763.57	
8830-EEE01-5 -Residential New Construction	$ 962.99	$124,029.21
EnergyNorth Gas		$ 39,420.87
Total		$163,450.08

Antioch University was paid a total of $1,000 for sponsorship of the "Local Solutions: Northeast Climate Change Preparedness Conference", held at Antioch in May 2014. As noted in the 2014 ENG CORE audit report, $750 was allocated to ENG and $250 to GSE. The $250 was identified as a Marketing expense in the C&I Large Business program. The focus of the conference appeared to be much broader than energy efficiency, and as noted in the ENG report, Audit does not concur with the use of SBC funds for this purpose.

Applied Proactive Technologies, Inc. provides fulfillment services for residential lighting and electric and gas programs, including stocking marketing materials in retail outlets. The total paid in 2014 to APT was $45,181.53, of which $38,885.59 was allocated to GSE and $6,295.94 to ENG. . The allocated costs were spread among the following programs and identified as evaluation costs:

Granite State Electric:		
8830-EEE05 Residential Appliances-Marketing	\$ 5,212.70	
8830-EEE06 Residential Appliances-Rebates	\$17,785.35	
8830-EEE05 Residential Lighting-Marketing	\$ 8,380.49	
8830-EEE06 Residential Lighting-Rebates	\$ 7,507.05	\$38,885.59
EnergyNorth Gas		\$ 6,295.94
Total		\$45,181.53

Balance Professionals was paid a total of \$16,441, allocated between GSE and ENG, \$4,214 and \$12,227 respectively. The costs represent two temporary employee expenses related to accounts payable support. The total \$16,441 is a reduction from the 2013 figure of \$33,038. The costs were noted as Internal Implementation across all programs for GSE.

Consortium for Energy Efficiency was paid a total of \$5,000 with \$1,500 allocated to GSE and \$3,500 allocated to ENG. The total represents the annual membership dues for 2014.

Energy Federation, Inc. was paid a total of \$1,202,965. GSE was allocated \$222,171 and ENG was allocated \$980,794. EFI processes NHSaves orders received from customers of all utilities. Costs were noted as rebates.

Granite State Electric:		
8830-EEE06 C&I Small Business Rebates	\$ 6,528	
8830-EEE02 Residential Appliances-Rebates	\$ 212	
8830-EEE06 Residential Appliances-Rebates	\$121,420	
8830-EEE02 Residential Lighting-Rebates	\$ 46	
8830-EEE05 Residential Lighting-Marketing	\$ 16	immaterial
8830-EEE06 Residential Lighting-Rebates	\$ 93,949	\$ 222,171
EnergyNorth Gas		\$ 980,794
Total		\$1,202,965

ESource was paid a total of \$39,531. In the 2013 audit report, \$9,104 for GSE was identified as an allocation to 2014. Audit noted that the allocation was corrected in 2014. An additional \$2,976 for the 2014 period was booked to all C&I programs, including Municipal, and four residential programs. Overall, \$12,080 of the total paid was booked to GSE and \$27,452 to ENG.

Fletcher Media was paid \$6,901 split between GSE \$6,277 and ENG \$624 for updates to the NHSaves.com website and for the design of the Energy Star lighting print catalog. Costs are split among all of the participating utilities.

GDS Associates was paid a total of \$47,131 allocated between GSE \$6,045 and ENG \$41,086. The GSE was booked as rebates/services to:

ES Homes	\$ 345
C&I Education	\$5,700

Horizon Residential Energy Services NH, LLC was paid a total of $736,559 allocated13,255 between GSE $176,588 and ENG $559,972. Horizon pays HPwES contractors for weatherization work, and they receive funding for scheduling, inspecting, billing and reporting services. For 2014, the allocation of the GSE rebates/services funding was noted to be:

HPwES	$173,366
ES Homes	$ 2,684
HEA	$ 537

Ideas Agency, Inc. was paid a total of $67,661 which was split between GSE $41,918 and ENG $25,742. The Company indicated that "*Ideas Agency Inc. is a specialized marketing and communications vendor Liberty Utilities has utilized for the development of marketing support materials, and various advertising communications activities. Examples of their work for Liberty Utilities include program application forms and print collateral, direct mail and email communications and event materials.*" The GSE Ideas Agency marketing expenses were spread among the following programs:

C&I Education	$ 1
C&I Large Business	$13,255
C&I Municipal	$ 13
C&I Small Business	$28,586
Residential Appliances	$ 18
ES Homes	$ 8
HEA	$ 13
HPwES	$ 15
Residential Lighting	$ 9
	$41,918

KEMA Consulting was paid $90,988, allocated GSE $28,134 and ENG $62,850. The consultant worked to complete the ISO Monitoring and Valuation Certification analysis and is working on the Large Business study. The costs for KEMA were spread among all utilities:

GSE	$ 28,134
ENG	$ 62,850
Eversource	$250,269
NHEC	$ 25,537
UES	$ 52,494
	$419,282

Audit reviewed the invoices allocated among the utilities, maintained in the NHPUC Business Office. Invoices began for work through June, 2014 and were then received and allocated monthly.

Plymouth Area Renewable Energy Initiative (PAREI) $9,351
Liberty is a member of the PAREI with membership costs spread among programs and between EnergyNorth and Granite State Electric. GSE was allocated $2,810 and ENG $6,541. PAREI provides services around the state, most specifically, Button Up NH workshops. As part of the 2013 CORE audit, the following was noted: "*...Invoices paid in 2013 for workshops and home shows in 2014 were included in program year 2013 expenses. Audit recommends adjusting the 2013 PAREI totals by:*

	EnergyNorth		*Granite State Electric*
	$12,041		*$ 6,500*
2014	*$ (6,041)*	*2014*	*$(2,810)*
2013 addtl contrbt	*$ (350)*		*n/a*
2014 membership	*$ (500)*		*n/a*
Adjustment Total	$ (6,891)		$(2,810)
2013 PAREI ENG	*$ 5,150*	*GSE*	*$ 3,690*

The 2014 expenses included in this GSE review represent those which were identified and adjusted out of the 2013 program year. The $2,810 was listed as a Marketing expense for the C&I Education program.

Rise Engineering was paid a total of $555,054. The allocation to GSE was $169,553 and to ENG $385,501. According to the Company, Rise is a service provider for the electric and gas commercial and industrial programs.

Southern New Hampshire Services was paid a total of $666,423. GSE was allocated $128,613 and ENG $537,809. While the service territories of GSE and ENG do not cross, the service territory of Southern NH Services does cover both territories. The expenses incurred for GSE relate to the HEA program. Refer to that portion of this audit report.

C&I Education $13,845

The 9/17/2012 filing summarized the educational programs for residential and commercial customers as an integral part of raising awareness of energy efficiency. Specifically identified were Energy Code Training for all stakeholders; Commercial Energy Auditing classes which provide training to facility managers; C&I Customer Education includes training sessions for C&I customers and professionals; Energy Education for Students provides support for programs available to students from kindergarten through high school.

During 2014, GSE reported $13,845 of expenses associated with the C&I Education program. The allocation among expense categories was:

Evaluation	$ 289
Internal Implementation	$ 630
Marketing	$ 6,744
Rebates and Services	$ 6,182
	$13,845

Audit reviewed the Wennsoft detail for each expense category. The Evaluation total of $289 represents two entries related to ESource, discussed earlier in this report.

Large Business Energy Solutions Program $733,029

The Large Business Energy Solutions Program, as noted in the 9/2012 filing and 12/2012 revision targets electric customers with an average twelve-month demand of 200 kW or more. Rebate amounts for retrofit projects are authorized to be the lesser of a one year payback or up to 35% of the equipment and installation costs. For new projects, the rebate can be the lesser of one year payback or up to 75% of incremental costs. Funds from the Regional Greenhouse Gas Initiative auctions have increased funding for the CORE programs and allowed for fuel neutral incentives for new construction projects including high efficiency heating, cooling, hot water systems and controls.

During 2014, GSE reported expenses associated with the Large Business Energy Solutions Program:

Evaluation	$ 94,339
Internal Administration	$ 10,058
Internal Implementation	$ 84,203
Marketing	$ 27,076
Rebates and Services	$517,352
	$733,029

Audit reviewed the Wennsoft detail for each expense category. The Evaluation total of $94,339 represents:

ANB Enterprises	$57,891
ESource	$ 3,576
KEMA Consulting	$28,134
NEENEFF	$ 2,368
Public Utilities Commission	$ 2,270
	$94,239

Refer to the earlier discussions regarding ANB Enterprises and ESource. Audit reviewed the seven invoices received from KEMA, Inc. which sum to $28,134 for GSE. The impact evaluation services are based on a contracted amount of $557,599, with the expense paid by all NH CORE utilities. Specifically, Audit noted that the invoices were allocated as follows:

Utility	Percentage	2014 Total
PSNH d/b/a Eversource	59.69%	$250,269
Liberty Utilities-Gas (ENG)	14.99%	$ 62,850
Unitil	12.52%	$ 52,494
Liberty Utilities –Electric (GSE)	6.71%	$ 28,134
New Hampshire Electric Cooperative	6.09%	$ 25,534
KEMA statewide 2014 expenses		$419,282

Audit selected one rebate figure in the amount of $247,889 paid to the Trustees of Dartmouth College. The rebate was inclusive of four individual measures:

Lighting rebate at Berry Library	$ 88,137	33% of cost
LED Upgrade Custom Rebate Leverone Field House	$135,538	35% of cost
Custom Rebate McKenzie Hall	$ 4,004	36% of cost
Custom Rebate Moore Psychology Building Phase II	$ 20,210	20% of cost

Small Business Energy Solutions Program $391,144

Noted within the 9/17/2012 filing (pages 40-41) this program is designed for business customers using less than a twelve month average of 200kW or 40,000 therms. Similar to the Large Business Energy Solutions program, this program is intended for new or retrofit projects. The rebate amount for new projects is the lesser of 75% or a one year payback, and for retrofit projects is the lesser of 50% for gas customers and 35% for electric customers, or a one year payback.

