

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** September 30, 2020

**AT (OFFICE):** NHPUC

**FROM:** Karen Moran, Chief Auditor

**SUBJECT:** Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
DE 17-136 - 2018 and 2019 NHSaves Programs  
**FINAL** Audit Report

**TO:** Tom Frantz, Director NH PUC Electric Division  
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### Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted a limited audit of the books and records related to the Electric and Gas Energy Efficiency Programs, referenced as NHSaves, for the calendar years 2018 and 2019. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire d/b/a Eversource (Eversource, or PSNH), New Hampshire Electric Cooperative (NHEC), and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (GSE or Liberty) and two gas utilities, Northern Utilities, Inc. (Northern) and Liberty Utilities (EnergyNorth Natural Gas) Corp. (ENG or Liberty) filed joint petitions for the program years 2018 and 2019. Each utility was audited individually.

### Approved Programs – 2018 and 2019

The participating utilities submitted a joint energy proposal to the Commission on September 1, 2017 for the program years 2018, 2019 and 2020. A joint Settlement Agreement was provided to the Commission on December 8, 2017, and approved by Order #26,095 on January 2, 2018. An update to the Energy Efficiency Resource Standards (EERS, or NHSaves plan) was provided, as required, on January 12, 2018 for calendar year 2018. An update for calendar year 2019 was submitted to the docket on January 15, 2019, in compliance with Order #26,207. For GSE, the following programs were approved:

### Residential

Home Energy Assistance Program (HEA)  
Energy Star Homes Program– (ESH)  
NH Home Performance with Energy Star Program (HPwES)  
Energy Star Products (ESP)  
Home Energy Report (HER)

## Commercial, Industrial and Municipal

Large Business Energy Solutions Program

Small Business Energy Solutions Program

Municipal Program

## Utility Specific

Combined Heat and Power (CHP)

## **Changes to NHSaves for 2018**

Attachment A to the Plan, filed on January 12, 2018 in compliance with Order 26,095 that approved the settlement agreement, included the following changes for the 2018 program year:

### Program Design changes

- HEA will provide additional information and training to help identify and address high electric usage areas; install ductless heat pump equipment for customers currently using electric resistance heat and/or electric cooling when deemed cost effective; incorporate new efficient appliances beyond refrigerators directly within the HEA program.
- ESH will implement ENERGY STAR Homes Version 3.1 to provide additional incentives for builders who meet Version 3.1 standards; implement Code Plus Initiative to provide reduced incentives for new homes that are built above code but fall short of ENERGY STAR certification requirements; explore a Major addition/renovation option to provide incentives for construction projects that have potential for incorporating highly efficient building practices but are not eligible for ENERGY STAR New Homes of Code Plus. NHEC will work with builders to identify trial projects. Based on NHEC's research, other utilities will decide whether to adopt a similar initiative based on the scale of opportunity and cost effectiveness in the future. Audit requested the status of this work, and was told: *"NHEC has been investigating the potential for developing a renovation initiative within the ESH program over the course of the 3 year plan. We did not have any projects that completed in 2018. We had one project that completed in 2019 and 2-3 that will complete in 2020. These results will be compiled in 2020 with recommendations that will be incorporated into the 2021-2023 planning discussions."*
- HPwES will implement a new software package that captures energy audit information, calculates energy savings, provides reports to customers, facilitates project review by the NH Utilities and facilitates contractor billing; will incorporate additional appliances such as dehumidifiers, clothes washers, clothes dryers, room air purifiers and other measures where they are deemed cost effective; will explore a high electric usage program offering to capture additional electric savings; implement a new visual audit and direct install option to expand eligibility for natural gas programs and electric companies will consider a similar expansion; develop a new contractor handout to provide homeowners with relevant information about other programs and the availability of Home Energy Scores; make adjustments to streamline the process.
- ESP will expand lighting product markdowns with additional retailers; update equipment efficiency requirements for heat pump rebates to align with Cold Climate heat pump standards; introduce tiered incentives for clothes washers, clothes dryers and refrigerators starting in 2018.

- HER Home Energy Reports: Eversource will continue with 50,000 customers in 2018, increase to 105,000 in 2019 and 190,000 in 2020; Liberty/Granite State electric will introduce the program to 12,000 electric customers; Unitil will select a vendor for a 2018-2020 behavior program which could be Home Energy Reports, depending on the final analysis of bids and program options.
- NHEC Member Engagement NHEC will investigate a member engagement option.
- Commercial, Industrial and Municipal Programs have enhanced focus on multi-year commitments for Large C&I customers; added performance based incentives for Large C&I New Equipment and Construction (NEC) projects; put additional focus on Energy Master Planning for large business customers; Midstream Distributor relationships will be used for natural gas water heaters and heating equipment; combined heat and power as a custom measure will be available through Unitil and Liberty.

#### Changes in Savings Assumptions

- HEA: Reduced the measure life of LED from 8 years to 5 years.
- HPwES: Revised annual electric and MMBTU savings to reflect current projects modeled in the program auditing software; reduced the measure life of LED from 8 to 5 years.
- ESH: Reduced the measure life of LED from 8 to 5 years; reduced savings projections in anticipation of an ongoing impact evaluation.
- ESP: Reviewed regional technical resource manuals (TRM); updated the savings assumptions on the ENERGY STAR Calculator for clothes washers, ductless mini-slits, refrigerators, dehumidifiers, dryers, LED.
- Large and Small Business Energy Solutions and Municipal, and Eversource's RFP programs: Updated annual energy savings and measure mixed based on most recent historical data and current trends.

#### Other Changes

- Budget adjustments within sectors were revised requiring notification if expenditures are forecasted to exceed 120% of the budget.
- The 40% cap for customer commitments in future years was removed from multi-year project approvals.
- C&I programs: Customers who supply a portion of their energy needs will be eligible for incentives based on the level of kWh billed in the most recent twelve-month period.
- The 2018-2020 plan will emphasize marketing and communications, perform market research to better understand NH customer behavior and develop a statewide marketing campaign. The plan also focuses on program continuity.

Benefit-Cost Testing – The utilities use the Total Resource Cost (TRC) test to determine if the program is cost effective. For the 2018-2020 program years, the formula has been revised to increase the nominal discount rate from 3.5 to 4.0 percent and also increase the inflation rate from 1.18 to 1.56 percent. An NEI adder (non-energy impact adder) of 10% will be included in the numerator and applied to all electric, gas and other fuel benefits. The inclusion of the adder is to account for non-energy impacts of energy efficiency programs and measures.

Demand Reduction Induced Price Effects (DRIPE) was first included in 2017 and will continue to be included in the 2018-2020 program years. The Settling Parties agree that Rest of Pool (ROP) DRIPE shall be removed from the Benefit/Cost Test. ROP DRIPE refers to reductions in

wholesale prices that occur outside New Hampshire as a result of New Hampshire energy efficiency programs.

### **Changes to NHSaves for 2019**

Attachment A to the Plan, filed on January 15, 2019 in compliance with Order 26,207 that approved the settlement agreement, included the following changes for the 2019 program year:

#### **Summary of Material Changes**

- ENERGY STAR Products Program (Lighting, Appliances and Electric Heating/Cooling and Hot Water Systems) -Develop a point of sale e-rebates platform.
- ENERGY STAR Homes -Developing an incentive structure for ENERGY STAR Manufactured Homes; -Training and certification assistance to facilitate certification of HBAC contractors.
- Home Performance with ENERGY STAR -Explore an offering for a package of energy saving measures for electric customers who do not meet the Home Heating Index threshold.
- Commercial, Industrial and Municipal Programs -Explore a distributor point-of-sale approach for lighting and other technologies.
- Large Business Demand Response Initiative -Eversource and Unitil will explore the potential for active demand response strategies within the Commercial and Industrial sector.

#### **Changes in Savings Assumptions**

Small Business and Municipal Lighting -Updated Realization Rates, Summer and Winter Peak Coincident Factors and kW Realization Rates based on 2018 DNV-GL Impact Evaluation.

#### **Other Changes**

- Avoided Energy Supply Costs -Incorporated changes from the 2018 AESC Study completed in June 2018.
- Included Pool Transmission Facilities value from AESC 2018 and removed prior transmission benefit.
- Included Non-Embedded Environmental Benefits for Fossil Fuel based on AESC forecast of RGGI values.
- Increased the nominal discount rate from 4.0 to 4.75 percent.
- Increased inflation from 1.56 to 1.86 percent.
- Low-Income Non-Energy Impacts -Incorporated an additional 10% adder to all energy related benefits (all benefits excluding water) within the Home Energy Assistance Program to reflect non-energy impacts.
- Lost Base Revenue Calculation -Updated calculation of Lost Base Revenue for 2019 and forward.
- Home Energy Assistance Education -An additional \$200,000 in funding has been incorporated in Education for the specific purpose of increasing training opportunities and other capacity building needs for contractors serving the HEA program. Audit verified with Eversource that the intent was to provide an additional \$200,000 to fund training at the Community Action Agencies, but that the funding was not supported by the PUC Staff, and thus was not included in the final plan for 2019.
- Increased inflation from 1.56 to 1.86 percent.

The 2018 and 2019 Performance Incentive outlined in settlement agreements for each year, and approved by Orders 25,932 and 26,207 set a cap of 6.875%.

### **Mid-Year Adjustments – 2018 and 2019**

According to the Settlement Agreements, the Commission shall be notified of any transfer into or out of any one program of 20% or more. If a utility anticipates exceeding a sector budget by 5% or more, Commission approval is required. Audit reviewed the docket book entries for DE 17-136, and GSE had no transfers during 2018 or 2019, or requests for approval regarding budgets.

### **Budget vs Actual Expenses**

The following reflects the 2018 budgeted figures:

#### **2018 Budget per Plan filed 1/12/2018 in DE 17-136 , Attachment C**

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>
Home Energy Assistance	\$ 16,107	\$ 1,017	\$ 405,683	\$ 69,797	\$ 21,476	\$ 22,818	\$ 536,898
Home Performance with EnergyStar	\$ 6,309	\$ 399	\$ 158,907	\$ 27,340	\$ 8,412	\$ 8,938	\$ 210,305
EnergyStar Homes	\$ 4,867	\$ 307	\$ 122,585	\$ 21,091	\$ 6,489	\$ 6,895	\$ 162,234
EnergyStar Products	\$ 6,850	\$ 433	\$ 172,528	\$ 29,683	\$ 9,133	\$ 9,704	\$ 228,331
Other	\$ 1,250	\$ 250	\$ 137,000	\$ 4,850	\$ 1,750	\$ 21,350	\$ 166,450
<b>Total Residential</b>	<b>\$35,383</b>	<b>\$ 2,406</b>	<b>\$ 996,703</b>	<b>\$ 152,761</b>	<b>\$ 47,260</b>	<b>\$ 69,705</b>	<b>\$ 1,304,218</b>
Large Business Energy Solutions	\$ 27,380	\$ 1,729	\$ 689,603	\$ 118,645	\$ 36,506	\$ 38,788	\$ 912,651
Small Business Energy solutions	\$ 20,879	\$ 1,319	\$ 525,885	\$ 90,477	\$ 27,839	\$ 29,579	\$ 695,978
Municipal Program	\$ 5,033	\$ 318	\$ 126,756	\$ 21,808	\$ 6,710	\$ 7,130	\$ 167,755
Other	\$ 985	\$ 62	\$ 24,806	\$ 4,268	\$ 1,313	\$ 46,895	\$ 78,329
<b>Total C&amp;I</b>	<b>\$54,277</b>	<b>\$ 3,428</b>	<b>\$ 1,367,050</b>	<b>\$ 235,198</b>	<b>\$ 72,368</b>	<b>\$ 122,392</b>	<b>\$ 1,854,713</b>
<b>TOTAL</b>	<b>\$89,660</b>	<b>\$ 5,834</b>	<b>\$ 2,363,753</b>	<b>\$ 387,959</b>	<b>\$ 119,628</b>	<b>\$ 192,097</b>	<b>\$ 3,158,931</b>

The following reflects the actual 2018 expenses per the fourth quarterly 2018 report:

#### **2018 Actuals per Liberty Granite State Electric 4th Quarterly Report**

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>	<u>% of Budge</u>
Home Energy Assistance	\$ 12,559	\$ 244	\$ 280,511	\$ 14,310	\$ 11,128	\$ 17,770	\$ 336,522	63%
Home Performance w/ES	\$ 3,472	\$ 96	\$ 169,539	\$ 13,317	\$ 4,871	\$ 6,961	\$ 198,256	94%
Energy Star Homes	\$ 7,695	\$ 74	\$ 110,357	\$ 15,455	\$ 3,378	\$ 5,369	\$ 142,328	88%
Energy Star Products	\$ 3,535	\$ 104	\$ 193,589	\$ 14,024	\$ 11,299	\$ 26,290	\$ 248,841	109%
Other Residential	\$ 5,419	\$ 67	\$ 145,000	\$ 8,065	\$ 2,472	\$ 19,811	\$ 180,834	109%
<b>Total Residential</b>	<b>\$ 32,680</b>	<b>\$ 585</b>	<b>\$ 898,996</b>	<b>\$ 65,171</b>	<b>\$ 33,148</b>	<b>\$ 76,201</b>	<b>\$ 1,106,781</b>	<b>85%</b>
Large Business Energy Solutions	\$ 9,616	\$ 415	\$ 622,902	\$ 91,241	\$ 12,684	\$ 30,383	\$ 767,241	84%
Small Business Energy Solutions	\$ 7,958	\$ 316	\$ 457,930	\$ 61,547	\$ 10,044	\$ 24,691	\$ 562,486	81%
Municipal	\$ 1,378	\$ 76	\$ 139,469	\$ 18,651	\$ 2,331	\$ 6,075	\$ 167,980	100%
Other C&I	\$ 1,688	\$ 15	\$ 11,549	\$ 24	\$ 272	\$ 20,015	\$ 33,563	43%
<b>Total C&amp;I</b>	<b>\$ 20,640</b>	<b>\$ 822</b>	<b>\$ 1,231,850</b>	<b>\$ 171,463</b>	<b>\$ 25,331</b>	<b>\$ 81,164</b>	<b>\$ 1,531,270</b>	<b>83%</b>
<b>Total</b>	<b>\$ 53,320</b>	<b>\$ 1,407</b>	<b>\$ 2,130,846</b>	<b>\$ 236,634</b>	<b>\$ 58,479</b>	<b>\$ 157,365</b>	<b>\$ 2,638,051</b>	<b>84%</b>

Overall, the expenses achieved during calendar year 2018 were 84% of the budget.