During 2014, GSE reported Small Business expenses:

Evaluation	$ 35,694
Internal Administration	$ 5,717
Internal Implementation	$ 17,425
Marketing	$ 43,368
Rebates and Services	$288,940
	$391,144

Municipal Program $168,932

Page 9 of the 12/3/2013 program proposal included the following: "*In accordance with RSA 123-O:23, the new Municipal and Local Government Program is available to all municipal and local government customers of the NH Electric Utilities and to the five communities in New Hampshire that have their own municipal utilities (collectively these customers and five communities are referred to through the remainder of this document as "municipal customers"). ... The program targets municipal customers with new construction projects, major renovation projects, failed equipment that needs replacement and those operating aging, inefficient equipment and systems. For new construction projects, the program offers prescriptive and custom rebates designed to cover the lesser of a one year payback or up to 75% of the incremental cost (100% for schools) of higher efficiency products. Incentives are also available for electric, oil and liquid propane heating, cooling and hot water systems. For retrofit projects, the program offers prescriptive and custom rebates designed to cover the lesser of a one year payback or up to 35% of the equipment and installation cost up to the customer's incentive cap. Retrofit services also include a turnkey solution tailored to the unique needs of municipal customers. As part of the turnkey services, the NH Electric Utilities offer lighting and refrigeration equipment upgrades delivered by vendors who perform initial assessments of existing buildings, recommend energy efficient* *improvements, and install the appropriate energy efficiency measures. Turnkey services include incentives of up to 50% of the installed cost of the energy efficiency measures up to the customer's incentive cap. In addition, municipal customers may elect to use their own contractors to complete the energy efficiency projects."*

During 2014, GSE reported expenses associated with the Municipal Program:

Evaluation	$ 14,070
Internal Administration	$ 363
Internal Implementation	$ 523
Marketing	$ 2,566
Rebates and Services	$151,409
	$168,932

The Evaluation total was verified to:

ANB Enterprises 12 entries	$12,982
NEENEFF 12 entries	$ 586
NH PUC 3 entries	$ 502
	$14,070

Audit selected a Rebate of $108,501, paid to Fall Mountain Regional School District for review. The total included eleven individual rebates for:

1. lighting at the Acworth School,
2. custom rebate (cooler controls) for the Fall Mountain High School,
3. custom rebate (cooler controls) for the Charlestown Middle School,
4. lighting rebate at the Vilas School,
5. lighting rebate at the Alstead Primary School,
6. lighting rebate at the Walpole Primary School,
7. lighting rebate at the Charlestown Middle School,
8. lighting rebate at the Charlestown Elementary School,
9. lighting rebate at the North Walpole School,
10. lighting rebate at the Fall Mountain Regional High School,
11. lighting rebate at the Walpole Middle School.

The rebates reviewed represented 50% of the project costs, for each except 32% for the lighting rebate at the Walpole Primary School.

Residential Energy Star Homes Program $16,090

As noted on page 24 of the 9/17/2012 filing, this program is fuel neutral designed to encourage homeowners and builders to build homes that are at least 15% more efficient than homes built to the 2009 International Energy Conservation Code (IECC). The program provides home builders with technical assistance, financial incentives, and instruction relating to compliance with Energy Star standards. New single family and multi-family projects are eligible, as are complete rehabilitations of existing structures. Project rebates are based on a sliding scale of Home Energy Rating System (HERS) results. The electric and gas utilities will coordinate to provide rebates for high efficiency gas HVAC equipment.

Evaluation	$ 1,552
Internal Administration	$ 1,962
Internal Implementation	$ 3,646
Marketing	$ 2,099
Rebates and Services	$ 6,831
	$16,090

Residential Home Performance with Energy Star (HPwES) $213,864

Noted on page 27 of the 9/17/2012 filing, regarding the HPwES program, the electric utilities will continue to provide fuel neutral weatherization services, and "the gas utilities will continue to serve their customers. Gas customers participating in the HPwES program can receive an incentive of 50% up to $4,000 from their electric company in addition to the $4,000 incentive from their gas company. This would apply after they reach their $4,000 maximum from their gas company. The goal is to provide gas customers with an opportunity for deeper savings and to allow gas customers to take advantage of their paying into the electric SBC fund. This would also allow the gas and electric utilities to determine customer interest in doing "deep retrofits"."

Evaluation	$ 7,313
Internal Administration	$ 1,233
Internal Implementation	$ 23,631
Marketing	$ 5,298
Rebates and Services	$176,209
	$213,864

Residential Energy Star Lighting Program $134,772

Evaluation	$ 4,344
Internal Administration	$ 1,076
Internal Implementation	$ 7,569
Marketing	$ 18,946
Rebates and Services	$102,836
	$134,772

Residential Energy Star Appliance Program $193,939

Noted on page 30 of the 9/17/2012 filing is a description of the specific electric and gas rebates for itemized appliances. Rebates range from $10 through $1,500.

Evaluation	$ 10,334
Internal Administration	$ 2,991
Internal Implementation	$ 16,939
Marketing	$ 13,090
Rebates and Services	$150,585
	$193,939

Residential Home Energy Assistance Program - $279,346

The original filing and Order stated that "*income qualified customers are eligible to receive up to $5,000 for insulation, weatherization, cost effective appliance and lighting upgrades, and appropriate health and safety measures.*" (see 9/17/2012 filing page 33).

On 7/26/2013, Commission Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from $5,000 to $8,000 (for electric utilities only) to better serve low-income residents. On 11/1/2013 a Secretarial Letter authorized the continuation of the increased spending cap through the end of 2013, as federal funds had not become available as anticipated.

The filing and Order indicate that 15% of the total budget, regardless of funding source, should be allocated to the HEA. The budget, per Table 3a of the 2014 Performance Incentive filing, was $2,171,901. The resulting HEA was calculated to be $325,797. Audit reviewed the reported actuals expenses for the HEA:

Internal Administration	$ 7,928
Rebates and Services	$255,849
Internal Implementation	$ 10,692
Marketing	$ 1,790
Evaluation	$ 3,085
Total Actual Reported	$279,346

Actual reported expenses for 2014 represent 13% of the total reported actual expenses of $2,144,779.

Audit selected a total of $30,826 rebates paid to Southwestern Community Services. The total is the sum of six individual invoices provided to Liberty through OTTER for a total eight customers. None exceeded the $8,000 spending cap.

RGGI Revolving Loan Fund (RLF)

On August 19, 2009, a $7,646,020 grant, identified as Re-CORE, was approved by the Governor and Council. The grant, among other things, established the Revolving Loan Funds (RLF) administered by the Core Electric Utilities.

GSE received $303,000 from the Re-CORE grant to establish a revolving loan fund. Audit reviewed the activity and balances at 12/31/2014, summarized within the 4th quarterly report as:

Original Re-CORE RLF funding	$303,000
Loans issued as of 12/31/2014	(375,231)
Repayments of Loans 12/31/2014	107,576
Available to lend 12/31/2014	$ 35,345

At 12/31/2014, 12% of the revolving loan fund was available to lend.

Audit Issue #1
Billing System

Background

Liberty utilized the billing system from National Grid, CRIS, from the original date of acquisition (July 2012) through July 2014. Beginning in August 2014, the Company began using the Cogsdale system, with actual customer invoices printed by FiServ.

Audit, in conjunction with the audit of the Low Income Electric Assistance Program, reviewed the reported kWh and assessed SBC to ensure that all billing system revenues were accurately calculated and reported.

Issue

The August through December 2014 Cogsdale billing system consumption report, identified as the monthly GSE Customers and Deliveries, did not reflect the noted kWh *$0.0033 (SBC) accurately. The variances were noted among all rate classes, with emphasis on D05 and G1.

The combined CORE and EAP reported revenues do not agree with the monthly Cogsdale reports.

Revised reports for September, October, and November 2014 kWh were provided on 12/28/2015 and 1/26/2016. The reason for the reduction of originally reported kWh sales of 910,824,514 to 905,891,002 was explained on 1/13/2016 to be the result of a data extract file error. Audit cannot verify the explanation, nor whether the adjusted kWh sales figure is accurate or not.

Revisions (in December 2015) to the monthly allocation of the SBC between the CORE and the EAP appeared to use the adjusted Cogsdale reported SBC, although the adjustment was identified by the Company over one year after the originally reported information. The revised Table 5 was provided to Audit on 1/22/2016. The revised CORE portion of the SBC was noted to be $1,635,154, down from $1,640, 116

The Accounting Department pivot table split of the SBC general ledger account between the EAP and the CORE was provided, and the revised allocations were also provided for September, October, and November 2014. The adjusted monthly Cogsdale sales figures, net of the voids, etc. were within the revised Cogsdale consumption reports for October $11 and November $3 respectively. The adjusted September 2014 pivot was less than the revised Cogsdale by $1,505. A request for clarification was outstanding as of the date of the draft audit report, 2/3/2016.

Recommendation

The Company must ensure that the internal controls, which were said to have been implemented as a result of the NH and Oakville review regarding the Cogsdale data extract file and resulting consumption reports, are robust and can identify errors prior to the reporting of kWh and sales dollars to the PUC and to the FERC.

The Company should re-file Table 5 with the Commission, to reflect the adjusted 2014 year-end over-collected balance of $1,008,616.

In addition, with the conclusion of the 2015 program year, the Company should ensure that the adjusted balances are properly reflected on the 2015 Table 5.

Company Response

The Company agrees with Audit that internal controls must be robust and able to identify errors prior to reporting kWh to the PUC and the FERC. The time period in question was shortly after Granite State Electric's customer billing migration to Cogsdale in late July 2014.

As part of the Company's month end closing process, the monthly revenue-consumption reports were reconciled to the LU database general ledger by dollar amount. Kilowatt-hours are not recorded on the general ledger and would not be a reconcilable number.

During the month end reconciliation process beginning with the month of August and continuing through November, unreconciled dollar amounts were identified, ranging from 0.5% to 1.8% of total revenue, and the Company quickly began working with IT in identifying and correcting issues with the revenue-consumption report extract process. This effort concluded in December 2014 resulting in December's revenue reconciliation balancing to the general ledger. Prior month revenue-consumption reports were also re-run to ensure the statistical detail was captured and balanced to the LU database. These reports were then incorporated in the revised numbers mentioned in the background above.

As part of the effort to correct the extract process, the Company identified a Cogsdale Smartlist, GL-DIST CHECK, to improve the reconciliation of the revenue-consumption report at the lowest level of detail utilizing the transactional document number and amount. The Company believes the current extract process generating the revenue-consumption file and its reconciliation continues to be robust and will identify issues before reporting kWh to outside parties.

The Company researched the background of why the adjusted September 2014 pivot was less than the revised Cogsdale by $1,505. Billing batches in the month of September were manually entered and posted in the month of August 2014, rather than September 2014. The revised Cogsdale report reflected this difference because the entry was made for August.

The Company will re-file its annual report to reflect the changes to Table 5 within 30 days of receiving the final audit report. The changes in the annual report will consist of a recalculation of its performance incentive to include the FCM expenses and include the revised interest calculation.

On page 7 of this report, the first sentence notes, "The $3,047 represents the borderline sales that were billed and received from the MECO customers, but that revenue was not reflected on the Table 5." The sentence should read, "The $3,074 represents the borderline sales that were billed and received from the MECO customers, but that revenue was not reflected on the Table 5."

Audit Response

Audit appreciates the detailed Company response. The monthly reconciliation of the LU database general ledger and the consumption reports was known to be dollars only. Audit also understands that the internal controls' review of the consumption reports and related data extract files will be ongoing, to ensure that the reported kWh and revenues are as accurate as possible.

Audit will notify the Commission Staff of the intention to resubmit the 2014 shareholder incentive report within 30 days of this final audit report.

Lastly, Audit appreciates the identification of the transposition on page 7 of the report. The correction has been made.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: December 22, 2015
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor
Anthony Leone, Examiner

SUBJECT: New Hampshire Electric Cooperative (NHEC)
DE 12-262 - 2014 CORE
FINAL Audit Report

TO: Tom Frantz, Director NH PUC Electric Division
Les Stachow, Assistant Director, NH PUC Electric Division
James Cunningham, NH PUC Analyst III

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2014. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire (PSNH), New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and Energy North (ENG) filed a joint petition for the program years 2013 through 2014. Each utility was audited individually.

Audit appreciates the assistance of Carol Woods, Energy Solutions Executive.

Approved 2014 Programs

The utilities originally submitted a joint energy proposal to the Commission on 9/17/2012 for the program years 2013 through 2014. An update to the filing was provided and included in the Settlement Agreement dated 12/3/2013. The Commission approved the Agreement by Order #25,615 on 12/30/2013. The following summarize NHEC's 2014 Energy Efficiency programs:

Residential
Home Energy Assistance Program (HEA)
Energy Star Homes Program– fuel neutral
NH Home Performance with Energy Star Program (HPwES)
Energy Star Appliance Program
Energy Star Lighting Program
High Efficiency Heat Pump Program

Commercial, Industrial and Municipal
Large Business Energy Solutions Program
Small Business Energy Solutions Program

Municipal Program -see update below-
Educational Programs
Smart Start

NHEC Program Updates for 2014

Senate Bill 123 & House Bill 630-FN: As found in the Settlement Agreement dated 12/3/2013, this legislation provides, in part, that the Commission shall first allocate at least 15% of the RGGI proceeds to the low income energy efficiency program, after which the Core Utilities shall dedicate up to $2,000,000 of the remaining RGGI proceeds annually for municipal and local government energy projects, including projects by local governments that have their own municipal utilities.

On 7/26/2013, Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from $5,000 to $8,000 (for electric utilities only) to better serve low-income residents. On 12/30/2013 the Commission issued Order #25,615 extending this change through the 2014 calendar year.

On 9/6/2013 Order #25,569 was approved authorizing a change in the calculation of the Performance Incentive by the Electric Utilities only beginning with the 2014 program year. Specifically, the Order states, "the Core electric utilities would begin applying a new ratio of electric lifetime savings to total lifetime energy savings as they relate to the total portfolio of Core electric programs. Upon applying that ratio, if it is determined that electric lifetime savings are greater than or equal to 55% of total lifetime energy savings, a higher performance incentive would apply. If the electric lifetime savings fall below 55% of total lifetime energy savings, a lower incentive would apply. Once the ratio is determined, the proposed mechanism preserves the same basic structure as the existing mechanism, except that the baseline is lowered from 8% to 7.5% at the 55% and up level, and to 6% at the under 55% level. Moreover, the overall maximum performance incentive that can be achieved is lowered from 12% to 10% at the 55% and up level, and to 8% at the under 55% level. Staff and the Core utilities further recommend there be a cap on the individual components used to calculate the performance incentive (the kWh savings and benefit-cost components), rather than a cap on the overall performance incentive amount for each sector (residential and commercial/industrial sectors). Under the proposed mechanism, the individual component caps would be half the overall cap. For example, the kWh savings component would be capped at 5% and the benefit cost component would be capped at 5% at the 55% and up level. The minimum thresholds of 65% for planned savings and 1.0 for benefit-cost in the existing mechanism remain unchanged.

In addition, the proposed performance incentive mechanism covers all programs, including the HPwES Program, any legislatively mandated municipal programs funded by RGGI, and any pilot or future regular programs. The parties to this proposal also note that the proposal is limited to the programs operated by the Core electric utilities, as it is in response to the Commission's request to consider how non-electric savings from measures undertaken by the electric utilities should be factored into the incentive calculations. The proposal would not change the baselines and metrics for gas utility programs."

The complete text of the Order can be found on the Commission website.

RGGI Revolving Loan Fund

The RGGI Revolving Loan Fund (RLF) was established on August 19, 2009, by the Governor and Council. Known as the Re-CORE, $1,728,000 was dedicated to establish the RLF. NHEC initially received $200,000 and added $100,000 for the 2013 program year, bringing the total funding of the RLF to $300,000.

Audit reviewed the NHEC activity within general ledger account #242.86 for both expenses and revenues. A reconciliation of the Loans System data within that GL Account was provided for the period ending 12/31/2014 detailed in the following table without exception.

Available to Lend 12/31/13	$ (71,305)
Loand made during 2014	$ 105,165
Payments Received during 2014	$ (86,700)
Available to Lend 12/31/14	**$ (52,840)**

SBC CORE Filing Summary

NHEC filed their Performance Incentive report on June 19, 2015. The filed 2014 beginning balance matches the filed 2013 ending balance. All adjustments recommended in the 2013 Audit report are included in the 2014 Program Year Carry-forward balance calculation. In addition the program year reconciliation matches the amounts found in the NHEC General Ledger.

2013 Ending Balance	$ 317,079
2013 Performance incentive	$ 76,652
	$ 393,731
2014 Filed Beginning Balance	**$ 393,731**
SBC Funding	$ 1,385,423
FCM Revenue	$ 66,237
RGGI Proceeds	$ 333,414
2013 Cumulative Interest	$ 13,649
Actual Collections	**$ 1,798,723**
Program Expenses	$(1,853,430)
Performance Incentive	$ (146,506)
Actual Expenses	**$(1,999,936)**
2014 Ending Balance	**$ 192,518**

The calculated ending over collected balance for the NHEC 2014 Core Programs was $192,518. The amount reflected in the Filing and the respective GL Account, # 254.40, was $192,520, an immaterial difference of $2.

NHEC indicated to PUC Audit that they booked the estimated 2013 Performance Incentive of $146,506 as the 2014 Actual Performance Incentive in the above reconciliation. Audit has already reviewed the adjusting entry performed in 2015 to decrease the Performance Incentive by $69,854 to correct the amount to $76,652. The entry indicated crediting Account # 254.40, the liability account for the NHEC Fund Balance and debiting Account # 254.60, the NHEC Social Responsibility Account.

The difference between the Program Expenses as listed page 4 in the reconciliation table above of $1,853,430 and the Budget and PI figures below of $1,838,138 is the approximately $13,972 of FCM expenses and the $1,300 of Smart Start Expenses.

Budget vs. Actual

According to the Order and found in the Filing, the Utilities shall not exceed 5% of their prescribed budget without Commission approval. The tables below detail the budgeted expenses by sector as found in the Filing dated 12/3/2013. Overall the combined as well as the actuals for Residential and C&I were within the goals, but within each sector there was a wide variance on several programs. The actual figures represented below are sourced from the NHEC Annual Member Report and Performance Incentive Calculation filing and exclude the performance incentive and though they were rounded when included in the Filing, they are still materially accurate.

Residential			
	Budget	Actual	Variance
E-Star Homes	$ 157,000	$ 66,900	43%
E-Star Lighting	$ 128,000	$ 188,800	148%
E-Star Appliance	$ 350,000	$ 362,000	103%
HPwES	$ 295,000	$ 212,200	72%
HEA	$ 295,000	$ 333,500	113%
Heat Pumps	$ 54,000	$ 8,000	15%
	$ 1,279,000	**$ 1,171,400**	**92%**

Commercial & Industrial			
	Budget	Actual	Variance
Large C&I	$ 127,000	$ 231,000	182%
Small C&I	$ 356,000	$ 319,600	90%
Municipal	$ 157,000	$ 98,700	63%
Other C&I	$ 34,000	$ 17,300	51%
	$ 674,000	**$ 666,600**	**99%**

Residential and C&I Combined		
Total Budgeted	Total Spent	Total Variance
$ 1,953,000	**$ 1,838,000**	**94%**

Commission Order #25,462 in Docket DE 12-262 established that 15% of the overall program budget shall be allocated for the Home Energy Assistance program. The following table shows that NHEC allocated about 18% to the HEA Program.

Energy Efficiency Expenses	Required 15% of total	Actual HEA Expenses
$ 1,838,000	$ 275,700	$ 333,500

Revenue

The total of the funding sources for the 2014 calendar year found in the Performance Incentive report were verified to the NHEC general ledger are presented in the following table:

SBC Funds	$1,385,423
RGGI Auction Proceeds	$ 333,414
FCM Revenue	$ 66,237
Interest	$ 13,649
Total Recognized Funding	**$1,798,723**

System Benefits Charge

KWH sales were verified to the information in the Energy Assistance Program (EAP) Audit performed by the Commission for the first nine months of 2014. In the EAP Report, kWh sales are verified to revenue reports and GL verifications. SBC revenues were also verified to the SBC Reconciliation Report provided by NHEC and to the GL accounts associated with the Demand Side Management (DSM) listed in the following table. The difference of $48 was not material.

Sector	Account #	Type	Amount
Residential	44040	DSM Recovery	$ 846,157
Commercial	44240	DSM Recovery	$ 223,433
Industrial	44245	DSM Recovery	$ 157,685
PG<1000kva	44241	DSM Recovery	$ 49,353
PG>1000kva	44243	DSM Recovery	$ 49,992
Ski	44244	DSM Recovery	$ 56,867
Light	44415	DSM Recovery	$ 1,936
Total			**$1,385,423**

Group Net Metering

Group Net Metering, specifically the PUC 900 Rules, summarily address how the utility shall account for power generation from independent sources and compensation for that power. As this directly impacts kWh sold it will also directly impact the SBC and how much is deposited for the Core Energy Efficiency program. Concerning the accounting, NHEC has indicated the following statement:

"The group host has a special rate code in our system so we can track what they generate and use. As part of the 900 rules we have to pay them the full retail rate each month for the kWh they generate. The standard NHEC sales are what we deliver to the members. The group host kWh is what they generated.

Assume monthly kwh sales - 60,000,000
Assume monthly 'group' net meter sales – 5,000

We would calculate the EE revenues based on 59,995,000 kWh sales."

2014 RGGI Auction Proceeds

According to the 2014 End of Year Reconciliation provided in the incentive package, the filed amount of 2014 Quarterly RGGI Auction Proceeds of $333,414 includes all four quarters payments of 2014 as well as the 2013 4th quarter amount of $166,022. Due to the timing of the 2013 4th Quarter RGGI Auction Proceeds payment it was not included in the 2013 program year reconciliation. Audit verified the quarterly payments reported by NHEC to the receipts and payments by the PUC Business Office.