Below reflects the 2019 Budget per Attachment C of the updated Plan filed in DE 17-136 on 12/13/2018:

**2019 Budget per Plan filed 1/15/2019 in DE 17-136 , Attachment C**

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>
Home Energy Assistance	\$ 23,102	\$ 1,060	\$ 514,309	\$ 89,745	\$ 27,614	\$ 34,517	\$ 690,347
Home Performance with EnergyStar	\$ 11,882	\$ 545	\$ 264,515	\$ 46,157	\$ 14,202	\$ 17,753	\$ 355,054
EnergyStar Homes	\$ 6,195	\$ 284	\$ 137,928	\$ 24,068	\$ 7,406	\$ 9,257	\$ 185,138
EnergyStar Products	\$ 10,093	\$ 463	\$ 224,701	\$ 39,210	\$ 12,064	\$ 15,081	\$ 301,612
Other	\$ 1,550	\$ 250	\$ 117,500	\$ 5,300	\$ 2,150	\$ 22,050	\$ 148,800
<b>Total Residential</b>	<b>\$ 52,822</b>	<b>\$ 2,602</b>	<b>\$ 1,258,953</b>	<b>\$ 204,480</b>	<b>\$ 63,436</b>	<b>\$ 98,658</b>	<b>\$ 1,680,951</b>
Large Business Energy Solutions	\$ 41,201	\$ 1,891	\$ 917,253	\$ 160,057	\$ 49,248	\$ 61,561	\$ 1,231,211
Small Business Energy solutions	\$ 29,374	\$ 1,348	\$ 653,949	\$ 114,112	\$ 35,111	\$ 43,889	\$ 877,783
Municipal Program	\$ 5,590	\$ 257	\$ 124,451	\$ 21,716	\$ 6,682	\$ 8,352	\$ 167,048
Other	\$ 1,953	\$ 90	\$ 43,488	\$ 7,588	\$ 2,335	\$ 48,419	\$ 103,873
<b>Total C&amp;I</b>	<b>\$ 78,118</b>	<b>\$ 3,586</b>	<b>\$ 1,739,141</b>	<b>\$ 303,473</b>	<b>\$ 93,376</b>	<b>\$ 162,221</b>	<b>\$ 2,379,915</b>
<b>TOTAL</b>	<b>\$ 130,940</b>	<b>\$ 6,188</b>	<b>\$ 2,998,094</b>	<b>\$ 507,953</b>	<b>\$ 156,812</b>	<b>\$ 260,879</b>	<b>\$ 4,060,866</b>

The following reflects the actual 2019 expenses per the 2019 4<sup>th</sup> quarter report:

**Actuals per Liberty Granite State Electric 4th Quarterly Report**

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>	<u>Actual as % of Budget</u>
Home Energy Assistance	\$ 50,253	\$ -	\$ 565,423	\$ 42,819	\$ 11,171	\$ 31,755	\$ 701,421	102%
Home Performance w/ES	\$ 26,828	\$ -	\$ 241,239	\$ 21,122	\$ 8,574	\$ 16,332	\$ 314,095	88%
Energy Star Homes	\$ 8,705	\$ -	\$ 150,661	\$ 9,305	\$ 3,608	\$ 8,516	\$ 180,795	98%
Energy Star Products	\$ 6,141	\$ -	\$ 278,041	\$ 14,850	\$ 5,759	\$ 13,602	\$ 318,393	106%
Other Residential	\$ 3,643	\$ 8	\$ 117,595	\$ 5,229	\$ 2,055	\$ 20,962	\$ 149,492	100%
<b>Total Residential</b>	<b>\$ 95,570</b>	<b>\$ 8</b>	<b>\$ 1,352,959</b>	<b>\$ 93,325</b>	<b>\$ 31,167</b>	<b>\$ 91,167</b>	<b>\$ 1,664,196</b>	<b>99%</b>
Large Business Energy Solutions	\$ 13,725	\$ -	\$ 971,547	\$ 96,800	\$ 14,281	\$ 55,729	\$ 1,152,082	94%
Small Business Energy Solutions	\$ 12,184	\$ -	\$ 821,551	\$ 78,833	\$ 13,939	\$ 39,731	\$ 966,238	110%
Municipal	\$ 2,481	\$ -	\$ 140,284	\$ 14,508	\$ 2,174	\$ 7,561	\$ 167,008	100%
Other C&I	\$ 2,226	\$ -	\$ 40,710	\$ 7,650	\$ 438	\$ 26,678	\$ 77,702	75%
<b>Total C&amp;I</b>	<b>\$ 30,616</b>	<b>\$ -</b>	<b>\$ 1,974,092</b>	<b>\$ 197,791</b>	<b>\$ 30,832</b>	<b>\$ 129,699</b>	<b>\$ 2,363,030</b>	<b>99%</b>
<b>Total</b>	<b>\$ 126,186</b>	<b>\$ 8</b>	<b>\$ 3,327,051</b>	<b>\$ 291,116</b>	<b>\$ 61,999</b>	<b>\$ 220,866</b>	<b>\$ 4,027,226</b>	<b>99%</b>

For calendar year 2019, actual expenses achieved were 99% of the budget.

Neither sector exceeded 105% of the 2018 budget or the 2019 budget. As noted within the 2018 and 2019 annual reports, page 9, activity and the resulting over-collection was summarized as follows:

	<u>2018</u>	<u>2019</u>
Carryforward Balance January 1	\$ 163,024	\$ 843,082
System Benefits Charge Revenue	\$ 2,494,292	\$ 3,311,243
RGGI Funding	\$ 210,395	\$ 216,196
FCM Payments Received	\$ 669,230	\$ 738,156
Interest	\$ 44,241	\$ 91,899
Total Revenue	<u>\$ 3,418,158</u>	<u>\$ 4,357,494</u>
Program Expenses (including FCM)	\$ (2,577,092)	\$ (3,721,019)
Estimated Incentive current year	<u>\$ (161,008)</u>	<u>\$ (201,137)</u>
	<u>\$ (2,738,100)</u>	<u>\$ (3,922,156)</u>
Net over / (under) collection	<u>\$ 843,082</u>	<u>\$ 1,278,420</u>

The beginning balance of the 2018 summary agrees with the ending balance in the 2017 report. As demonstrated, the ending 2018 balance agreed with the 2019 beginning balance. For both years, the Company over-collected (or under-spent). All Energy Efficiency revenue and expenses (including FCM and RGGI) are posted to account 8830-2-0000-20-2142-2423. SBC revenue posts to that account monthly, as transfers out of the EAP account 8830-2-0000-2142-2542, the account to which the full SBC posts initially.

The reported \$3,721,019 expense figure was reconciled to the general ledger -2423 as follows:

The general ledger at 12/31/2019 reflected:	
General Expenses	\$2,853,693.18
Labor	\$ 161,949.73
Overheads	\$ 241,208.10
Incentives	\$ 254,060.00
Transfer to RGGI	<u>\$ 150,000.00</u>
Total GL Expenses	\$3,660,911.01
Less Incentives	\$ (254,060.00)
Less Transfer to RGGI	<u>\$ (150,000.00)</u>
Adjusted Expenses	\$3,256,851.01
Less 2018 posted in 2019	\$ (356,376.68)
Plus 2019 posted in 2020	<u>\$ 820,545.02</u>
2019 Expense Total	\$3,721,019.35

Audit verified that the expenses reflected on the Annual report reflect only those Energy Efficiency expenses recorded in the general ledger for the calendar year 2019, less the recording of 2018 calendar year jobs that were booked in 2019, plus those 2019 jobs that were booked in 2020. The expenses, property, do not include the transfer of \$150,000 from the rolling balance in account -2423 to the RGGI Loan Fund, nor does the total include any portion of the performance incentive.

Audit reviewed, but did not test, the 352 general ledger entries that posted in 2020 as relating to the 2019 calendar year.

**Funding**

The NHSaves programs are funded through the System Benefits Charge (SBC), a portion of the Quarterly RGGI Auction Proceeds, a portion of the Forward Capacity Payments to the utility net of administrative expenses, and, depending on the balance of the fund itself, interest.

**System Benefits Charge (SBC) for 2018 and 2019**

The System Benefits Charge is the primary means of funding the NHSaves programs. For 2018, the GSE rate was set at \$0.00457 for every kWh sold, and for 2019, the rate was set at \$0.00535.

	<u>2018</u>	<u>2019</u>
Electric Assistance Program (EAP)	\$0.00150	\$0.00150
Energy Efficiency (NHSaves)	\$0.00275	\$0.00373
Lost Base Revenue	<u>\$0.00032</u>	<u>\$0.00012</u>
	\$0.00457	\$0.00535

The EAP and Energy Efficiency portions of the SBC are the same across the electric utilities. The Lost Base Revenue is utility specific. The EAP is audited annually, based on the program’s fiscal year of October 1 through September 30, and is not part of this review. The above overall rate was approved by Order 25,976 for 2018 and Order 26,207 for 2019. Updated tariff pages for each year were provided to the Commission.

Audit requested and was provided with monthly billing system summary reports, entitled “GSE 2018-month Bills&Volume(V5)-1.xls”, and “GSE 2019-month Bills&Volume(V5)-1.xls”. The kWh and overall SBC revenue were noted on each monthly report. Audit also verified the kWh to the monthly EAP reconciliation reports filed with the Commission. For 2019, the kWh also agrees with the information provided to the Electric division of the NH PUC Staff in response to data request 8-5.

<u>Year</u>	<u>kWh</u>	<u>Total SBC</u>
2018	919,566,805	\$4,156,429
2019	899,231,963	\$4,810,891

The actual split among the EAP, EE, and LBR for 2018 and 2019 was noted to be:

	<u>2018</u>	<u>2019</u>
EAP	\$1,379,350	\$1,348,848
EE	\$2,494,342	\$3,311,243
LBR	<u>\$ 282,606</u>	<u>\$ 116,650</u>
Total	\$4,156,298	\$4,773,741
Difference	\$131	\$34,150



The variances of the Energy Efficiency and Lost Base Revenue, on a straight kWh multiplied by the NHSaves EE rate are due to cancel/rebills, billing cycle timing in January, and the balancing of the split charges rounded to two decimal places.

RGGI Auction Proceeds 2018 and 2019

According to RSA 125-O:23, the RGGI auction proceeds that are directed to the Energy Efficiency Programs were specifically directed over the following three programs, in this order (after administrative costs, a portion of the quarterly proceeds be refunded to all retail electric ratepayers, and a portion be combined with the SBC Funded Energy Efficiency programs administered by the participating Electric Utilities. :

1- At least 15% to the Low Income weatherization program;

2- Up to \$2,000,000 Annually to Municipal and Local Government energy efficiency projects, this amount will roll over and accumulate until May of program year 2017 when, meeting certain requirements, the unused portions (if available) of the funds may be released to other C&I customers.

3- The remainder to an All Fuels, comprehensive energy efficiency program administered by qualified parties which may include electric distribution companies as selected through a competitive bid process.