Interest

Interest was properly calculated at 3.25% on the average monthly balance, including interest from the previous month. Specifically, NHEC uses the formula mentioned below. The rate was verified to the quarterly interest rate letters issued to all utilities by the Director of the NH PUC Gas/Water division.

Monthly Charge = (((Beg Bal + End Bal/2)*.0325)/365)*Actual # of days in month

Expenses

Performance Incentive

NHEC indicated they earned a Performance Incentive of $159,125. This figure was based on a total expense amount of $1,830,516. Audit verified that the total Expenses included in the PI Calculation represent the total included in the SBC Reconciliation earlier of $1,838,138 less $7.622.25 per NHEC's note in their filing. The total used therefore for the PI Calculation correctly excludes the FCM Expenses.

Cost Benefit Ratio

As filed in their Performance Incentive report, all of NHEC's Cost/ Benefit Ratios were 1.0 or greater.

Indirect Expenses

Payroll related expenses were verified to the following general ledger accounts noted in the tables for 2014. Indirect payroll is spread among employees' assigned activity codes, and as the weekly timesheet database is updated, the indirect allocation is calculated using the hourly payroll rate divided by 2,080 hours, with the result applied to the number of hours input by the employee. Sick time is tied to activity codes and general ledger accounts and spread only as time is reported as used within the week. Audit noted no exceptions to the allocation methods and figures.

Indirect Payroll	
Acct #	Amount
#24.416.35	$216,751
Sick Time	
Acct #	Amount
#24.416.47	$625
Taxes and Benefits	
Acct #	Amount
#24.416.48	$158,551
Total	**$375,927**

Transportation charged to account #24.416.52 represents Internal Administrative transportation to such things as PUC meetings and hearings, and Account #24.416.54 represents Internal Implementation activities such as site visits. Each account can include mileage costs for Company or personal vehicle reimbursement. Company car usage includes an aggregated monthly cost for the vehicle (maintenance, registration, gas, depreciation, overhead for garage, etc.) which is then allocated based on miles driven. Personal vehicle use includes only mileage reimbursed at the IRS rate.

Expense Test Summary

NHEC tracks all SBC Core related expenses in the 24.416.xx GL account numbers and by a unique Activity Code. Activity Codes can be applied to multiple 24.416.xx accounts where appropriate. NHEC sent Excel Spreadsheets of the total expenses which Audit reviewed and verified match the total expenses filed with the Commission in the Performance Incentive report. Audit has included a review of selected invoices from the excel spreadsheet as well as a table sourced from the 2014 4th Quarter Core Energy Efficiency Program Report filed on March 2, 2105 by Eversource. The figures in the table may vary from each individual utilities report.

	Internal Admin	External Admim	Services & Rebates	Internal Impl.	Marketing	Evaluation	Detail Total
E-Star Homes	$ 2,490	$ 1,387	$ 34,280	$ 27,744	$ 287	$ 721	$ 66,909
E-Star Lighting	$ 7,532	$ 4,196	$ 127,115	$ 42,939	$ 4,885	$ 2,183	$ 188,850
E-Star Appliance	$14,920	$ 8,311	$ 280,457	$ 50,250	$ 3,700	$ 4,324	$ 361,962
HPwES	$ 8,409	$ 7,168	$ 138,765	$ 50,251	$ 2,612	$ 4,966	$ 212,171
HEA	$13,816	$ 9,020	$ 260,365	$ 42,213	$ 1,595	$ 6,533	$ 333,542
Other Res.	$ 1,345	$ 185	$ 6,300	$ 1,081	$ 38	$ 4,671	$ 13,620
Large Business	$ 9,405	$ 5,239	$ 154,265	$ 32,434	$ 1,086	$ 28,621	$ 231,050
Small Business	$12,248	$ 6,823	$ 202,888	$ 92,182	$ 1,414	$ 4,020	$ 319,575
Municipal	$ 3,900	$ 2,172	$ 68,887	$ 21,271	$ 1,198	$ 1,280	$ 98,708
Other C&I	$ 2,265	$ 414	$ 13,547	$ 3,633	$ 86	$ 7,107	$ 27,052
	$76,330	**$44,915**	**$1,286,869**	**$363,998**	**$ 16,901**	**$ 64,426**	**$1,853,439**
	4%	2%	69%	20%	1%	3%	100%

Residential, Commercial & Industrial Education

Account #24.416.xx Activity Code #129 -- $17,300

The 9/17/2012 filing summarized the educational programs for residential and commercial customers as an integral part of raising awareness of energy efficiency. Specifically identified were Energy Code Training for all stakeholders; Commercial Energy Auditing classes which provide training to facility managers; C&I Customer Education includes training sessions for C&I customers and professionals; Energy Education for Students provides support for programs available to students from kindergarten through high school. Audit noted no exceptions for the education expenses.

The first invoice reviewed indicated NHEC hosted a conference for Commercial members to educate them on the benefits of energy efficiency and build relationships to promulgate that efficiency throughout the NHEC territory. The invoice total was $3,538.15 for renting a function room at a local inn including food services and tax for the conference.

The second invoice reviewed indicated three individuals attended a local community college for a Building Operator Certification Course. Each of the individuals was either as administrators in a local school system or municipal employee who oversaw building facilities and other personnel. NHEC also indicated the cost of the course was split accordingly when considering the size of the individual's employer and if that employer also had facilities that were customers of other electric utilities. The total cost of the invoice before the split was $2,220 and the cost after splitting with the PSNH and UEs was $1,726.67. A total of three individuals took the class. Each seat cost $740 and one participant had their bill split three ways between UES, PSNH and NHEC due to the individuals' employer having locations and customers in each of these three service territories. Liberty Utilities was not involved due to the school system and municipalities having no locations in Liberty's service territory.

Large Business Energy Solutions Program

Account #24.416.xx Activity Code #128, $231,000

Noted in the 9/17/2012 filing (page 38) and the 12/4/2012 update, this program is designed for customers with a twelve month average electric demand of 200kW. Program customers will receive rebates for new construction, major renovations, failed equipment replacement, replacement of inefficient equipment. Rebate amounts for new construction are the lesser of 75% of incremental costs or a one year payback, and for retrofit projects, the lesser of 35% or a one year payback. The filing also indicates that an initiative called Energy Efficient Schools, for new construction, will offer rebates up to 100% of incremental costs, with 5% of the Large Business Energy Solutions budget set aside for this portion of the program. Actual spending may be higher or lower depending on school building opportunities. There were no exceptions noted in the large business programs.

The first invoice reviewed indicated a local ski and events location performed a custom installation at a total cost of $122,815 and received a rebate of $30,000 or 24% of the total cost. The location installed 35 snow making towers.

The second invoice reviewed indicated a national home improvement store retrofitted their lighting system with a new energy efficient lighting system at a total cost of $61,869 and received a rebate of $21,654.15 or 35% of the total cost.

Small Business Energy Solutions Program
Account #24.416.xx Activity Code #127, $319,600

Noted within the 9/17/2012 filing (pages 40-41) this program is designed for business customers using less than a twelve month average of 200kW. Similar to the Large Business Energy Solutions program, this program is intended for new or retrofit projects. The rebate amount for new projects is the lesser of 75% or a one year payback and for retrofit projects is the lesser of 35% for electric customers (50% for gas customers) or a one year payback. The program also has a "Turnkey Solution" as described on page 40 of Attachment A of the Settlement Agreement per Order #25,462.

The first invoice reviewed indicated a church retrofitted their lighting system with new energy efficient lights. The total cost was $11,685 and the church received a rebate of $5,842.50 or 50% of the total cost.

The second invoice reviewed indicated a lumber company retrofitted their lighting system with new energy efficient lights. The total cost was $16,879.85 and the company received a rebate of $8,439.93 or 50% of the total cost.

Residential Energy Star Homes Program
Account #24.416.xx Activity Code #141 -- $70,313

As noted on page 24 of the 9/17/2012 filing, this program is fuel neutral designed to encourage homeowners and builders to build homes that are at least 15% more efficient than homes built to the 2009 International Energy Conservation Code (IECC). The program provides home builders with technical assistance, financial incentives, and instruction relating to compliance with Energy Star standards. New single family and multi-family projects are eligible, as are complete rehabilitations of existing structures. Project rebates are based on a sliding scale of Home Energy Rating System (HERS) results. There were no exceptions noted to the Energy Star Homes program.

The first invoice reviewed indicated a new home was built according to the EnergyStar 3.0 Specification. The documents included the rebate calculation showing the HERS final rating of 0 and supporting documentation about the energy efficient materials and products used to achieve the rating. The incentive was capped per the Agreement at $4,000.

The second invoice reviewed indicated the vendor was performing EnergyStar Mid and Final inspections to ensure construction to the EnergyStar standard. The total invoice was $1,095.

Residential Energy Star Appliance Program
Account #24.416.xx Activity Code #140 -- $362,000

Noted on page 30 of the 9/17/2012 filing is a description of the specific electric and gas rebates for itemized appliances. Rebates range from $10 through $1,500. There were no exceptions noted to the Energy Star Appliance program.

The first invoice reviewed indicated mail-in rebates paid by EFI of $2,040 and the total invoice after processing fees was $2,468. All rebates and fees on the invoice covered the month of July 2014.

The second invoice reviewed was for pick-up of old refrigerators by Jaco Environmental. During the month of June 2014, the vendor picked up 41 units @ $90.50 and issued 41 customer incentives at a cost of $30 per unit for a total invoice of $4,940.50.

Residential Energy Star Lighting Program

Account #24.416.xx Activity Code #116 -- $128,000

Page 31 of the 9/17/2012 filing is a description of the lighting program which will continue to increase the use and availability of energy efficient lighting products in New Hampshire. The program is open to all residential customers and will (1) offer rebates for interior and exterior ENERGY STAR labeled bulbs and fixtures, (2) promote the efficiency and environmental benefits of the latest lighting technologies, and (3) leverage the ENERGY STAR branding across three programs - Lighting, Homes, and Appliances. There were no exceptions noted to the Energy Star program.

Audit reviewed two invoices from EFI for mail in lighting rebates. EFI is a contractor used by various utilities for similar services. One invoice was for mail-in rebates processed at a total cost of $4,120.71 and the other invoice covered online rebates at a total cost of $4,769.32. No exceptions were noted.

Residential Home Performance with Energy Star (HPwES)

Account #24.416.xx Activity Code #143 -- $213,623

Noted on page 27 of the 9/17/2012 filing, regarding the HPwES program, the electric utilities will continue to provide fuel neutral weatherization services to their customers. Customers participating in the HPwES program can receive an incentive of 50% up to $4,000. There were no exceptions noted to the HPwES program.