The total auction proceeds for the year were \$13,878,414 distributed as follows, in accordance with RSA 125-O:23:

The total auction proceeds for the 2018 and 2019 years were distributed as follows, in accordance with RSA 125-O:23:

	<u>2018</u>	<u>2019</u>
Statewide Auction Proceeds	\$ 13,878,414	\$ 16,530,729
Refunded to All Customers	\$(10,727,081)	\$(13,486,673)
Set Aside for Admin Costs	\$ (325,000)	\$ (365,000)
Set Aside for All Fuels Grant	\$ (235,333)	\$ (112,272)
Distributed to NHSaves at Electric Utilities	<u>\$ (2,591,000)</u>	<u>\$ (2,566,784)</u>
Undistributed	\$ -0-	\$ -0-

The proceeds are distributed to Eversource, NHEC, Liberty, UES, and municipalities with their own electric departments: Ashland; Littleton; New Hampton; Wolfeboro; and Woodsville. The breakdown by recipient is as follows:

**Calendar Year 2018**

	<u>Auction #39</u>	<u>Auction #40</u>	<u>Auction #41</u>	<u>Auction #42</u>	<u>2018 Total</u>
NH Proceeds	\$ 2,902,598	\$ 3,432,119	\$ 3,446,357	\$ 4,097,340	\$ <b>13,878,414</b>
# of Allowances Sold	765,857	853,761	765,857	765,858	<b>3,151,333</b>
RGGI Proceeds at \$1.00	\$ 765,857	\$ 853,761	\$ 765,857	\$ 765,858	\$ <b>3,151,333</b>
Administrative Expenses	\$ (88,750)	\$ (88,750)	\$ (73,750)	\$ (73,750)	\$ <b>(325,000)</b>
RFP 14-004 All-fuels grant	\$ (100,000)	\$ (100,000)	\$ (15,000)	\$ (20,333)	\$ <b>(235,333)</b>
Available to Energy Efficiency	\$ 577,107	\$ 665,011	\$ 677,107	\$ 671,775	\$ <b>2,591,000</b>

Distributed to each utility for the NHSaves Energy Efficiency programs:

Eversource	\$ (419,376)	\$ (483,255)	\$ (492,045)	\$ (488,170)	\$ <b>(1,882,847)</b>
NHEC	\$ (46,158)	\$ (53,189)	\$ (54,156)	\$ (53,730)	\$ <b>(207,233)</b>
Liberty	\$ (47,874)	\$ (55,166)	\$ (56,170)	\$ (55,728)	\$ <b>(214,938)</b>
UES	\$ (63,698)	\$ (73,401)	\$ (74,736)	\$ (74,147)	\$ <b>(285,982)</b>
distributed to Energy Efficiency	\$ (577,107)	\$ (665,011)	\$ (677,107)	\$ (671,775)	\$ <b>(2,591,000)</b>

Distributed to electric utilities for refunding to customers:

Eversource	\$ (1,538,756)	\$ (1,856,783)	\$ (1,930,340)	\$ (2,399,139)	\$ <b>(7,725,019)</b>
NHEC	\$ (149,584)	\$ (180,500)	\$ (187,651)	\$ (233,223)	\$ <b>(750,959)</b>
Liberty	\$ (177,255)	\$ (213,889)	\$ (222,363)	\$ (276,365)	\$ <b>(889,872)</b>
UES	\$ (235,843)	\$ (284,586)	\$ (295,860)	\$ (367,713)	\$ <b>(1,184,002)</b>
Ashland	\$ (3,524)	\$ (4,253)	\$ (4,421)	\$ (5,495)	\$ <b>(17,694)</b>
Littleton	\$ (13,259)	\$ (16,000)	\$ (16,633)	\$ (20,673)	\$ <b>(66,565)</b>
New Hampton	\$ (727)	\$ (877)	\$ (912)	\$ (1,134)	\$ <b>(3,651)</b>
Wolfboro	\$ (13,325)	\$ (16,079)	\$ (16,716)	\$ (20,775)	\$ <b>(66,895)</b>
Woodsville	\$ (4,467)	\$ (5,390)	\$ (5,604)	\$ (6,964)	\$ <b>(22,425)</b>
Total Rebated	\$ (2,136,741)	\$ (2,578,358)	\$ (2,680,499)	\$ (3,331,482)	\$ <b>(10,727,081)</b>

**Calendar Year 2019**

	<u>Auction #43</u>	<u>Auction #44</u>	<u>Auction #45</u>	<u>Auction #46</u>	<u>2019 Total</u>
NH Proceeds	\$ 3,897,539	\$ 4,638,433	\$ 3,845,769	\$ 4,148,988	\$ <b>16,530,729</b>
# of Allowances Sold	739,571	825,344	739,571	739,570	<b>3,044,056</b>
RGGI Proceeds at \$1.00	\$ 739,571	\$ 825,344	\$ 739,571	\$ 739,570	\$ <b>3,044,056</b>
Administrative Expenses	\$ (91,250)	\$ (91,250)	\$ (91,250)	\$ (91,250)	\$ <b>(365,000)</b>
RFP 20-xxx All-fuels grant	\$ (6,625)	\$ (92,398)	\$ (6,625)	\$ (6,624)	\$ <b>(112,272)</b>
Available to Energy Efficiency	\$ 641,696	\$ 641,696	\$ 641,696	\$ 641,696	\$ <b>2,566,784</b>
Eversource	\$ (464,583)	\$ (464,583)	\$ (464,583)	\$ (464,583)	\$ <b>(1,858,332)</b>
NHEC	\$ (52,400)	\$ (52,400)	\$ (52,400)	\$ (52,400)	\$ <b>(209,602)</b>
Liberty	\$ (53,489)	\$ (53,489)	\$ (53,489)	\$ (53,489)	\$ <b>(213,958)</b>
UES	\$ (71,223)	\$ (71,223)	\$ (71,223)	\$ (71,223)	\$ <b>(284,893)</b>
distributed to Energy Efficiency	\$ (641,696)	\$ (641,696)	\$ (641,696)	\$ (641,696)	\$ <b>(2,566,784)</b>
Rebated to Electric Customers after set aside of Administrative costs, payments for All-fuels, and Energy Efficiency					
Eversource	\$ (2,265,707)	\$ (2,735,729)	\$ (2,228,565)	\$ (2,446,112)	\$ <b>(9,676,113)</b>
NHEC	\$ (225,669)	\$ (272,484)	\$ (221,969)	\$ (243,637)	\$ <b>(963,759)</b>
Liberty	\$ (263,237)	\$ (317,845)	\$ (258,922)	\$ (284,197)	\$ <b>(1,124,201)</b>
UES	\$ (350,510)	\$ (423,223)	\$ (344,763)	\$ (378,418)	\$ <b>(1,496,914)</b>
Ashland	\$ (5,338)	\$ (6,446)	\$ (5,251)	\$ (5,763)	\$ <b>(22,798)</b>
Littleton	\$ (19,566)	\$ (23,625)	\$ (19,245)	\$ (21,124)	\$ <b>(83,561)</b>
New Hampton	\$ (1,071)	\$ (1,293)	\$ (1,053)	\$ (1,156)	\$ <b>(4,573)</b>
Wolfeboro	\$ (20,273)	\$ (24,479)	\$ (19,941)	\$ (21,887)	\$ <b>(86,580)</b>
Woodsville	\$ (6,597)	\$ (7,966)	\$ (6,489)	\$ (7,123)	\$ <b>(28,175)</b>
Total Rebated	\$ (3,157,968)	\$ (3,813,089)	\$ (3,106,198)	\$ (3,409,418)	\$ <b>(13,486,673)</b>

Audit verified the reported total to the energy efficiency portion of the 2018 and 2019 quarterly auctions to the roll forward (and detail) general ledger 8830-2-0000—20-2142-2423 through auction #45. Due to timing, the final auction for each year did not post to the general ledger until the subsequent year.

The RLF is the revolving loan fund which was established through a grant issued after Governor and Council approval on 8/9/2009. The grant was known as Re-CORE. The repayments are specifically the loan repayments from customers, and the monthly loans out represent new loans to customers. Refer to the RLF portion of this report for additional information.

The performance incentives for each of the three All-fuels Grant years were calculated but have not been posted to the general ledger. The posting will occur at the conclusion of the grant (2018) and related analysis. Refer to a report provided to the Executive Director of the Commission on June 2, 2020. The reference on the cover letter was NHSaves RGGI Grant RFP #14-004 Final Program Results. (There was no docket reference necessary).

**Forward Capacity Market (FCM) - 2018 and 2019 Funding**

per 4th Quarterly Report filed in DE 17-136 on 3/1/2019  
 Actual Forward Capacity Market Proceeds and Expenses

	<u>Liberty</u>	<u>NHEC</u>	<u>Eversource</u>	<u>Unitil</u>	<u>Total</u>
<u>Proceeds</u>					
Quarter 1	\$ 133,061	\$ 37,836	\$ 1,315,519	\$ 185,990	\$ 1,672,406
Quarter 2	\$ 148,139	\$ 28,766	\$ 1,319,789	\$ 193,868	\$ 1,690,562
Quarter 3	\$ 191,581	\$ 26,432	\$ 1,828,653	\$ 231,076	\$ 2,277,742
Quarter 4	\$ 190,450	\$ 28,122	\$ 1,820,155	\$ 229,153	\$ 2,267,880
Total Proceeds	\$ 663,231	\$ 121,156	\$ 6,284,116	\$ 840,087	\$ 7,908,590
<u>Financial Assurance</u>					
Quarter 1	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 2	\$ -	\$ -	\$ (1,000)	\$ (1,000)	\$ (2,000)
Quarter 3	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 4	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fnd Assurance	\$ -	\$ -	\$ (1,000)	\$ (1,000)	\$ (2,000)
<u>Other Expenses</u>					
Quarter 1	\$ (8,208)	\$ (3,182)	\$ (7,637)	\$ (721)	\$ (19,748)
Quarter 2	\$ (22,727)	\$ (1,445)	\$ (19,555)	\$ (3,408)	\$ (47,135)
Quarter 3	\$ (2,131)	\$ (9,988)	\$ (8,156)	\$ (7,945)	\$ (28,220)
Quarter 4	\$ (4,576)	\$ -	\$ (15,282)	\$ 1,403	\$ (18,455)
Total Other Expenses	\$ (37,642)	\$ (14,615)	\$ (50,630)	\$ (10,671)	\$ (113,558)
Total Expenses	\$ (37,642)	\$ (14,615)	\$ (51,630)	\$ (11,671)	\$ (115,558)
<b>NET FCM</b>	<b>\$ 625,589</b>	<b>\$ 106,541</b>	<b>\$ 6,232,486</b>	<b>\$ 828,416</b>	<b>\$ 7,793,032</b>

per 4th Quarterly Report filed in DE 17-136 on 2/28/2020  
Actual Forward Capacity Market Proceeds and Expenses

	<u>Liberty</u>	<u>NHEC</u>	<u>Eversource</u>	<u>Unitil</u>	<u>Total</u>
<u>Proceeds</u>					
Quarter 1	\$ 197,933	\$ 30,744	\$ 1,831,730	\$ 232,677	\$ 2,293,084
Quarter 2	\$ 201,961	\$ 31,576	\$ 1,834,669	\$ 232,714	\$ 2,300,920
Quarter 3	\$ 169,302	\$ 39,066	\$ 1,409,858	\$ 185,029	\$ 1,803,255
Quarter 4	\$ 168,959	\$ 33,811	\$ 1,376,659	\$ 188,351	\$ 1,767,780
Total Proceeds	\$ 738,155	\$ 135,197	\$ 6,452,916	\$ 838,771	\$ 8,165,039
<u>Financial Assurance</u>					
Quarter 1	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 2	\$ -	\$ -	\$ (5,843)	\$ -	\$ (5,843)
Quarter 3	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 4	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fnc'l Assurance	\$ -	\$ -	\$ (5,843)	\$ -	\$ (5,843)
<u>Other Expenses</u>					
Quarter 1	\$ (6,975)	\$ -	\$ (7,216)	\$ (3,498)	\$ (17,689)
Quarter 2	\$ (23,733)	\$ (11,857)	\$ (19,438)	\$ (18,808)	\$ (73,836)
Quarter 3	\$ (3,437)	\$ -	\$ (6,095)	\$ (2,531)	\$ (12,063)
Quarter 4	\$ (9,036)	\$ -	\$ (3,223)	\$ (1,255)	\$ (13,514)
Total Other Expenses	\$ (43,181)	\$ (11,857)	\$ (35,972)	\$ (26,092)	\$ (117,102)
Total Expenses	\$ (43,181)	\$ (11,857)	\$ (41,815)	\$ (26,092)	\$ (122,945)
<b>NET FCM</b>	<b>\$ 694,974</b>	<b>\$ 123,340</b>	<b>\$ 6,411,101</b>	<b>\$ 812,679</b>	<b>\$ 8,042,094</b>

Audit verified the 2018 funding figure of \$663,231 and the 2019 funding figure of \$738,155, included in the 2018 and 2019 4<sup>th</sup> quarterly reports as well as the Annual reports to the Commission.

Expenses related to the FCM are included within the overall spending figures reflected on page 9 of each annual report. Refer to the Expense section of this report.

### Interest

Interest of \$44,241 for 2018 and \$91,899 for 2019 represents the calculated monthly interest, which is factored into the next month's starting balance. Liberty uses the Federal Reserve rates in effect on the first of the month in which the interest is calculated. Audit verified the rates used by the Company to the Federal Reserve website <https://fred.stlouisfed.org/data/PRIME.txt>

Interest was recalculated using the average monthly balance, including interest from the previous month, throughout the calendar years 2018 and 2019. GSE uses the formula:

$$\text{Interest} = (((\text{Beg Bal} + \text{End Bal}/2) \cdot \text{rate})/365) \cdot \text{Actual \# of days in month}$$

**NHSaves Program Expenses**

Copies of the Energy Efficiency codes within the general ledger Wennsoft (WS) system for the years 2018 were provided. The codes list whether the fuel is Electric (GSE) or Gas (ENG). Also noted were the Program, Wennsoft Job Numbers, Wennsoft Job Names, and Wennsoft Project Numbers. Each year’s programs were identified and the project number indicated the cost types such as Internal Administration, Evaluation, etc. Audit verified the reported totals outlined below, to the general ledger detail for each year. Job numbers used during 2018 began with 3018-EE0x and jobs for 2019 began with 3019-EE0x. Each program has a specific WS identifier, and the codes indicate:

- EEE01 Evaluation
- EEE02 External Administration
- EEE03 Internal Administration
- EEE04 Implementation
- EEE05 Marketing
- EEE06 Rebates/Services

**Home Energy Assistance Program (HEA) 3018 and 3019-EEE0X-RESLI**

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. Enrollment is coordinated between the Community Action Agencies and the participation of eligible customers enrolled in the SBC funded Electric Assistance Program.

As stipulated in NH RSA 125-O: 23 and the Joint Settlement Agreement covering the NHSaves Programs, the 2018 and 2019 funding was set to be budgeted at least 15% of the RGGI Auction Proceeds and at expenditures of at least 17% of the total annual budget. GSE includes estimated receipts and includes that funding within the overall budget process. The reported actual expenses, according to the 4<sup>th</sup> quarterly reports are:

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 12,559	\$ 50,253
External Administration	\$ 244	\$ -0-
Rebates/Services	\$280,511	\$565,423
Implementation Services	\$ 14,310	\$ 42,819
Marketing	\$ 11,128	\$ 11,171
Evaluation/Monitoring/Verification	<u>\$ 17,770</u>	<u>\$ 31,755</u>
HEA Total	\$336,522	\$701,421

The HEA budget for 2018 was set at 17%, with actual spending achieving 13% of overall spending. The HEA budget for 2019 was set at 17%, with actual spending achieving 17.42% of overall spending. Audit understands the budget complies with the 17% requirement, and asked what the reason for the 13% actual spending in 2018 was. The Company provided the following informational explanation:

*“The Company makes every effort to fully deliver and utilize the available Home Energy Assistance program budget and resources to its customers each year. However, in 2018 \$217,251 of the total \$536,898 budget, was unspent due primarily to weatherization contractor capacity and timing challenges. Also, approximately, \$74,487, of the \$217,251 was unspent due to lower than budgeted internal administration, marketing and evaluation costs.*

*It should be clarified that while there is a requirement that a minimum of 17% of the overall energy efficiency program budget is assigned to the Home Energy Assistance program, there is not a similar requirement that actual Home Energy Assistance program expenditures also represent a minimum of 17% of actual overall energy efficiency program expenditures. Such a requirement, if it existed, would create a program implementation interdependency between the utilization of the Home Energy Assistance program budget and the other residential program sector and commercial and industrial program sector budgets that is not contemplated when considering how each program is ultimately delivered to customers and how budgets are deployed”. The underline was added by Audit.*

Audit verified that GSE’s Community Action Agency contracts with Southern New Hampshire Services and Southwestern Community Services, Inc. identified the scope of work the community action agencies would perform, and also verified that the contract included Attachment A, scope of services, and Attachment B, Unit Pricing Sheet that indicates the price the community actions will charge for each service provided in both the HEA and HPwES programs.

A rebate of \$39,742 was paid to Southern New Hampshire Services for April 4, 2018. A Project Cost S-Home Energy Assistance-Gas Efficiency form demonstrated weatherization such as air sealing attic insulation, crawl space wall insulation, and dense pack wall insulation. One customer also received a new kerosene fired mobile home forced warm air furnace. Audit inquired if any part of this rebate should have been booked to the EnergyNorth program. The Company responded that *“the HEA invoice should be entirely for GSE. Our HEA program is designed to reduce customers’ electricity and fossil-energy usage. The majority of our electric customers do not heat with electricity, but rather with heating oil, propane, kerosene or wood, therefore the majority of energy savings are represented as MMBtus.”*

Audit requested a general explanation for reasons the internal administration expenses increased 300%, implementation increased 199% and evaluation increased 79% from 2018 to 2019. The Company noted that *“[t]he HEA – electric program had the largest year-over-year increase in both total and rebate/services spending from 2018 vs. 2019. The budget for the HEA – electric program increased by about 129% in 2019 compared to 2018. An additional member added to the energy efficiency team, increases in salaries and overheads accounted for the large percentage increase in internal admin and internal implementation expenses. An increase in the number of evaluations performed in New Hampshire resulted in a 79% increase in evaluation expenses for this program. Lastly, an increase in the number of customers served caused an increase in the rebates/services expenses. The overall increase in expenses to the HEA – electric program was not due to the proposal in 2019 to cover some of the CAA capital costs.”*

Audit also requested support for a payment to Southern New Hampshire Services in the amount of \$91,873.66 on 12/18/2019. The Excel OTTER invoice reflected 50 individual residences on Telfer

Circle in Salem, each of whom had weatherization services provided in accordance with the pricing sheet for the community action agencies.

Home Performance with Energy Star (HPwES) 3018 and 3019-EEE0X-RESAW

Noted in the filing, regarding the HPwES program, the electric utilities will continue to provide fuel neutral weatherization services similar to those found in the HEA program. Customers who qualify can receive up to approximately 50% of the cost of weatherizing up to a cap of \$4,000. The HPwES program uses the same OTTER system as the HEA Program, and therefore the same contractor billing rates in order to ensure adherence to the statewide rates. Customers may finance their copay amount, up to \$2,000 through on-bill financing, with zero interest. The tariff pages 88-89 specify the explicit terms of financing arrangements.

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 3,472	\$ 26,828
External Administration	\$ 96	\$ -0-
Rebates/Services	\$169,539	\$241,239
Implementation Services	\$ 13,317	\$ 21,122
Marketing	\$ 4,871	\$ 8,574
Evaluation/Monitoring/Verification	<u>\$ 6,961</u>	<u>\$ 16,332</u>
Home Performance Total	\$198,256	\$314,095

Audit selected one entry in the amount of \$79 to verify as part of the \$96 External Administration in 2018. There was only one other entry for \$16, which was not reviewed. The \$79 was verified to an allocation among all programs for both Electric and Gas energy efficiency programs. The Liberty electric and gas allocation summed to \$3,866.73 and was verified to an invoice from the NH PUC Business Office for services provided by Optimal Energy on behalf of the Office of the Consumer Advocate. The PUC invoice was dated September 5, 2018. Across all utilities, the NH PUC Business Office allocated the total invoice of \$16,469.50 based on the 2017 percentage split for shared costs:

LU-Electric	\$ 1,088.85
LU-Gas	\$ 2,777.88
NHEC	\$ 793.44
Eversource	\$ 9,533.86
Unitil Electric	\$ 1,609.30
Unitil Gas	<u>\$ 666.17</u>
	\$16,469.50

A rebate for \$15,000.00 was paid to Horizon Residential Energy Services NH LLC on 1/9/2019. An invoice dated 1/15/2019 from Horizon Residential Energy Services NH LLC was provided which reflected the \$15,000 as payment for “Home Performance with ENERGY STAR Electric Energy Efficiency Program Prepay”. Clarification of the services provided by Horizon was requested, and Liberty provided:

*“Horizon Residential Energy Services NH is a third party vendor who helps support the following programs on behalf of Liberty - Home Performance with ENERGY STAR, Visual Audit, Home Energy Assistance, ENERGY STAR Homes, and Financing. They perform the*



following program administration, accounts processing and accounts receivable tasks for Liberty:

- Planning, coordination, oversight and collaboration*
- Manage application process (customer intake and screening per Liberty supplied leads)*
- Assignment of qualifying customers to Contract Coordinators (CCs)*
- Review and approval of proposed work orders*
- Data management, tracking, and weekly reporting*
- Invoicing approval in OTTER*
- Assisting with maintenance of the NH Contract Coordinators list*
- Complaint resolution as directed by Liberty*
- In-process quality assurance inspections on-site, as needed*
- Quality assurance inspections on 10% of completed single family homes*
- Processing and paying Contract Coordinators invoices*
- Uploading invoices and savings information into Liberty Utilities' eTrack software program*
- Issuing 1099 forms to contractors at year end*
- Loan review and approvals for customers/lenders*
- Loan reporting and tracking*
- Processing invoice approval and paying invoices for loans"*

### Third Party Financing Program

Residential Third-Party Financing allows residential customers financing options for payment of more comprehensive HPwES projects. The program allows the utility to “buy-down” the interest rate on the third party loan to 2%, thus saving the customer money over the course of the loan. During 2018 and 2019 participating lenders were: Granit State Credit Union, Meredith Village Savings Bank, Merrimack County Savings Bank, Northeast Credit Union, and Woodsville Guaranty Savings Bank. As found in the 4th Quarter Report for both 2018 and 2019, filed by Eversource, GSE used CORE funds to buy down the interest rates on the following:

	<u>Project Count</u>	<u>Project Cost</u>	<u>Loan Amount</u>	<u>Interest Rate Buy-down</u>
2018	6	\$49,586	\$28,784	\$2,695
2019	7	\$72,609	\$38,585	\$2,794

The 4<sup>th</sup> quarterly reports indicate no loans were written-off in 2018 or 2019.

The Company indicated an interest buy down spreadsheet is used (Microsoft Excel amortization and present value calculation) to calculate the amount. The buy down is compared to the figure prepared by the bank, and the lower of the two amounts is paid.

The buy down is paid in full, up front, and buys the interest rate down to 2% for the customer from the rate charged by the financing bank or credit union. The interest rate buy downs are charged to the Rebates/Services expense codes, primarily the HPwES program.

When asked how the 3<sup>rd</sup> party loans are monitored, the Company indicated “*Liberty and Horizon Residential Energy Services currently track 3<sup>rd</sup> party financing loans via excel spreadsheets. We track the activity of these loans starting with pending loans when a customer initiates a request for 3<sup>rd</sup> party financing. We also track the details of closed loans via the same excel spreadsheet. We use these details to report 3<sup>rd</sup> party financing activity to the PUC on a quarterly basis*”.

Audit reviewed the spreadsheets provided, and verified the buy-downs and total loan amounts for the five specific customers in 2018 and the seven individual customers in 2019.

The Company provided a summary of the terms of the residential loans with the various banks and credit unions. These terms included the following general repayment schedule:

Loan Amount	Maximum Repayment Term
\$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 \$9,000	for up to 5 years (60 months)
\$9,001 up to \$12,000	for up to 6 years (72 months)
\$12,001 up to \$15,000	for up to 7 years (84 months)

#### RGGI Revolving Loan Fund (RLF) and SBC Funded a/k/a On-bill Financing

On August 19, 2009, a \$7,646,020 NH PUC Sustainable Energy grant, identified as Re-CORE, was approved by the Governor and Council. The grant, among other things, established the Revolving Loan Funds (RLF) totaling \$1,728,000, administered by the participating Electric Utilities.

GSE received \$303,000 from the Re-CORE grant to establish a revolving loan fund. During 2019, an additional \$150,000 was transferred to the loan fund. Audit reviewed the activity and the balance in the account, 8830-2-0000-10-1160-1438 Other Accounts Receivable Grants.

For residential customers, on-bill financing is offered at zero percent interest, up to \$2,000 per customer per year, during 2018 and 2019, with repayment terms up to twenty four months. For non-residential customers, NHEC, UES, and Liberty also offer on-bill financing at zero percent, up to \$50,000 per project, without exceeding the customer’s share of the installed cost. A Non-residential customer is limited to \$150,000 per year with no limit on the number of projects financed. Maximum loan repayment term for non-residential customers is up to 120 months.