Audit reviewed two invoices. Each invoice indicated weatherization improvements were performed with a detailed report generated from OTTER. The prices charged are set within the system and cannot be changed by the vendor when creating the invoice. Audit noted no exceptions to the information provided.

Residential Home Energy Assistance Program

Account #24.416.xx Activity Code #117 -- $333,500

Income qualified customers are eligible to receive up to $8,000 for insulation, weatherization, cost effective appliance and lighting upgrades, and appropriate health and safety measures. Approved by Secretarial Letter on July 26, 2013, HEA funds became eligible to replace hot water/space heating systems at a cost above and beyond the $8,000 total. Additionally the Commission directed the Core Electric utilities to strive to limit the amount of funds used for heating systems to 25% of the overall HEA budget.

Coordination between the Community Action Agencies and the participation of eligible customers enrolled in the SBC funded Electric Assistance Program helps to ensure enrollment of the most vulnerable population.

The Filing and Order indicate that 15% of the total budget, regardless of funding source, should be allocated to the HEA. As is discussed on page 4 of this report, 18% of the 2014 budget was allocated to the 2014 HEA program budget.

The first invoice reviewed indicated weatherization improvements were completed at a total cost of $6,709.17. The invoice from OTTER indicated Admin Cost of $901.97, Rebates of $6,454.70 and a credit of $646.50. In addition, this customer received a new furnace at a total cost of $8,205 with $3,300 charged to the SBC and the $4,905 coming from other funding sources.

The second invoice reviewed indicated weatherization improvements were completed at a total cost of $8,000. This amount was split with Admin Cost of $936.36, and Rebates of $7,063.64.

<u>Statewide Established Rates</u>

According to page 33 of the Filing and approved in the Order, each utility shall utilize the statewide rates administered by PSNH when calculating the cost of the retrofit and the amount of reimbursement due to the vendors. Audit requested and NHEC provided a schedule of the rates used. The rates provided match the rates on file at the PUC previously provided from PSNH and other utilities. A review of the NHEC provided rate sheet and invoices for the HEA program yielded no exceptions.

<u>Municipal and Local Government Energy Program</u>

Account #24.416.xx Activity Code #120 -- $98,700

According to the updated Filing, this program is available to all municipal and local government customers of the NH Electric Utilities and to the five communities in New Hampshire that have their own municipal utilities as they face barriers and unique challenges in implementing cost-effective energy efficiency measures.

The program targets municipal customers with new construction projects, major renovation projects, failed equipment that needs replacement and those operating aging, inefficient equipment and systems with varying levels of rebates available depending on different factors.

The first invoice reviewed indicated a local school retrofitted their lighting system with a new energy efficient lighting system. The total cost from the installation vendor was $31,188. The rebate issued by NHEC was $10,916 bringing the cost to the school down to $20,272. In this case, the school opted to pay for the installation via a loan from NHEC under the Smart Start Loan Program. Initially, the entire bill was expensed to the Core Expense Account under Activity Code 120. Then NHEC moves the bill less the rebate, in this case $20,272 to the Smart Start Account thereby cancelling out the initial expense ensuring only the rebate is counted in the expenses and ultimately in the calculation of the Performance Incentive. It should be noted that the funds available to loan are provided by NHEC and are not funded by the SBC.

The second invoice reviewed indicated another school retrofitted their lighting system with a new energy efficient lighting system. The total cost of the installation was $18,078.23 and NHEC issued a rebate of $9,212.62 bringing the total for the school down to $8,865.61.

Miscellaneous Costs

Consortium for Energy Efficiency (CEE)

Account #24.416.xx- Activity Code #162 -- 2014 Membership: $2,500

From the CEE website, *"CEE is the US and Canadian consortium of gas and electric efficiency program administrators. We work together to accelerate the development and availability of energy efficient products and services for lasting public benefit. The CEE role is not to develop or implement the programs delivered at the local level, but to influence national players—manufacturers, stakeholders, government agencies—to maximize the impact of efficiency programs."* Audit reviewed the invoice from CEE and noted it looked the same as issued to other utilities for a similar membership.

NHEC Specific Programs

The following programs were offered specifically by NHEC and are included in the overall program expense total of $1,853,430.

Smart Start Program

Account #24.416.xx Activity Code #185 -- $1,300

According to the 9/17/2012 Joint Proposal this program provides C&I members with an opportunity to install energy efficient measures with no up-front costs, and pay for them over time with the savings obtained from the lower energy costs. NHEC has indicated the source of the funds is NHEC company funds and SBC funds are only used to pay for the implementation and administration of the program. For the 2014 program year, NHEC estimated spending $10,000 administering the program but indicated they spent only $1,300. According to the 4th Quarter Energy Efficiency Report filed March 2, 2015 in Docket DE 12-252, NHEC financed 5 projects at a cost of $62,402

Geothermal Heat Pump

Account #24.416.xx Activity Code #174 – $8,000

From the Joint Proposal, NHEC offered the following relative to the Heat Pump program: "The objective of the High Efficiency Heat Pump Program is to assist residential members to reduce their energy costs by installing high efficiency heat pump technologies. These technologies include high efficiency air source heat pumps and geothermal heat pumps...NHEC will offer this program to residential members for new construction applications in conjunction with the Energy Star Homes Program". NHEC indicated they spent $8,000 for this program including all labor and rebate charges for the two customers served.

Conclusion

Audit has concluded that the information contained in the Filing is materially accurate to the books and records of NHEC.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: December 22, 2015
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor
Anthony Leone, Examiner

SUBJECT: Public Service Company of New Hampshire d/b/a Eversource Energy
DE 12-262 - 2014 CORE
FINAL Audit Report

TO: Tom Frantz, Director NH PUC Electric Division
Les Stachow, Assistant Director, NH PUC Electric Division
James Cunningham, NH PUC Analyst III

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2014. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service Company of New Hampshire d/b/a/ Eversource Energy (Eversource), New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and EnergyNorth (ENG) filed a joint petition for the program years 2013 through 2014. Each utility was audited individually.

Audit appreciates the assistance of Tom Belair, Manager; Rhonda Bisson, Manager; Issa Ansara, Senior Analyst; and Pam Moriarty, Analyst.

Approved 2014 Programs

The utilities submitted a joint energy proposal to the Commission on 9/17/2012 for program years 2013 and 2014. An updated Agreement for the 2014 program year was filed on 12/3/2013. The Commission approved this Agreement by Order #25,615 on 12/30/2013. The following summarize Eversource's 2014 energy efficiency programs:

Residential
Home Energy Assistance Program (HEA)
NH Home Performance with Energy Star (HPwES)
Energy Star Homes (includes Geothermal)
Energy Star Appliance Program
Energy Star Lighting Program
Home Energy Reports

Commercial and Industrial
Large Business Energy Solutions Program
Small Business Energy Solutions Program
Municipal and Local Government Program
Educational Program
C&I RFP Energy Rewards
C&I Partnerships
Smart Start

PSNH Changes Name to Eversource Energy

In February 2015, PSNH underwent a name change to Eversource Energy. The PSNH name has been kept in limited use only for historical information purposes where appropriate; all other references to PSNH have been updated to Eversource or Eversource Energy.

Significant Program Updates for 2014

Senate Bill 123 & House Bill 630-FN: As found in the Settlement Agreement dated 12/3/2013, this legislation provides, in part, that the Commission shall first allocate at least 15% of the RGGI proceeds to the low income energy efficiency program, after which the Core Utilities shall dedicate up to $2,000,000 of the remaining RGGI proceeds annually for municipal and local government energy projects, including projects by local governments that have their own municipal utilities.

On 7/26/2013, Commission Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from $5,000 to $8,000 (for electric utilities only) to better serve low-income residents. On 12/30/2013 the Commission issued Order #25,615 extending this change through the 2014 calendar year.

On 9/6/2013 Order #25,569 was approved authorizing a change in the calculation of the Performance Incentive by the Electric Utilities only beginning with the 2014 program year. Specifically, the Order states, "the Core electric utilities would begin applying a new ratio of electric lifetime savings to total lifetime energy savings as they relate to the total portfolio of Core electric programs. Upon applying that ratio, if it is determined that electric lifetime savings are greater than or equal to 55% of total lifetime energy savings, a higher performance incentive would apply. If the electric lifetime savings fall below 55% of total lifetime energy savings, a lower incentive would apply. Once the ratio is determined, the proposed mechanism preserves the same basic structure as the existing mechanism, except that the baseline is lowered from 8% to 7.5% at the 55% and up level, and to 6% at the under 55% level. Moreover, the overall maximum performance incentive that can be achieved is lowered from 12% to 10% at the 55% and up level, and to 8% at the under 55% level. Staff and the Core utilities further recommend there be a cap on the individual components used to calculate the performance incentive (the kWh savings and benefit-cost components), rather than a cap on the overall performance incentive amount for each sector (residential and commercial/industrial sectors). Under the proposed mechanism, the individual component caps would be half the overall cap. For example, the kWh savings component would be capped at 5% and the benefit cost component would be capped at 5% at the 55% and up level. The minimum thresholds of 65% for planned savings and 1.0 for benefit-cost in the existing mechanism remain unchanged. In addition, the proposed performance incentive mechanism covers all programs, including the HPwES Program, any legislatively mandated municipal programs funded by RGGI, and any pilot or future regular programs. The parties to this proposal also note that the proposal is limited to the programs operated by the Core electric utilities, as it is in response to the Commission's request to consider how non-electric savings from measures undertaken by the electric utilities should be factored into the incentive calculations. The proposal would not change the baselines and metrics for gas utility programs.

The complete text of the Order can be found on the Commission website.

Mid-Year Adjustment

On 8/7/2014 the Commission issued Order# 25,703, authorizing the transfer of the remaining 2013 proceeds to the 2014 and 2015/2016 program years, rather than just the 2015/2016 program years. Specifically, Eversource increased its 2014 EnergyStar Lighting Program by $510,512; its 2014 HEA Program by $223,771; and increased its 2015 C&I Sector budget by $757,526. Audit notes that in the Order, the Commission deferred rendering an opinion on the approval of allowing Eversource to collect a Performance Incentive on the mid-year budget increases until Eversource filed their 2014 Annual Report and PI package in Mid-2015.

RGGI Revolving Loan Fund (RLF)

The following information was submitted by Eversource on page 25 in their 4th Qtr 2014 Energy Efficiency CORE Report and verified to the RGGI RLF Reconciliation provided by Eversource during the audit and the activity within general ledger account 242RG and 242RG0 for both expenses and revenues. All activity was verified to the work order RLFRGGI and 06RRLF00 as appropriate. It should be noted that the "Loans in Process" were described by Eversource as customers who have been through the application process and have signed a contract to have work completed; but the work is either not complete, not initiated or not scheduled.