Audit was provided with a detail detailed listing of the 23 loans outstanding as of 12/31/2018. There were 22 loans outstanding at the end of 2019.

Per 4th Quarterly Reports  
RGGI Revolving Loan Fund and SBC On-bill Financing

	<u>2018</u>	<u>2019</u>
Loan Fund	\$ 303,000	\$ 453,000
Cumulative loans outstanding	\$ (512,299)	\$ (542,642)
Cumulative Principal repaid	\$ 391,512	\$ 431,080
cumulative activity	\$ (120,787)	\$ (111,562)
Cumulative write-offs	\$ (21,655)	\$ (22,178)
Available to Lend (Fund + Activity+Writeoff)	\$ 160,558	\$ 319,260

The \$150,000 increase in the loan fund was verified to a debit to account 8830-2-0000-20-2142-2423, C&LM and credited to the RGGI Funds II-EE Loan Financing account 8830-2-0000-20-2142-2425. The debit was done after a review of the available balance in the C&LM general ledger at the beginning of 2018, \$163,024. Audit verified that the \$150,000 was not included within the expenses on which the performance incentive was calculated for 2019.

The net cumulative activity for each year was verified to the outstanding loan balances at the end of both 2018 and 2019, as provided in the Excel Smartlist download of Energy Efficiency loans.

Two loans identified for write off were booked in 2018 for \$21,655. The two are the first uncollectibles, representing a 3% bad debt rate. An additional write-off in 2019 in the amount of \$523, brought the cumulative balance to \$22,178.

As noted within the Company's tariff, customers are able to use the loan funds to pay for the customer portion of an energy efficiency measure completed in connection with the HPwES program. Loan amounts range from \$500 to \$2,000 (not to exceed the actual customer cost), with terms up to two 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 implementation expenses associated with the RGGI RLF are minimal and post to the implementation activity within the Home Performance with Energy Star program. The RLF is an ongoing funding source for customers, but GSE considers the RGGI grant and thus the RGGI (RE-CORE) work order closed. Audit concurs with this accounting treatment.

Energy Star Homes (ESH) 3018 and 3019-EEE0X-RESESH

As noted in the filing, this program is fuel neutral and 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 the 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 and a combination of energy efficient lighting and appliances. The electric and gas utilities also coordinate to provide rebates for high efficiency gas HVAC equipment. The ESH costs were reported to be:

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 7,695	\$ 8,705
External Administration	\$ 74	\$ -0-
Rebates/Services	\$110,357	\$150,661
Implementation Services	\$ 15,455	\$ 9,305
Marketing	\$ 3,378	\$ 3,608
Evaluation/Monitoring/Verification	<u>\$ 5,369</u>	<u>\$ 8,516</u>
Energy Star Homes Total	\$142,328	\$180,795

Audit selected one entry in the amount of \$443.93 to verify as part of the \$15,455, Implementation Services total, in 2018. One entry that posted 1/31/2018 for \$443.93 was part of a payroll accrual entry totaling \$957,533.97 for January 2018.

Audit selected an overhead journal entry dated 7/1/2019 in the amount of \$2,979.29 for recalculation of the charge. The total was part of a journal entry with 67 line items summing to \$41,275.75. The overhead related to payroll and overheads due to Liberty Energy New Hampshire (account 8830-2-0000-20-2810-2606).

Audit also selected a rebate in the amount of \$4,200.00 that was paid to GDS Associates on 10/3/2019. The invoice reflected a billing period of August 1 – 31, 2019, with an invoice date of September 25, 2019 for services relating to a 24-unit building in Lebanon, NH.

#### Energy Star Products (ESP) 3018 and 3019-EEE0X-RESESP

As noted in the filing this program will continue to increase the promotion, use and availability of energy efficient lighting products, appliances (white goods) and electric heating, cooling, and water heating equipment in New Hampshire. The program is open to all residential customers with rebates offered in stores, online, and through the NHSaves website.

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 3,535	\$ 6,141
External Administration	\$ 104	\$ -0-
Rebates/Services	\$193,589	\$278,041
Implementation Services	\$ 14,024	\$ 14,850
Marketing	\$ 11,299	\$ 5,759
Evaluation/Monitoring/Verification	<u>\$ 26,290</u>	<u>\$ 13,602</u>
Energy Star Products Total	\$248,841	\$318,393

Audit selected one overhead entry that posted 1/31/2018 in the amount of \$1,350.49 to verify as part of the \$11,299, Marketing total, in 2018. The Company provided a detailed journal entry summing to \$18,913.

## Other Residential

Other Residential Programs consists of the following reported 4<sup>th</sup> quarter expenses:

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 5,419	\$ 3,643
External Administration	\$ 67	\$ 8
Rebates/Services	\$145,000	\$117,595
Implementation Services	\$ 8,065	\$ 5,229
Marketing	\$ 2,472	\$ 2,055
Evaluation/Monitoring/Verification	<u>\$ 19,811</u>	<u>\$ 20,962</u>
Other Residential Total	\$180,834	\$149,492

Within the 2018 and 2019 Annual Reports, the details of the Other Residential expenses were identified as Home Energy Reports and ISO-NE FCM. The Wennsoft job codes for 2018 and 2019 were noted as: 3018-EEE0X-ISO N and 3019-EEE0X-ISO N. Each year's activity is summarized below:

	2018 Other Residential Expenses per Annual Report page 8						
	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>
Home Energy Reports	\$ 4,159	\$ 67	\$ 145,000	\$ 8,065	\$ 2,472	\$ 4,939	\$ 164,702
Res ISO-NE FCM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,186	\$ 16,186
Total Residential Other	\$ 4,159	\$ 67	\$ 145,000	\$ 8,065	\$ 2,472	\$ 21,125	\$ 180,888

The 2018 Internal Administration figure per the 4<sup>th</sup> quarter report is \$1,260 more than the Annual Report and the Evaluation figure is \$1,314 less than the Annual Report, resulting in what appeared to be a \$54 transposition. The Company indicated that *the full Residential ISO expenses were classified as evaluation expenses in error on the 2018 annual report. An amount of \$1,259.66 should have been allocated as internal admin and the remaining \$14,926.38 should be allocated to evaluation. In addition, it appears additional EM&V invoice were submitted after the Q4 reports (eTRACK #461179, 461177 and 461319) that hit the HER – evaluation budget bucket.*

	2019 Other Residential Expenses per Annual Report page 8						
	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>
Home Energy Reports	\$ 3,015	\$ 8	\$ 117,595	\$ 5,230	\$ 2,055	\$ 3,022	\$ 130,925
Res ISO-NE FCM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,568	\$ 18,568
Total Residential Other	\$ 3,015	\$ 8	\$ 117,595	\$ 5,230	\$ 2,055	\$ 21,590	\$ 149,493

## Home Energy Reports 3018 and 3019-EEE0X-RESHER

The Home Energy Reports Pilot Program was approved in 2016 by the Commission with the purpose of evaluating the effectiveness of using a behavioral-based energy efficiency program in NH before expanding the program to a larger audience of residential customers. The primary objectives of the pilot program included: a) measuring the program's effectiveness on electric energy savings, enrollment in other energy-efficiency programs and customer satisfaction, and b) measuring the effect messaging has on electric energy savings using two separate engagement methods:

- 1) Normative – customers are compared to and ranked against similar customers to stimulate electric energy savings; and
- 2) Rewards – customers receive reward points for saving electric energy that can be redeemed at local merchants.

According to the 2018 Annual Report, page 8, GSE spent \$164,703 on the HER Program. The participation goal was 12,000 customers.

Audit requested the actual details for each year and was provided:

	<u>2018</u>	<u>2019</u>
Customers engaged	12,000	10,289
Annual kWh savings	1,001,918	1,210,000
Lifetime kWh savings	2,604,987	3,509,000

Audit requested supporting documentation for a 2018 entry of \$285.31 reflected as an Internal Administration expense. The Company provided a copy of a Northeast Energy Efficiency Partnership (NEEP) invoice dated 5/8/18 in the amount of \$19,909.55. The support reflects costs relating to Evaluation, Resilient High Performance Buildings and Communities, Advanced Integrated Efficiency Solutions, and Strategic Electrification. The invoice detail itself reflects Liberty electric costs of \$6,693.07 and Liberty gas costs of \$13,216.48. Liberty then allocated the total among all of the electric and gas energy efficiency programs. The allocation, however, showed \$6,007.00 for electric and \$13,902.55 for gas, a variance of \$686.07 between the invoice allocation and the Company’s spreadsheet allocation. The Company provided the following: *“Upon further review of NEEP invoice #5746, due to human error, the allocation was based on the overall invoice amount of \$19,909.55 instead of being broken out as indicated on page two of the invoice. As a result, a variance of \$686.08 was allocated to the gas programs that should have been allocated to the electric programs.”* Emphasis added. Due to the immateriality of the figure in the overall expense total, the error is noted but will not require a resubmission of the Annual Report.

Audit requested support for an entry on 1/24/2019 in the amount of \$95,710 paid to Oracle America, identified as a Rebate or Service. The invoice supporting the entry reflected a first quarter print and mail fee of \$7,263 and an annual Data Analytics fee for the year of 2019 for \$88,447. Audit requested clarification of what the print jobs are, and what the company provided regarding the analytics work. Liberty indicated that *“Oracle prints and mails Home Energy Reports delivered to Liberty’s electric and natural gas customers that were selected for the HER Program. The “annual data analytics fee” essentially covers everything recurring, outside of the paper report print/mail fees. Please see below for more details.*

- Ongoing data ingest
- Running analytics on the data and surfacing the insights on the products
- Home Energy Report Analytics
- Email Home Energy Reports (configuration, generation, delivery)
- Inside Opower tool access
- Customer Service Interface tool access
- Web portal access

- Report generation for print communications
- Ongoing program management including Service Delivery Manager time
- Program refills
- Creation of promotional (marketing) modules
- Data extract documentation and reporting
- Measurement and verification extracts for saving
- Participation in customer service representatives training
- Incident management and problem management services for events related to the application”

Regarding whether any portion of the \$95,710 should have been allocated to EnergyNorth, Liberty stated that “Invoice 459878 only pertains to the Electric HER Program (GSE) and is billed separately from the Gas HER Program (ENG) related costs.”

Audit also requested documentation to support two overhead charges that posted on 4/30/2019 for \$2,447.99 and 12/31/2019 for \$2,015.15. Both of those entries were noted within the Wennsoft job 3019-EEE03-RESHER, which indicates Internal Administration. The April entry is part of an overall allocation of Administrative expenses credited to 8830 and 8840-2-9865-69-5200-9220 summing to \$41,275.75. The spread among the electric and gas energy efficiency accounts. Intercompany entries moving payroll and overheads between Due to Liberty Energy New Hampshire and Due from/to Granite State were also provided. The Service Billing overhead rate for April was 136.40% for GSE and 112.20% for EnergyNorth. The December entry was noted to be part of an allocation to both GSE and ENG energy efficiency programs, totaling \$36,483.41. The December overhead calculation rate was noted for GSE to be 149.71%.

#### Residential ISO-NE FCM Expenses 3018 and 3019-EEE0X-ISO N

Total costs relating to the ISO were categorized as ISO NE Evaluation and ISO NE Forward Capacity Market Expense. That latter category consists of payroll and overheads. Audit requested supporting documentation for one entry that posted 10/31/2018 for \$128.10, included within the Evaluation expense category, and identified within the general ledger as a correction to overhead. Audit was provided with seven journal entries relating to the correction, summing to \$830,399.94.

#### Large Business Energy Solutions 3018 and 3019-EEE0X-C&ILB

Noted in the filing, the Large Business program is designed for business customers using more than a twelve-month average 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; and for retrofit projects, the lesser of 35% or a one-year payback. A third option, referred to as “turn-key”, allows for up to a 50% rebate. The NHSaves Program generally defines incremental costs as the difference in cost between standard equipment and energy efficient equipment.

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 9,616	\$ 13,725
External Administration	\$ 415	\$ -0-
Rebates/Services	\$622,902	\$ 971,457
Implementation Services	\$ 91,241	\$ 96,800
Marketing	\$ 12,684	\$ 14,281
Evaluation/Monitoring/Verification	<u>\$ 30,383</u>	<u>\$ 55,729</u>
Large Business Total	\$767,241	\$1,152,082

For calendar year 2018, Audit selected five entries summing to \$152,097.86, paid to Dartmouth-Hitchcock Medical Center (DHMC) for detailed review, as part of the \$622,902 Rebates and Service total. Custom C&I Rebates were noted for:

- Jack Byrne Center for Palliative and Hospice Care \$32,302, January 2018, based on installation of HVAC components at an overall cost of \$863,288. The rebate had been calculated at the difference between a baseline cost of \$555,858 and proposed cost of \$802,542, resulting in an incremental cost of \$246,684 with a benefit/cost ratio of 1.82.
- An additional incentive relating to the Jack Byrne Center at DHMC was paid in October 2018 for \$7,675.65. The rebate was based on an incremental cost of \$29,777 for an upgrade of the hospice center envelope from the baseline cost of \$141,213 to the proposed \$170,990 as built documentation provided by the contractor vs. NH Energy Code. The benefit/cost ratio was 1.97.
- Borwell Labs at DHMC received an incentive of \$42,154 July 2018 on an overall project cost of \$162,395. The project description detailed installation of two 60 HP VFD and two 40 HP VFD, to replace four existing motor starters. The calculated benefit/cost ratio was 1.93.
- DHMC Data Center HVAC had in-row cooling tracks for data server cooling installed instead of air cooling. Using a baseline of \$490,000, the proposed cost of \$950,000 resulted in an incremental cost of \$460,000. The benefit/cost ratio of 1.39 resulted in a calculated incentive of \$66,059.28
- A Final Project Cost Summary relating to the DHMC Data Center lighting project was provided for review. The documentation included an offer letter October 2018 (unsigned) that shows the \$3,906.93 that was in fact rebated to the customer. The incentive was used to offset the overall installation cost of interior and exterior LED fixtures and lighting totaling \$104,855.59.

Also selected were twelve monthly entries that sum to \$160,663.54 paid to Franklin Energy Services, LLC. Franklin provides support for the delivery of the Large Business, Small Business and Municipal electric programs, of which (from the 2017 Audit report) *“a fixed portion of the fee covers costs related to staffing an office, answering customer phone and Web inquires, and providing Liberty’s customers with assistance with the C&I Electric Programs. This assistance is provided to all customers requesting assistance. Not all customer requests result in a project, therefore the monthly fixed fee helps cover costs related to this assistance.”* A variable portion of the fee covers explicit costs incurred when specific projects result.

From the 2019 detailed general ledger, Audit selected two entries for detailed review. One entry in the amount of \$39,483.45, paid to the Lebanon School District, was tied to a



Wennsoft job 2018-EEE06-C&ILB. The incentive offset the project cost of \$128,562 related to retrofitting the Lebanon High School and Hanover Street School with custom HVAC controls. The benefit/cost ratio was calculated to be 1.15.

Another entry, dated 3/21/2019 for \$48,165.00, paid to Dartmouth-Hitchcock, was chosen for review. The incentive was paid to offset the cost of retrofitting VFD related to the HVAC system cooling towers for operating rooms. The overall cost of the project was \$258,215 with a calculated benefit/cost ratio of 1.47

Small Business Energy Solutions 3018 and 3019-EEE0X-C&ISB

Noted in the filing, the Small Business program is designed for business customers using less than a twelve-month average of 200kW, with similar program opportunities as those outlined for the Large Business program. Based on a review of the detailed general ledger, the Small Business expenses were verified as follows:

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 7,958	\$ 12,184
External Administration	\$ 316	\$ -0-
Rebates/Services	\$457,930	\$821,551
Implementation Services	\$ 61,547	\$ 78,833
Marketing	\$ 10,044	\$ 13,939
Evaluation/Monitoring/Verification	<u>\$ 24,691</u>	<u>\$ 39,731</u>
Small Business Total	\$562,486	\$966,238

\$35,950 paid to Salem Ford was selected for verification to source documents supporting the conversion to LED lighting fixtures within the shop, service drive-up, stairwells, electrical room, elevator room, parts storage, tank room, tool storage room, restrooms, break rooms, conference rooms, halls, offices, lounge, and external site lighting. Each fixture had a related line item indicating that the total cost was \$287,344.44. The related line item calculated incentives summed to \$35,950. The incentive offer letter sent from Liberty Utilities was accepted by Salem Ford and documented as completed 10/12/2018. Supporting invoices from Northeast Electrical, and sold to contractor Daniel’s Electric Corp reflected the fixtures, but did not reflect costs for them.

Audit selected an entry dated 12/13/2019 for \$22,378.81, paid to Resilient Buildings Group, Inc. An invoice dated 11/30/2019 reflected “services” of \$20,296.14 and other reimbursable expenses of \$2,082.67. The services performed by Resilient Buildings were noted by Liberty to be assisting customers by identifying, qualifying, implementing and then processing small business electric energy efficiency projects.

Municipal Energy Solutions 3018 and 3019-EEE0X-C&IMU

This program is designed for 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.

The funding for the Municipal Program was legislated in NH RSA 125-O:23-III-B, coming from the Quarterly RGGI Auction Proceeds, where up to \$2 million of these proceeds were set aside for municipal and local government energy efficiency projects, including projects by local governments that have their own municipal utilities, through April of 2017. If funds remained uncommitted after that, they could be made available to commercial/industrial customers on a first come, first served basis. Based on a review of the detailed general ledger, the Municipal expenses were verified as follows:

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 1,378	\$ 2,481
External Administration	\$ 76	\$ -0-
Rebates/Services	\$139,469	\$140,284
Implementation Services	\$ 18,651	\$ 14,508
Marketing	\$ 2,331	\$ 2,174
Evaluation/Monitoring/Verification	<u>\$ 6,075</u>	<u>\$ 7,561</u>
Municipal Total	\$167,980	\$167,008

On November 2, 2018 the town of Salem was paid \$19,200 as an incentive to offset a project cost of \$123,590.16. The project on Rockingham Park Blvd and Mall Road in Salem retrofitted 149 existing high pressure sodium street lights to LED lamps and fixtures. Liberty waived a post-inspection report.

On 1/18/2019, a rebate was paid to the Lebanon School District in the amount of \$22,694.79. While the entry took place in 2019, the Wennsoft job code identified it as a 2018 expense. The Project Cost Summary, dated 12/27/2018 indicated that the total project cost of \$102,502.12 was offset with an incentive calculated at 22.14%, or \$22,694.79. The project was for lighting at the Lebanon high school. The description reads: *“Both retrofit and new construction project replacing and putting in new LED fixtures”*.

A note within the detail indicated:

*“Fixtures have been grouped together so they can fit in the automated worksheet.*

*To see details on fixture location and number, see the manual worksheets in the Pre folder in Sharepoint. Treated as a new construction project at request of Bob Reals. Controls cost, energy savings and incentives added in manually into sums. These values can be found in the Lighting Worksheet. Values in Row 22 are added directly into Row 20. Similarly, the cost, energy savings, incentives, and incremental cost of the fixtures treated as retrofit fixtures are found in row 24 and also added directly into row 20. These values and the fixtures associated with them can be found in the retrofit worksheet. Although the project is being treated as a new construction, some of the measures do not apply for incentives as new construction measures. These measures are being treated as retrofit measures so they can receive incentives. This has been OKed by Bob Reals. Type G does not have a cutsheet. Julian has OKed using double the wattage of the 4-foot version of this fixture (37 Watts).”*

Bob Reals is a Liberty Utilities Program Manager, who provided Lebanon with an offer letter. That letter indicated at least \$3,279.79 of the overall incentive related to retrofitting

lighting in the second floor library, a wall pack by room 16, halls, and the wood shop. It is unclear why the lighting project was made to reflect all of the installations as “new construction”, nor whether that was the appropriate calculation method for providing the incentive that was paid. **Audit Issue #1**

On 11/8/2019, a rebate was paid to the Pelham School District in the amount of \$55,319.47. The Project Cost Summary reflected a total project cost of \$179,095.17. The \$55,319.47 incentive represented 30.89% of the cost, with a benefit/cost ratio of 1.37. A completed application, post inspection report, invoice, and W-9 were properly documented. The project represented a retrofit of lights and fixtures at the Pelham Elementary School.

C&I OTHER Education and ISO-NE FCM

The reported costs for Other C&I expenses reflected in the 4<sup>th</sup> quarterly reports were noted to be as follows, and within the annual reports, the costs were identified as Education 3018 and 3019-EEEE0X-C&IED and ISO-NE FCM, 3018 and 3019-EEEE0X-ISO N.

	<u>2018</u>	<u>2019</u>
Internal Administration	\$ 1,688	\$ 2,226
External Administration	\$ 15	\$ -0-
Rebates/Services	\$11,549	\$40,710
Implementation Services	\$ 24	\$ 7,650
Marketing	\$ 272	\$ 438
Evaluation/Monitoring/Verification	<u>\$20,015</u>	<u>\$26,678</u>
C&I Other Total	\$33,563	\$77,702

The Annual Reports show the total Other costs for Commercial and Industrial are comprised of the C&I Education and the ISO-NE FCM:

2018 Other C&I Expenses per Annual Report page 8

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>
C&I Education	\$ 19	\$ 15	\$ 11,549	\$ 24	\$ 272	\$ 231	\$ 12,110
C&I ISO-NE FCM			\$ -	\$ -	\$ -	\$ 21,456	\$ 21,456
Total C&I Other	\$ 19	\$ 15	\$ 11,549	\$ 24	\$ 272	\$ 21,687	\$ 33,566

The 2018 total within the Annual Report agrees (rounded) with the \$33,563 included in the 2018 4<sup>th</sup> quarter report. However, the C&I ISO-NE FCM 2018 Internal Administration figure per the 4<sup>th</sup> quarter report is \$1,669 more than the Annual Report and the Evaluation figure is \$1,672 less than the Annual Report, resulting in an immaterial \$3 variance. Audit requested clarification of the movement between expense categories and was told that *“the full C&I ISO expenses were classified as evaluation expenses in error on the 2018 annual report. An amount of \$1,669.78 should have been allocated as internal admin and the remaining \$19,786.13 should be allocated to evaluation. It appears additional an EM&V invoice was submitted after the Q4 reports (eTRACK #461319) that hit the C&I Education – evaluation budget bucket.”*

2019 Other C&I Expenses per Annual Report page 8

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&amp;V</u>	<u>Total</u>
C&I Education	\$ 1,394	\$ 8	\$ 41,882	\$ 7,651	\$ 438	\$ 2,943	\$ 54,316
C&I ISO-NE FCM			\$ -	\$ -	\$ -	\$ 24,614	\$ 24,614
Total C&I Other	\$ 1,394	\$ 8	\$ 41,882	\$ 7,651	\$ 438	\$ 27,557	\$ 78,930

The 2019 total within the Annual Report is \$1,228 higher than the **\$77,702** reflected in the 2019 4<sup>th</sup> quarter report. Audit requested clarification of the \$1,228 difference and was provided with a detailed listing of eleven entries, ten of which posted in 2020.

Two entries of \$1,850.80 each, paid to GDS Associates were selected for detailed review as part of the Education 2018 total of \$11,549. Audit verified the figure to an invoice from GDS for five workshops held across the state in April and May, and an additional five workshops held in September and October 2018. The invoices totaled \$28,000 and reflected amounts due from the participating utilities as:

<u>Invoice Date</u>	<u>6/26/2018</u>	<u>11/21/2018</u>
Liberty-Gas	\$ 4,723.60	\$ 4,723.60
<b>Liberty-Electric</b>	<b>\$ 1,850.80</b>	<b>\$ 1,850.80</b>
NHEC	\$ 1,349.60	\$ 1,349.60
Eversource	\$16,209.20	\$16,209.20
Unitil-Gas	\$ 1,131.20	\$ 1,131.20
Unitil-Electric	\$ 2,735.60	\$ 2,735.60
Total	\$28,000.00	\$28,000.00

Audit selected one Evaluation entry related to the ISO-NE FCM, in the amount of \$15,625. The entry was booked 6/18/2019. An invoice from DNV-GL dated 6/10/2019 was provided that showed two employees of DNV-GL, hours and rates that summed to \$15,625. Per Liberty, DNV-GL provided required annual analysis for the ISO M&V certification. The analysis certified the accuracy of the estimated demand reduction values for the energy efficiency programs participating in the forward capacity market.

One overhead charge on 12/31/2019 for \$3,944.21 was selected for review and recalculation. It was included within the Implementation Services expense category \$7,651 total. The overall journal entry provided to support the figure was \$36,467.84, and was spread among 34 debit account entries and two credit entries. The journal was spread between GSE and ENG. Additional support indicated service billing overhead rates for 12/2019 of 149.71% for GSE and 125.53% for ENG. The overhead rates were applied to payroll charges from Liberty Utilities New Hampshire, 8810.

### Performance Incentives

GSE submitted their (revised) 2018 Annual Report and Performance Incentive (PI) calculation on July 12, 2019 and their 2019 PI on June 1, 2020. The Commission set a cap on each customer segment's performance incentive at 6.875% for 2018 and 2019.