Cumulative Loan Activity	
Description	**Amount**
Grant Money received-RLF	$ 690,000
Consumer Loans (all years)	$(1,201,158)
Loan Repayment (all years)	$ 573,905
Current Balance	**$ 62,747**
Loans in Process	$ (80,500)
Available to Lend	**$ (17,753)**

The RLF was part of a sustainable energy grant approved by the Governor and Council in August 2009. The original term of the grant was through June 30, 2010, with an approved extension to December 31, 2010. Specifically, of the $7,016,982 grant received by the Utilities, $1,728,000 was used to establish Revolving Loan Funds.

Eversource was named as the general grantee, and as such, issued invoices for services to the Sustainable Energy Division and distributed allocated amounts to GSE, NHEC, and UES. Refer to the Final PUC Audit Report of the RE-CORE issued on June 24, 2011 for additional information. Eversource was initially granted $500,000 and by Secretarial Letter added $190,000 during the 2013 program year bringing it to $690,000.

Customers are able to use the loan fund to pay for the customer portion of an energy efficiency measure completed in connection with the HPwES program. Loan amounts range from $500 to $7,500 (not to exceed the actual customer cost), with terms up to seven years. There is no interest or administrative fee charged, and the customer may repay the loan early without penalty. The repayment occurs through an additional charge on the customer's monthly electric bill.

Any administrative expenses associated with the RGGI RLF are minimal and post to the NHCOR activity. While the RLF is an ongoing funding source for customers, Eversource considers the RGGI grant and thus the RGGI (RE-CORE) work order closed. Audit concurs with this accounting treatment.

Group Net Metering

In a letter dated February 11, 2015 sent to the PUC concerning the PUC 900 Rules, Eversource indicated that as of the end of 2014, they had 1,229 customers with net metering installations. The generating output rating of these installed units was 1,221 customers with 9,503 kW and 8 customers with Combined Heat and Power (CHP) facilities with 346 kW. Eversource then reported the combined total, pursuant to 903.02 (b) was 36.55 mW. Eversource also described the impact on the SBC due to Group Net Metering in this statement:

> *For Group Host customers, we record the delivered KWH sales (what they actually used) which are subject to the SBC. The excess KWHs that a Group Host generates are recorded on our books as a purchased power expense and payment is sent to the Group Host to distribute to group members per their private arrangement. The excess KWHs do not reduce our delivered KWH sales or impact the collection of SBC.*

CORE SBC Summary

Revenue

Total Funding Sources for the calendar year 12/31/2014 are summarized in the table below with an analysis of each source following:

Program Funding	
SBC Funding	$14,231,803
FCM Revenue	$2,307,509
FCM Expenses	$(95,301)
RGGI Proceeds	$3,971,379
Cumulative Interest	$161,445
Total Collections	**$20,576,835**

(SBC) System Benefits Charge

The System Benefits Charge is the primary means of funding the Core Programs. Currently, the rate is set at $.0033 for every kWh where $.0015 is appropriated to the Electric Assistance Program (EAP) and the remaining $.0018 is directed to the Core Programs. Audit compared the gross kWh sales as found in the EAP Audit for first 9 months of 2014 and compared them to the annual kWh sales provided by Eversource in their summary detail of Large Power Billings (LPB) Report "Current Monthly Summary of Delivery Service by Rate and Class" plus the C2 "Delivery Sales and Revenue by Class, Rate and Component" for reasonableness. Audit also tested the same information for the month of December 2014 as evidenced in the table below without exception.

December Eversource SBC Funding	
December EAP KWH Sales	668,737,627
SBC Rate	$ 0.00330
Total SBC	**$2,206,834**
Calculated Core Funding @ $.0018	$1,203,728
Calculated EAP Funding @ $.0015	$1,003,106
	$2,206,834
Eversource December Core Funding	$1,203,727

Forward Capacity Market

Audit reviewed the Eversource work order activity NHISO which reflected labor and overhead associated with the FCM, as well as annual certification work and consulting services. As discussed in the Performance Incentive section of this report, and contrary to last year's Report, the FCM Expenses were included in the Agreement filed on 12/3/2013 and have been included Annual Report and Performance Incentive Calculation.

2014 ISO Information	
ISO Revenue	$2,307,509
ISO Expenses	$ (95,301)
Net Revenue	$2,212,208

2014 RGGI Auction Proceeds

Eversource indicated they received a total of $3,971,380 from the quarterly RGGI auctions. This figure matches records on file with the PUC Business Office and was verified to the Eversource accounts 242RG7CL and 242RG1QJ and 242RG0. Audit notes that Eversource has included the $1,866,223 of the 2012 RGGI Carry-Over Proceeds in the RGGI Proceeds total. As discussed in the 2013 Report, this amount was left over when transitioning from the Greenhouse Gas Emission Reduction Fund to the Energy Efficiency Fund, but the funds were not scheduled to be delivered to the utilities until late 2013 or early 2014. Audit concurs with the inclusion of the funds in the 2014 RGGI totals.

2014 RGGI Auction Proceeds	
1st Quarter	$816,256
2nd Quarter	$444,196
3rd Quarter	$354,350
4th Quarter	$470,354
2012 RGGI Carry-Over	$1,886,223
Total RGGI Proceeds	**$3,971,379**

Interest

Interest of $161,445 represents the combination of both the CORE and the 2% RSA 125-O set aside of $141,945 and $19,500 respectively. Due to the Core Balance being overfunded, the Interest is added into the CORE as a funding source. Audit verified the interest rate used was the Federal Reserve's prime rate as of the first of the month for which interest is calculated which is also sent to all utilities by the Director of the Gas/Water Division of the NHPUC. The interest rate did not change throughout the calculated year from the 3.25% published. Specifically, Eversource uses the formula described below:

Monthly Charge = (((Beg Bal + End Bal/2)*.0325)/12)

Expenses

Budget vs Actual

The following information depicts the budgeted expenses vs the actual expenses as found in 4th Quarter 2014 Energy Efficiency CORE Report. The table includes the mid-year addition to the Lighting and the HEA programs as discussed earlier. The table does include the $30,270 of Smart Start Expenses. Audit notes that the "Actual" figures as filed are rounded and may not represent to the dollar, the actual money spent in the program category.

	Budget	Actual	%
Residential	$ 9,968,483	$ 9,762,400	98%
C&I	$ 9,818,536	$ 9,320,500	95%
	$19,787,019	$19,082,900	
Smart Start Labor	$ 45,000	$ 30,300	67%
Sub-total	**$19,832,019**	**$19,113,200**	**96%**

Performance Incentive

Eversource submitted their Revised Annual Report and Performance Incentive Calculation on June 24, 2015. That report included a calculation resulting in Eversource earning $1,755,017, of which $1,701,127 was booked in the 2014 year with the difference as a true-up entry after this report has been finalized. The Performance

Incentive Calculation was recently revised in Order# 25,569 dated September 6, 2013. Among other items, the new calculation has a cap on each sector and allows the FCM Expenses in the expenses as part of total incurred expenses. Audit verified that the total expenses included in the calculation include the total from the 4th quarter report of $19,113,200 less the smart start labor of $30,300 which has its own incentive calculation.

2% Set-aside 125-O:5

Audit noted in the 2010 CORE report that "PSNH, Staff at the PUC, and the OCA signed a settlement agreement dated July 13, 2010, outlining a number of issues relating to RSA 125-O:5. Primarily, as noted on the "Attachment A", methodology for determining the set-aside amounts, a specific format was instituted...Further, a cap of $600,000 was placed on the set aside balance, over which any monies would be returned back to the CORE..." According to the Eversource accounting reconciliation at the end 2014, there were no projects completed and therefore no reduction from the fund balance of $600,000 which was verified at the end of 2013. In addition, Eversource filed a "Report on the use of SBC Funds" for the 2014 year in Docket DE 14-216 supporting this calculation.

$600,000	2013 Ending Balance
$-	2% Set Aside
$-	Cost of Projects at PSNH Facilities
$600,000	2014 Ending Balance

The funding is part of the net over collection, with a reconciling memo indicating what the reserve balance is. The general ledger reconciliation represents all net activity in the Conservation and Load Management programs, maintained in balance sheet account 254P9 and 254P90. Audit understands that any plant in service, funded through the RSA 125-O:5 reserve, will be considered as a Contribution in Aid of Construction.

Program Expenses

A summary of the program expenses incurred by Eversource is found in the tables below. The last rows of each of the tables detail the % of total expenses that specific activity accounted for. Following the table is a summary of the invoices reviewed for each program. Additionally, according to Eversource, some expenses are not recorded until as late as the following February due to invoices being received from projects that were completed before the year ended. Audit reviewed the GL Account 254P97CL along with a reconciliation provided by Eversource that materially matched the expenses reported by Eversource in the Shareholder Incentive Filing.

Residential Programs							
Program Name	Internal Admin	External Admin	Rebates & Services	Internal Impl.	Marketing	M & E	Total by Program
EnergyStar Lighting	$ 24,369	$ -	$ 1,170,899	$ 54,243	$191,520	$ 8,687	$ 1,449,718
EnergyStar Appliance	$ 49,579	$ -	$ 1,644,767	$ 50,218	$ 39,051	$ 31,901	$ 1,815,516
EnergyStar Homes	$ 25,572	$ -	$ 813,507	$ 100,164	$ 5,739	$ 31,973	$ 976,955
EnergyStar Geothermal	$ 8,023	$ -	$ 240,374	$ 24,850	$ -	$ 6,063	$ 279,310
HEA	$ 75,212	$ -	$ 2,562,624	$ 115,622	$ 970	$ 51,193	$ 2,805,621
CEP	$ 6,017	$ -	$ 80,000	$ 35,986	$ -	$ 4,279	$ 126,282
HPwES	$ 57,120	$ 103	$ 1,875,305	$ 237,669	$ 36,582	$ 73,604	$ 2,280,383
FCM Reporting	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,590
Total	**$245,892**	**$ 103**	**$ 8,387,476**	**$ 618,752**	**$273,862**	**$207,700**	**$ 9,762,375**
Expenes as % of total Res.:	3%	0%	86%	6%	3%	2%	100%

Commercial, Industrial & Municipal							
Program Name	Internal Admin	External Admin	Rebates & Services	Internal Impl.	Marketing	M & E	Total by Program
Large Bus. Solutions	$139,895	$ -	$ 3,988,157	$ 570,318	$ 25,565	$299,096	$ 5,023,031
Small Bus. Solutions	$ 63,579	$ -	$ 2,006,648	$ 410,522	$ 38,710	$ 85,017	$ 2,604,476
Municipal Solutions	$ 38,559	$ -	$ 1,015,160	$ 25,713	$ 918	$ 1,028	$ 1,081,378
Education Programs	$ -	$ -	$ 150,520	$ 21,805	$ 882	$ 466	$ 173,673
C&I RFP Pilot	$ 14,591	$ -	$ 298,168	$ 14,317	$ 3,495	$ 31,410	$ 361,981
Customer Partnerships	$ -	$ -	$ 1,995	$ -	$ 7,292	$ -	$ 9,287
FCM Reporting	$ -	$ -	$ -	$ -	$ -	$ -	$ 66,711
Total	**$256,624**	**$ -**	**$ 7,460,648**	**$1,042,675**	**$ 76,862**	**$417,017**	**$ 9,320,537**
Expenes as % of total C&I:	3%	0%	80%	11%	1%	4%	100%

***Audit notes that Eversource has an internal expense code for tracking Audits of companies who receive rebates, and that the overall Audit expense is included in the Rebates & Services listing.**

<u>Allocated and Direct Expenses</u>

Eversource submitted documents indicating $501,414 of expenses classified as Allocated Charges that were spread among the various Core programs. Eversource further indicated the Allocation Charges consist of group wide costs that are shared among all programs that cannot be easily tracked to any specific program such as management and supervision fees and membership fees. All Allocated Charges were booked to the Internal Administration category of the Core Expense listing and allocated using a table representative of each programs percentage of the overall Core budget.