GSE’s Annual Report for the 2017 Core indicates they earned a Performance Incentive of \$143,767. During the 2017 year, \$127,490 was booked. The estimated 2017 incentive was debited to account 8830-2-0000-20-2142-2423 and credited to revenue account 8830-2-0000-40-4210-4511. A \$16,277 true-up was verified to the general ledger in December 2018.

The calculated incentive for **2018** was reported to be:

C&I Incentive	\$ 90,106	6.03% of	\$1,493,348	NHSaves expenses
Residential Incentive	<u>\$ 70,902</u>	6.54% of	<u>\$1,083,744</u>	NHSaves expenses
Calculated	\$161,008		\$2,572,092	
Booked	<u>\$130,296</u>			
Adjustment	\$ 30,712	was booked in December 2019, to the general ledger for the 2018 true-up.		

The calculated incentive for **2019** was reported to be:

C&I Incentive	\$106,662	5.08% of	\$2,100,171	NHSaves expenses
Residential Incentive	<u>\$ 94,475</u>	5.83% of	<u>\$1,620,849</u>	NHSaves expenses
Calculated	\$201,137		\$3,721,020	
Booked	<u>\$ 223,348</u>			
Adjustment	\$ (22,211)	should be booked to general ledger in 2020 for the 2019 true-up.		

Within the 8830-2-0000-20-2142-2423 Curr Accr Lib-R Ref-CLMDec2019(R-L PRM) Excel file is a tab noted to be the Incentive 2019 true up. The calculation, however, reflects \$167,508 booked to the general ledger, rather than the actual general ledger posting \$223,348. The Annual Report shows the calculated incentive to be \$201,137. As a result, the “true-up” noted in the spreadsheet, \$55,840, is overstated. The true-up should be \$(22,211). **Audit Issue #2**

**Lost Base Revenue**

The LBR is not a funding source for energy efficiency, rather is part of the SBC charged. The LBR was a new charge in 2017, designed to align “*the relationship between utility volumetric sales levels and the revenue requirements that were used in setting rates in each utility’s last rate case*”. The LBR allows the utilities to charge a per-kWh rate to recover lost revenues due to energy efficiency measures. As estimates and actuals are reconciled, a rolling over/under collection results. Each utility’s LBR rate is set individually. Audit requested the reconciliation of the over/under collection, as the LBR rates are set each year based on estimates. Order 25,932 in docket DE15-137 indicated that the actual annualized savings (not dollars) could not exceed the total budgeted annualized savings by more than 10%.

To record the reclassification of the LBR monthly (actual) out of the System Benefits general ledger account (where it is part of the total SBC):

Debit 8830-2-0000-20-2142-2542 System Benefits Charge  
 Credit 8830-2-0000-20-2142-2426 Current Regulatory Liabilities

To record the annual estimated Lost Revenue, monthly entries are:  
 Debit 8830-2-0000-20-2142-2426 Current Regulatory Liabilities  
 Credit 8830-2-0000-40-4210-4511 Misc. Service Revenue-Open Access DSM

The calculated lost revenue for calendar year 2018 was estimated within the January 12, 2018 Plan update, on Bates page 282, Attachment F-3 (2018):

	2018 Lost Base Revenue-kWh		
	Attachment	Annual Rpt	Actual as %
	<u>F-3(2018) pg 5 of 11</u>	<u>Table 7B</u>	<u>of Estimate</u>
Annualized Savings-Res	1,711,862	1,987,382	116%
Annualized Savings-C&I	5,779,907	5,557,896	96%
	<u>7,491,769</u>	<u>7,545,278</u>	<u>101%</u>

	1/12/2018	2018 Annual	Actual as
	<u>Plan F3</u>	<u>Report, 7b</u>	<u>% of Plan</u>
Residential Monthly Cu. Savings	239491	269944	113%
<b>Lost Residential Revenue</b>	<b>\$ 93,561</b>	<b>\$ 102,991</b>	<b>110%</b>
C&I Monthly Cu. Savings	812197	826758	102%
<b>Lost C&amp;I Revenue</b>	<b>\$ 187,021</b>	<b>\$ 185,663</b>	<b>99%</b>
<b>Total Lost revenue</b>	<b>\$ 280,582</b>	<b>\$ 288,654</b>	<b>103%</b>

The difference in calculated lost revenue dollars is due primarily to the use of different average distribution rates. The estimate in Attachment F3 of the plan included forecasted average distribution rates, while the Annual report included actual average distribution rates:

	<u>Residential</u>	<u>C&amp;I</u>
<u>Plan</u> January – December 2018	\$0.04771	\$0.02807
<u>Annual Report</u> January – December 2018	\$0.04647	\$0.02705

Audit reviewed a spreadsheet reconciliation of account 8830-2-0000-20-2142-2426 and a tab noted as LRAM TrueUp-2018. The estimated LRAM for 2018 agrees with the general ledger debit postings and with the \$280,582 noted above. The reported actual within the spreadsheet demonstrates monthly actual collections that sum to \$282,606. A different figure within the sheet shows “Actual LRAM” of \$308,640, which was filed with the original 2018 annual report. That report however, was adjusted in July 2019, and reflected actual calculated lost revenue of \$288,654, above. An adjusting entry of \$28,056, booked on December 31, 2019, reflected the true-up of the incorrect \$308,640 figure. Thus, a credit to the -2426 and debit to the -4511 accounts, in the amount of \$19,986 needs to be posted. Specifically:

Original 2018 entries:  
 Debit 8830-2-0000-20-2142-2426 \$ 280,584  
 Credit 8830-2-0000-40-4210-4511 \$(280,584)

The entries represent the estimated lost revenues

The true-up calculation was:

Estimates booked to -4210-4511	\$(280,584)
Original "actual"	<u>\$(308,640)</u>
True-up booked 12/31/2019	\$ (28,056)

The above true-up adjustment in the amount of \$28,056 was debited to -2426 on December 31, 2019. However, the adjustment *should have been*:

Estimates booked to -4210-4511	\$(280,584)
REVISED "actual"	<u>\$(288,654)</u>
True-up for 2018 should have been	\$ (8,070)

Therefore, a revision to the \$(28,056) should be debited to the -4511 account and credited to the -2426 account in the amount of \$19,986. **Audit Issue #3**

The calculated lost revenue for calendar year 2019 was estimated within the September 14, 2018 Plan attachment F-3 (2019), Bates page 000116. The Plan was updated on January 15, 2019:

	2019 Lost Base Revenue-kWh		
	Attachment	Annual Rpt	Actual as %
	<u>F-3 pg 5 of 11</u>	<u>Table 7B</u>	<u>of Estimate</u>
Annualized Savings-Res	2,246,440	2,925,291	130%
Annualized Savings-C&I	6,977,921	7,221,506	103%
	<u>9,224,361</u>	<u>10,146,797</u>	<u>110%</u>
	<u>1/15/2019</u>	<u>2019 Annual</u>	<u>Actual as</u>
	<u>Plan F3</u>	<u>Report, 7b</u>	<u>% of Plan</u>
Residential Monthly Cu. Savings	172,800	243,774	141%
<b>Lost Residential Revenue</b>	<b>\$ 48,851</b>	<b>\$ 95,558</b>	<b>196%</b>
C&I Monthly Cu. Savings	536,775	601,792	112%
Lost C&I kWh Revenue	\$ 30,416		
Lost C&I Demand Revenue	\$ 34,297		
<b>Total C&amp;I Lost Revenue</b>	<b>\$ 64,713</b>	<b>\$ 27,324</b>	<b>42%</b>
<b>Total Lost revenue</b>	<b>\$ 113,564</b>	<b>\$ 122,882</b>	<b>108%</b>

The difference in calculated lost revenue dollars is due primarily to the use of different average distribution rates. The estimate in Attachment F3 of the plan included forecasted average distribution rates, while the Annual report included actual average distribution rates:

	<u>Residential</u>	<u>C&amp;I</u>
<u>Plan</u> January – December 2019	\$0.04349	\$0.00872
<u>Annual Report</u> January – December 2019	\$0.04739	\$0.00881

2019 entries posted in sum:

Debit 8830-2-0000-20-2142-2426	\$114,000
Credit 8830-2-000040-4210-4511	\$(114,000)

The 2019 true-up, based solely on the Annual Report (and not taking into account any recommended adjustments from the data requests for 2019 in DE 17-136), the *tentative* 2019 true-up to post would be calculated, not including any interest adjustment:

Estimates booked to -4210-4511	\$(114,000)
Annual Report Actual	<u>\$(122,882)</u>
Possible True-up for 2019	\$ (8,882)

During 2017, the general ledger “actuals” were based on the kWh sales multiplied by the LBR rate, rather than based on the calculated annualized kWh savings as noted on Table 7b of the Annual Report. In 2018 and 2019, the monthly lost revenue general ledger entries more closely agree with the calculated lost revenues.

The actual general ledger roll-forward for account 8830-2-0000-20-2142-2426 was also adjusted for interest for both 2018 and 2019:

Beginning Balance	\$6,822,338.67
LRAM monthly estimate	\$ 114,000.00
Reclass EE and LRAM collection	\$ (116,650.17)
LRAM interest 2019	\$ 4,240.40
True-up EE LRAM 2017	\$ 132,160.00 2017 Audit Report, w/interest
LRAM Interest Adjustment 2018	\$ 6,591.94
LRAM interest Adjustment 2019	\$ 3,185.94
LRAM true-2018	<u>\$ 28,056.00</u> <b>Audit Issue #3</b>
Grand Total	\$6,995,606.53

On the GL Activity tab of an Excel spreadsheet provided to Audit was:

Beginning Balance	\$(6,815,368.84)
ACTIVITY including reclasses	<u>\$ 6,995,606.53</u>
GL Summary	\$ 180,237.69

The beginning balance of \$(6,815,368.84) reflects a reclassification of Default Service which was in a credit position in account 8830-2-0000-10-1101-1423. The reclassification occurs quarterly “for balance sheet presentation purposes”. **Audit Issue #4**

On that same spreadsheet which is a summary of the 2019 activity of account 8830-2-0000-20-2142-2426 was the following “LRAM Only”:

LRAM Beginning Balance	\$ 6,969.83
2019 activity excluding qrtly reclass	<u>\$ 173,267.86</u>
Ending Balance LRAM	\$ 180,237.69



Measures

The Annual reports, Table 7b, show the reported actual cumulative savings based on the measures installed in calendar years 2018 and 2019. Because each month reflects the annualized savings, the lines must be divided by twelve to determine the monthly savings, then multiplied by the average distribution rate. Each month’s calculation is rolled into the following month. Verification of the 2019 average distribution rates was conducted by the PUC Electric division, via data request Staff 8-2 in this docket, DE 17-136.

Audit requested verification of the actual installed savings and was provided with a detailed pivot table, and Excel file. The pivot was a download of the tracking mechanism of the eTRACK software system used by Liberty. For 2018, the Electric Energy Star product installations, both Residential and Commercial / Industrial pivot reflects:

2018 ES Products - Electric							
Row Labels	Sum of Quantity	Sum of Annual kWh	Sum of Lifetime kWh	Sum of Adjusted annual kWh savings	Sum of Adjusted Lifetime kWh savings	Sum of Annual Gas	Sum of Lifetime Gas
2nd Freezer Pickup/Turnin	9	5,922.000	47,376.000	5,922.000	47,376.000	-	-
2nd Refrigerator Pickup/Turnin	29	21,895.000	175,160.000	21,895.000	175,160.000	-	-
Air Source Heat Pump (cooling)	1	220.000	3,960.000	220.000	3,960.000	-	-
DHW Heat Pump Water Heater	10	13,840.000	179,920.000	13,840.000	179,920.000	-	-
ES AC (central) 3 ton	2	399.800	5,597.320	399.800	5,597.200	-	-
ES Clothes Dryers	165	15,394.500	184,734.000	15,394.500	184,734.000	-	-
ES Clothes Washers CEE Tier <2	182	16,137.940	225,923.880	16,137.940	225,931.160	39.5	552.9
ES Clothes Washers CEE Tier 2+	93	14,498.700	202,981.800	14,498.700	202,981.800	38.4	537.2
ES Dehumidifier	174	37,236.000	446,832.000	37,236.000	446,832.000	-	-
ES Pool Pumps (Variable Speed)	34	36,108.000	361,080.000	36,108.000	361,080.000	-	-
ES Refrigerator CEE Tier <2	147	9,452.100	113,425.200	9,452.100	113,425.200	-	-
ES Refrigerator CEE Tier 2+	36	3,470.400	41,644.800	3,470.400	41,644.800	-	-
ES Room AC (room)	74	1,195.840	10,762.560	1,195.840	10,762.560	-	-
ES Room Air Purifier	42	16,401.000	147,609.000	8,200.500	73,804.500	-	-
LED Lighting Products	32,864	666,221.080	3,331,110.920	592,936.761	2,964,683.806	-	-
Mini Split HP (assumed 1.5 ton) (cooling)-Mini Split Baseline	44	4,528.920	81,518.800	4,528.920	81,520.560	-	-
Primary Refrigerator Recycling/Pickup/Turnin	2	983.200	7,865.600	983.200	7,865.600	-	-
Wifi Thermostat (Heating&Cooling)	3	74.570	1,118.520	74.570	1,118.550	19.8	297.0
<b>Grand Total</b>	<b>33,911</b>	<b>863,979.050</b>	<b>5,568,620.400</b>	<b>782,494.231</b>	<b>5,128,397.736</b>	<b>97.7</b>	<b>1,387.1</b>

As summarized in the pivot table above, there were 33,911 measures installed within 2,516 projects.