Eversource also indicated they incurred $18,523,117 of Direct Charges excluding the Net Smart Start loan payments and repayments. These charges were spread across all program activity expense listings. In addition to the Outside Services and Fees & Payment component that makes up the bulk of the Direct Charges, there was also listed Labor and Labor Overhead. The combined Labor for all programs was $1,330,446; the combined Labor Overhead was $921,692; and the combination of the two was $2,252,137.

Accounting for Costs

Audit notes that with certain programs, mainly the HEA, HPwES, and the EnergyStar Programs, the external administration costs and audit costs have been included in the Rebates & Services expense listing. Audit notes this because not all of the NH Electric Utilities group these costs in the Rebates & Services expense listing; rather they are broken out and listed in the External Admin and Audit expense listings.

Residential EnergyStar Lighting Program - $1,449,718

As noted in the 9/17/12 Filing, this program will continue to increase the use and availability of energy efficient lighting products in New Hampshire. The program is open to all residential customers and will (1) offer rebates for interior and exterior ENERGY STAR labeled bulbs and fixtures, (2) promote the efficiency and environmental benefits of the latest lighting technologies, and (3) leverage the ENERGY STAR branding across three programs - Lighting, Homes, and Appliances.

Audit reviewed several invoices from Energy Federation, Inc. (EFI) concerning mail in rebates as well as instant coupons for PSNH customers. The invoices indicated CFL's, LED's, light fixtures and smart power strips as well as other approved products were purchased. Audit has also reviewed the Purchase Order for EFI and found no exceptions in the handling of the customer lighting rebate process or the payments. Of note is that EFI also handles mail in rebates for the EnergyStar Appliance program and similar programs for at least one other NH Electric Utility. This allows the NH Electric Utilities to share and lower the overall cost of the program.

Residential EnergyStar Appliance Program - $1,815,516

Noted on page 30 of the 9/17/2012 filing is a description of the specific electric and gas rebates for itemized appliances. Rebates range from $10 through $1,500.

Audit reviewed an invoice from EFI for services related to the EnergyStar Appliance program. The invoice total was $208,228. The invoice contained several different pages each relating to either mail in rebate amounts, processing fees, management fees, and phone time related to customer correspondence. Each different page also indicated the type of appliance to which the rebate was related to, the amount per appliance and the total amount for that specific type.

Residential EnergyStar Homes Program - $976,955

As noted on page 24 of the 9/17/2012 filing, this program is fuel neutral designed to encourage homeowners and builders to build homes that are at least 15% more efficient than homes built to the 2009 International Energy Conservation Code (IECC). The program provides home builders with technical assistance, financial incentives, and instruction relating to compliance with Energy Star standards. New single family and multi-family projects are eligible, as are complete rehabilitations of existing structures. Project rebates are based on a sliding scale of Home Energy Rating System (HERS) results. The electric and gas utilities will coordinate to provide rebates for high efficiency gas HVAC equipment.

The first invoice reviewed indicated a new 6-unit multi-family housing complex was constructed in Manchester, NH. The GDS report indicated the housing complex satisfied the requirements to be labeled as an EnergyStar home. The rebate calculation sheet indicated the facility qualified for up to $14,100 in rebates but it was capped at the current maximum of $6,000.

The second invoice reviewed was for services performed in reviewing building plans and visiting various homes in mid-construction status across the state ensuring their compliance to the EnergyStar Home standard. The services were performed by Horizon Residential Services and GDS Associates in locations such as Franconia, Whitefield, Madbury, Litchfield, Barnstead, Manchester, Durham, Gilmanton, Croydon and Keene.

Residential EnergyStar Geothermal (part of EnergyStar Homes) - $279,310

As found on page 50 of the 9/17/12 Filing, "This enhancement will provide an incentive for customers to install geothermal and air source heat pumps as part of the ENERGY STAR Homes Program. New houses built in this program must still meet the minimum ENERGY STAR requirements in order to qualify for the geothermal rebate."

The invoice reviewed by Audit indicated a general construction contractor gutted and rehabilitated an existing structure in Deerfield, NH. According to the Agreement, an existing structure may qualify under the EnergyStar Homes program and therefore the Geothermal rebate as well. According to the documentation, the home audit completed by GDS indicated a HERS Index rating of 50 and a geothermal system rebate of $4,500.

Residential Home Performance with EnergyStar (HPwES) - $2,280,383

Noted on page 27 of the 9/17/2012 filing, regarding the HPwES program, the electric utilities will continue to provide fuel neutral weatherization services similar to those found in the HEA program. The HPwES is to use the same billing rates in order to ensure adherence to the established statewide rates.

Audit reviewed two invoices. The first indicated seven customers received energy efficiency service updates and that the combined rebate was $4,000 or lower per customer. All invoices for HPwES updates flow through OTTER, and therefore ensure adherence to the statewide established rates. Audit reviewed several other invoices all of the same structure with no notable exceptions.

The second invoice reviewed was charged by Horizon Residential Energy Services and the invoice noted that it was for Inspection, Administration, Mileage and Clerical fees associated with performing inspections of HPwES jobs completed around the state. In addition, PSNH indicated if it finds a job was not performed according to the rebate submitted by the vendor, payment to the vendor is withheld until the services are performed and re-verified.

Residential Home Energy Assistance Program - $2,805,621

Income qualified customers are eligible to receive up to $8,000 for insulation, weatherization, cost effective appliance and lighting upgrades, appropriate health and safety measures and possible heating system replacement. Coordination between the Community Action Agencies and the participation of eligible customers enrolled in the SBC funded Electric Assistance Program helps to enroll the vulnerable population.

The Filing and Order indicate that 15% of the total budget, regardless of funding source, should be allocated to the HEA program. Based on the budgeted expenses, including the mid-year adjustment, of $19,832,024 as found on page 7 of 30 of the 4th Quarter report, the 15% threshold is $2,974,804. After reconciling the actual expenses, Eversource indicated they spent $2,805,621 or 14.6% of the budget on the HEA program.

As found on page 33 in Attachment A of the Settlement Agreement approved by Order #25,462, in order to maintain consistent pricing of the improvements for both the HPwES and the HEA programs, any vendor or energy service provider who performs work must do so at established statewide rates. These rates are established in a joint informal bidding process conducted every fall and Audit was informed that the result is an "all in" price the vendor would charge for the service being performed. Audit requested and received a copy of these rates in the form of a pricing sheet (Sheet). The Sheet was then compared to an invoice submitted to Eversource for a weatherization job. No exceptions were noted with the pricing of the services provided.

Concerning the availability of heating system replacements for HEA customers, Audit requested and Eversource provided this explanation about the tracking of those costs in the 2013 program year report: "We do track the cost and energy savings in OTTER. A heating system replacement is modelled in TREAT like any other measure and included in the OTTER measure package. Because the cost for the system is not supposed to fall under the rebate cap, the system gets listed as an "other funding measure" and invoiced separately outside of OTTER. There is no fixed price list for heating systems; each system is priced individually on a case by case basis based on the specific needs of the home."

Audit reviewed several invoices from various Community Action Agencies for compliance. Each invoice contained the standard Admin and Rebate fees and due to the fixed pricing found in the OTTER system, only specific fees can be charged by the vendors. In addition, Audit reviewed several invoices for heating system replacements on certain HEA jobs. There were no exceptions noted.

Residential Customer Engagement Pilot - $126,282

According to the 9/17/12 Filing, and authorized by Commission Order #25,315, the Residential Customer Engagement Pilot Program will be utilized as a tool to evaluate the effectiveness of using a behavioral-based energy efficiency program in New Hampshire before expanding the program to a larger audience of residential customers.

Audit reviewed an invoice dated 5/1/2014, received from OPOWER. The invoice indicated it covered quarterly print and mail fees as well as quarterly program license and fees for the period of May 2014- July 2014. For further information regarding OPOWER, reference the previous audit report.

Large Business Energy Solutions Program - $5,023,031

Noted in the 9/17/2012 filing (page 38) and the 12/4/2012 update, this program is designed for customers with a twelve month average demand of 200kW. Program customers will receive rebates for new construction, major renovations, failed equipment replacement, and replacement of inefficient equipment. The program offers prescriptive and custom incentives for new construction and retrofit projects. Custom incentive amounts for new construction are the lesser of 75% of incremental costs or a one year payback, for retrofit projects, the lesser of 35% or a one year payback. Prescriptive incentives offer a fixed dollar amount per measure, independent of project costs

The first invoice reviewed was for work performed by a third party consultant. The invoices indicated the following services were performed at an hourly rate: correspondence, drafting, reviewing, analysis, finalizing, and updating as necessary. All services on this invoice were performed by the same vendor in 2014 and the total of $10,305.25 was charged to the Large C&I Audit expense code.

The second invoice reviewed was for new equipment to increase production at a local manufacturer. The plastic injection molding machines purchased had an incremental cost of $84,000, calculated as the cost difference between purchasing electric machines or hydraulic machines, and the company received a rebate of a 1 year payback of $57,391.

The third Large C&I invoice reviewed was also for new equipment. A manufacturer in Nashua, NH installed a 150 ton water cooled chiller. The incremental cost of $144,667 was calculated as the difference between an air cooled and a water cooled system. The company received a rebate equal to 75% of the incremental costs or $108,500.

The fourth invoice reviewed was for a Large C&I Retrofit for a large insurance firm with a facility located in Portsmouth, NH. The documentation indicated that a free cooling system was installed at a price of $391,823 with a rebate of $121,797 or 31% of the cost. Audit notes that in the files provided there was discussion about the recipient of the rebate pointing out that the preliminary kWh savings calculation was not correct, and overestimated the lifetime savings by 1,580,000 kWh. The resulting rebate forms indicated the lifetime savings at 1,120,000 kWh saved, the lower of the two estimations.

The last invoice reviewed was for Compressor Energy Services. The documentation indicated that Compressor Energy Services would perform audits of air systems and identify changes or improvements that could be made resulting in saved kWh and reduced bills for the energy consumer. The audits were conducted on-site at various locations throughout New Hampshire.

Small Business Energy Solutions Program - $2,604,476

Noted within the 9/17/2012 filing (pages 40-41) this program is designed for business customers using less than a twelve month average of 200kW. Similar to the Large Business Energy Solutions the program offers prescriptive and custom incentives for new construction and retrofit projects. Custom incentive amounts for new construction are the lesser of 75% of incremental costs or a one year payback, for retrofit projects, the lesser of 35% or a one year payback Prescriptive incentives offer a fixed dollar amount per measure, independent of project costs. A third option, referred to as "turn-key", allows for up to a 50% rebate.

The first invoice reviewed indicated a client installed energy efficient lighting systems at an existing facility that houses a retail store. The cost of the lighting system was $35,060 and the rebate was $15,750 or 45% of the cost.

Audit reviewed several more invoices for various companies receiving various energy efficiency updates. All of the invoices reviewed contained rebates of 50% as part of the "Turnkey Option" found in the 9/17/12 Filing. Audit requested and PSNH indicated that for these "Turnkey" invoices, PSNH contracts with various third party vendors through a competitive bidding process, assigning each one chosen vendor a certain part of the state. This vendor would locate prospective customers, educate them, recommend efficiency measures and install the measures.

C&I Education - $173,673

The 9/17/2012 filing summarized the C&I educational programs as an integral part of raising awareness of energy efficiency. Specifically identified were Energy Code Training for all stakeholders; Commercial Energy Auditing classes which provide training to facility managers; C&I Customer Education includes training sessions for C&I customers and professionals; Energy Education for Students provides support for programs available to students from kindergarten through high school.

Audit reviewed one invoice for $31,885. This invoice was dated 10/30/2014 from AEE Energy Seminars for a comprehensive 5 day training seminar for managers which culminated in the opportunity for the participants to become Certified Energy Managers (CEM). Specifically, 14 individuals attended from various industries across NH represented; Grocers, Public Works, Electric Distribution, Medical Equipment, Manufacturing, General Contracting, and higher education.

C&I RFP Pilot - $361,981

As found in the 9/17/12 filing, the objective of this program is to promote competitive market development in the energy efficiency industry by encouraging third parties to bid for energy efficiency projects on a competitive basis. The RFP Program is aimed at energy efficiency potential from large C&I projects that are not participating through other existing energy efficiency programs.

Audit reviewed one invoice in the amount of $12,251 which was part of a larger invoice totaling $124,109 for evaluation services. The services were performed by Kema, Inc. The remainder of the invoice was split between the other Electric and Gas Utilities in the State of NH.

C&I Customer Partnerships - $9,287

As found in the 9/17/12 Filing, this program would allow PSNH to Partner with up to five customer groups to provide focused education to members on energy efficiency technologies and opportunities available in NH. Further, the format of the program is intentionally left open so as to accommodate the participants.

Audit reviewed one invoice that was paid to the New England Grassroots Environment Fund (NEGEF). The proposal submitted to PUC audit indicated that the money had a final destination of the Local Energy Work Group (LEWG) who proposed holding at least four face to face meetings or roundtables to provide assistance; technical, organizational and resources related to promoting and educating energy efficiency to local town energy committees. The funds were submitted to NEGEF who acted as the fiscal agent of the LEWG. Audit requested a list of the roundtables proposed and conducted and Eversource submitted a detailed list of roundtables, newsletters and online seminars that were conducted with the funds submitted from the NH Utilities. Roundtables included an Upper Valley Roundtable, a Regional Energy Form in Peterborough; a Lakes Region Energy Fair; Mount Washington Area workshops and others.

Municipal Program - $1,081,378

As found on page 32 of the 2014 Filing, a Municipal program was offered to municipal and local government energy projects. The program targets municipal customers with new construction projects, major renovation projects, failed equipment that needs replacement and those operating aging, inefficient equipment and systems. Rebates vary depending on the type of project from 35% to 100% for schools.

The first invoice reviewed by audit was for Berlin Pollution Control. The facility replaced two aged centrifuges with a single slow speed screw press. The total incremental cost of the replacement was $53,157 and a rebate of $39,868 or 75% was awarded. Audit notes the cost for the new slow speed press was $759,874 and replacing the old equipment was similar equipment was noted as $706,689, with the incremental cost of $53,157 being the difference between the two.

Marketing Expenses

Audit reviewed an invoice from Fletcher Media in the amount of $95,768.99. The invoice reflected services associated with printing, preparing and mailing an updated NH Saves Lighting Catalog. The invoice was split among the four electric utilities in the state. In addition there were several other invoices from Fletcher Media that were also split for similar services, noting in particular the NHSaves.com website, graphic designs, and EnergyStar Homes pamphlets.

Miscellaneous and Split Costs

Consortium for Energy Efficiency (CEE) -- 2014 Membership: $10,001
From the CEE website, "CEE is the US and Canadian consortium of gas and electric efficiency *program administrators. We work together to accelerate the development and availability of energy efficient products and services for lasting public benefit. The CEE role is not to develop or implement the programs delivered at the local level, but to influence national players—manufacturers, stakeholders, government agencies—to maximize the impact of efficiency programs."* Audit reviewed the invoice from CEE and noted it resembled similar invoices issued to other utilities for a membership. Eversource submitted documents indicating the fee was calculated by estimating the number of Eversource customers taking part in energy efficiency programs, 500,048 multiplied by the rate of $.02 per each customer, or $10,001.

Northeast Energy Efficiency Partnerships (NEEP) – 2014 Membership: $41,673
From the NEEP website, "In this context, NEEP builds momentum to realize the full potential for energy efficiency by bringing stakeholders together to overcome policy, market and institutional barriers to energy efficiency." Audit reviewed the invoice from NEEP. The total amount due of $41,673 was split among all of Eversource's Core program offerings.

Audit also reviewed an invoice from the Lane Press, Inc. in reference to NH Saves Catalogs and prepaid postage. The invoice total was $83,796 and the cost was split among the EnergyStar Lighting and the Small C&I Retrofit programs.

Smart Start for Municipalities

NHEC and PSNH were authorized by Order #23,851 (issued 11/29/2001) to offer on-bill financing, presently referenced as Smart Start. Establishment of the $2 million revolving loan fund was originally through the SBC. NHEC currently offers the funding option to all commercial customers, while PSNH offers it to municipalities only (where as the Eversource RGGI Revolving Loan Fund, RLF, is the residential customer equivalent.) The cost of the improvements are paid entirely by the Utility and the customer repays the Utility through on-bill financing payments calculated at no more than the monthly savings obtained. As of the end of 2014, Eversource indicated they had $87,235 available to loan. Further details on the balances can be found on page 26 of the Eversource 2014 4th Quarter report filed in docket DE 12-262.

Page 46 of the 9/17/12 Filing, the Smart Start Loan Performance Incentive is based on 6% of loans repaid. PSNH's 2014 calculation is verified in the below table:

Smart Start Loans 2014 Only	
Loan Repayments-2014	$665,387
6% of Repayments	$ 39,923
PSNH Filed smart Start PI	$ 39,923
	$ 0

General Ledger Year-end Balance

As noted in the shareholder incentive package, Attachment F page 7 of 9, the Eversource 2014 General Ledger Transactions vs. Energy Efficiency Program Transactions page reflects the general ledger activity:

Beginning balance $4,123,458
Ending balance $2,083,665 for a net change during the year of $(2,039,793)

Audit verified the reported beginning balance to the ending balance in the previous report. Audit also verified the reported ending balance to the December 2014 monthly reconciliation of account 254P9/254P90 and the proceeds from the 2014 quarterly RGGI auctions which are posted to account 242RG/242RG0.

Carry-forward Balance

The carry-forward balance represents the availability of funds at each utility with anticipated expenses that have not yet posted to the general ledger but which have already been "reserved" for future use, and are thus considered not available. The reconciliation of program year activity to the GL year end was noted in the Performance Incentive filing. Concerning the ending 2013 balance, the $1,886,223 was moved to the 2014 RGGI funding, and the $1,491,809 was added back due to being approved for the 2014/2015 Program years. The ending balance of $1,255,828 agrees with the Eversource Filing.

Ending balance 2013 Audit report	$ 1,886,223
Move ending balance to source of funds (RGGI Funding)	$(1,886,223)
Add funds per Order #25,703 for use 2014 and 2015	$ 1,491,809
Adjusted beginning balance 1/1/2014	$ 1,491,809
2014 Funding Sources:	
System Benefits Charge funding	$14,231,803
Forward Capacity revenue	$ 2,307,509
Forward Capacity expenses	$ (95,301)
RGGI quarterly auction proceeds	$ 3,971,380
CORE interest	$ 141,945
RSA 125-O interest	$ 19,500
Total funding for program year 2014	$20,576,836
2014 Expenses:	
CORE expenses January – December 2014	$(19,469,644)
Less SmartStart related expenses 2014	$ 411,712
CORE 2014 expenses recorded in 2015	$ 132
Net 2014 CORE expenses*	$(19,057,800)
2014 estimated incentive	$ (1,755,017)
Sub-total 2014 expenses	$(20,812,817)
2014 use of 2% RSA 125-O set aside	$ -0-
Total expenses for program year 2014	$(20,812,817)
Net 2014 carry-forward balance over-collection	$ 1,255,828

*The Net 2014 Core Expenses include the SS Labor and PI but exclude the ISO Expenses as they are included as a Net amount in the Funding section.

On August 7, 2014, the Commission issued Order #25,703 approving the transfer of $1,491,809 of the surplus funds from the filed 2013 ending balance to the 2014 and 2015 Core Program years.

Additionally in November 2013, the NH PUC Business Office sent a check for $1,886,223.37 to PSNH. These funds were designated the 2012 RGGI Carry-over Proceeds and comprise amounts that were estimated when transitioning from the Greenhouse Gas Emission Reduction Fund to the Energy Efficiency Fund. Per the PSNH FERC account 242 GL for the 2013 year, this amount was recorded on PSNH's books in the month of December 2013, but was counted for the 2014 program year due to the unknown date of receipt and therefore the inability to be included in the 2013 budget.