For calendar year 2019, Audit requested and was provided with the pivot table of the Energy Star products installed, along with the detailed Excel sheet reflecting the specific 72,146 measures installed over 7,054 projects.

2019 ES Products - Electric								
Row Labels	Sum of	Sum of	Sum of	Sum of	Sum of	Sum of	Sum of	Sum of
	Quantity	Annual kWh	Lifetime kWh	annual kWh	Lifetime kWh	Annual Gas	Lifetime Gas	
2nd Freezer Pickup/Turnin	17	11,186	89,488	11,186	89,488	-	-	
2nd Refrigerator Pickup/Turnin	50	37,750	302,000	37,750	302,000	-	-	
Air Source Heat Pump (cooling)	2	440	7,920	440	7,920	-	-	
Catalog: LED Exterior Fixture	24	382	1,912	340	1,701	-	-	
Catalog: LED Globe/Candelabra (Per bulb)	2,243	35,731	178,655	31,801	159,003	-	-	
Catalog: LED Reflector (per bulb)	155	2,469	12,346	2,198	10,988	-	-	
Coupon: LED Multi-Packs (per bulb)	10	159	797	142	709	-	-	
DHW Heat Pump Water Heater	19	26,296	341,848	26,296	341,848	-	-	
ES AC (central) 3 ton	4	800	11,195	800	11,195	-	-	
ES Clothes Dryers	216	20,153	241,834	20,153	241,834	-	-	
ES Clothes Dryers - Heat Pump	1	472	5,668	472	5,668	-	-	
ES Clothes Dryers - Hybrid	1	229	2,753	229	2,753	-	-	
ES Clothes Washers CEE Tier <2	199	17,645	247,027	17,645	247,027	53.5	749.4	
ES Clothes Washers CEE Tier 2+	146	22,761	318,660	22,761	318,660	64.4	901.4	
ES Dehumidifier	242	51,788	621,456	51,788	621,456	-	-	
ES Pool Pumps (2 speed)	1	842	8,420	842	8,420	-	-	
ES Pool Pumps (Variable Speed)	27	28,674	286,740	28,674	286,740	-	-	
ES Refrigerator CEE Tier <2	195	12,539	150,462	12,539	150,462	-	-	
ES Refrigerator CEE Tier 2+	45	4,338	52,056	4,338	52,056	-	-	
ES Room AC (room)	90	1,454	13,090	1,454	13,090	-	-	
ES Room Air Purifier	125	48,813	439,313	24,406	219,656	-	-	
LED Lighting Products	8,764	139,611	698,053	124,253	621,267	-	-	
Markdowns: LED Exterior Fixture [Home Depot, Lowes]	46	733	3,664	652	3,261	-	-	
Markdowns: LED Globe/Candelabra [Home Depot, Lowes]	379	6,037	30,187	5,373	26,867	-	-	
Markdowns: LED Interior Fixture [Home Depot, Lowes]	2,812	44,795	223,976	39,868	199,338	-	-	
Markdowns: LED Multi-Packs (per bulb) [Home Depot, Lowes]	52,260	832,502	4,162,509	740,927	3,704,633	-	-	
Markdowns: LED Reflector [Home Depot, Lowes]	1,510	24,054	120,271	21,408	107,042	-	-	
Markdowns: LED Single Bulbs [Home Depot, Lowes]	2,336	37,212	186,062	33,119	165,596	-	-	
Mini Split HP (assumed 1.5 ton) (cooling)-Mini Spl	103.737	10,859	195,467	10,677	192,195	-	-	
Mini Split HP (assumed 1.5 ton) (heating) -Mini Sp	103.737	33,729	607,115	34,057	613,027	-	-	
Primary Refrigerator Recycling/Pickup/Turnin	12	5,899	47,194	5,899	47,194	-	-	
Wifi Thermostat (Heating&Cooling)	8	199	2,983	199	2,983	52.8	792.0	
<b>Grand Total</b>	<b>72,146</b>	<b>1,460,553</b>	<b>9,611,117</b>	<b>1,312,687</b>	<b>8,776,072</b>	<b>170.7</b>	<b>2,442.8</b>	

Audit requested clarification of the two lines for the mini split units, as the units function as an air conditioner and as a heating unit. The Company indicated that the cooling and heating estimated savings have different load shape calculations, thus require two different line items.

Audit understands that discovery continues in docket DE 17-136 regarding the 2019 lost base revenue details, thus reserves the conclusion as to the accuracy of all reported measures and savings for the docket itself. The Company indicated that there were no retired measures during 2019.

## Summary

Audit reviewed the 2018 and 2019 annual reports of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities NHSaves Energy Efficiency programs for compliance with Commission Orders 26,095 and 26,207.

The application of System Benefits Charge funds, forward capacity market revenues, RGGI auction proceeds, and related interest to the associated NHSaves program expenses was also reviewed for compliance with RSA 125-O.

Expenses by program type and category were reviewed for compliance with program parameters and requirements. Refer to **Audit Issue #1**.

Recalculations of performance incentives were conducted. Refer to **Audit Issue #2** regarding the supporting Excel spreadsheet used to calculate the 2019 incentive true-up.

The Lost Base Revenue (LBR) as filed each year was reviewed. Audit understands the 2019 LBR continues to be the subject of discovery in this docket DE 17-136. A true-up of \$(28,056) was booked to the Revenue account -4210-4511. That adjusting entry brought the estimated \$(280,584) up to \$(308,640). The \$(308,640) was originally filed with the Commission, then revised to \$(288,654). The true-up should have been \$(8,070) rather than \$(28,056). Refer to **Audit Issue #3**. Any subsequent adjustment resulting from possible revisions to the reported measures must be documented, with copies of the adjusting entries provided to PUC Audit as soon as they are posted.

## **Audit Issue #1 Municipal Energy Solutions**

### **Background**

This program is designed for 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.

### **Issue**

On 1/18/2019, a rebate was paid to the Lebanon School District in the amount of \$22,694.79, for a 2018 lighting project. The Project Cost Summary, dated 12/27/2018 indicated that the total project cost of \$102,502.12 was offset with an incentive calculated at 22.14%, or \$22,694.79. The project description reads: *“Both retrofit and new construction project replacing and putting in new LED fixtures”*.

A note within the detail indicated:

*“Fixtures have been grouped together so they can fit in the automated worksheet.*

*To see details on fixture location and number, see the manual worksheets in the Pre folder in Sharepoint. Treated as a new construction project at request of Bob Reals. Controls cost, energy savings and incentives added in manually into sums. These values can be found in the Lighting Worksheet. Values in Row 22 are added directly into Row 20. Similarly, the cost, energy savings, incentives, and incremental cost of the fixtures treated as retrofit fixtures are found in row 24 and also added directly into row 20. These values and the fixtures associated with them can be found in the retrofit worksheet. **Although the project is being treated as a new construction, some of the measures do not apply for incentives as new construction measures. These measures are being treated as retrofit measures so they can receive incentives. This has been OKed by Bob Reals. Type G does not have a cutsheet. Julian has OKed using double the wattage of the 4-foot version of this fixture (37 Watts).**”*

Bob Reals is a Liberty Utilities Program Manager, who provided Lebanon with an offer letter. That letter indicated at least \$3,279.79 of the overall incentive related to retrofitting lighting in the second floor library, a wall pack by room 16, halls, and the wood shop. It is unclear why the lighting project was made to reflect all of the installations as “new construction”, nor whether that was the appropriate calculation method for providing the incentive that was paid.

### **Recommendation**

Audit reminds the Company that the approved energy efficiency program guidelines should be followed.

## **Company Comment**

The Lebanon High School lighting project was a combination of retrofitting lighting and new construction lighting. An appropriate calculation method, as in dollars per lifetime MWh saved, was used to determine the incentive. Liberty Utilities followed the program guidelines by paying \$16.25 per lifetime MWh which was in line with our approved incentives for Municipal projects.

The NHSaves' guidelines state there are three C&I programs, Large, Small, and Municipal. The level of incentive is determined by each utility based on the budget and savings goals approved by the NH PUC. The guidelines do not specify a specific level of incentive for retrofit or new construction. Retrofit is the term used when there is a general one-for-one replacement of a lighting fixture and an existing fixture can be identified. New Construction is used when the fixture is installed in a non-one-for-one situation and/or an existing fixture is not identified.

## **Audit Comment**

Audit appreciates the clarification of the Company's understanding of retrofit vs. new construction.

**Audit Issue #2**  
**Supporting Schedule for the 2019 Performance Incentive**

**Background**

Liberty uses an Excel file to monitor and prepare reconciling figures for the performance incentive each year.

**Issue**

The calculated incentive for **2019** was reported to be:

C&I Incentive	\$106,662	
Residential Incentive	<u>\$ 94,475</u>	
Calculated	\$201,137	
Booked	<u>\$223,348</u>	
Adjustment	\$ (22,211)	should be booked to general ledger in 2020 for the 2019 true-up.

Within the 8830-2-0000-20-2142-2423 Curr Accr Lib-R Ref-CLMDec2019(R-L PRM) **Excel file** is a tab noted to be the Incentive 2019 true up. The calculation, however, reflects \$167,508 booked to the general ledger, rather than the actual general ledger posting \$223,348. The Annual Report shows the calculated incentive to be \$201,137. As a result, the “true-up” noted in the spreadsheet, \$55,840, is overstated. The true-up should be \$(22,211).

**Recommendation**

Audit recommends that the supporting spreadsheet, used by Liberty be updated to reflect what was actually booked to the general ledger, which will result in the noted \$(22,211) adjustment.

**Company Comment**

Liberty will record the \$(22,211) adjustment to reflect the final 2019 EE Performance Incentive of \$201,137. It is agreed that the adjustment is needed in order to accurately book the 2019 EE PI. Liberty has previously recorded the estimated 2019 EE PI of \$223,348, pending conclusion of the Audit.

**Audit Comment**

Audit appreciates the Company comment and requests copies of any adjusting journal entry. The Company is reminded that due to timing of audits, any adjustments contemplated by the Company should be booked, regardless of a Final Audit report.

**Audit Issue #3**  
**2018 Lost Base Revenue**

**Background**

The calculated lost revenue for calendar year 2018 was estimated within the January 12, 2018 Plan update, on Bates page 282, Attachment F-3 (2018), with actuals for the year reported in the Annual Report:

	2018 Lost Base Revenue-kWh		
	Attachment	Annual Rpt	Actual as %
	<u>F-3(2018) pg 5 of 11</u>	<u>Table 7B</u>	<u>of Estimate</u>
Annualized Savings-Res	1,711,862	1,987,382	116%
Annualized Savings-C&I	5,779,907	5,557,896	96%
	7,491,769	7,545,278	101%

	1/12/2018	2018 Annual	Actual as
	<u>Plan F3</u>	<u>Report, 7b</u>	<u>% of Plan</u>
Residential Monthly Cu. Savings	239491	269944	113%
<b>Lost Residential Revenue</b>	<b>\$ 93,561</b>	<b>\$ 102,991</b>	<b>110%</b>
C&I Monthly Cu. Savings	812197	826758	102%
<b>Lost C&amp;I Revenue</b>	<b>\$ 187,021</b>	<b>\$ 185,663</b>	<b>99%</b>
<b>Total Lost revenue</b>	<b>\$ 280,582</b>	<b>\$ 288,654</b>	<b>103%</b>

**Issue**

Audit reviewed a spreadsheet reconciliation of account 8830-2-0000-20-2142-2426 and a tab noted as LRAM TrueUp-2018. The estimated LRAM for 2018 agrees with the general ledger debit postings and with the \$280,582 noted above. The “Actual LRAM” of \$308,640, which was filed with the original 2018 annual report was the basis for an adjusting entry of \$28,056, booked on December 31, 2019.

Because the posted true-up was based on the incorrect “Actual”, a revision to the 2018 true-up should be posted. Specifically:

Original 2018 entries estimating the 2018 lost revenue posted to:

Debit 8830-2-0000-20-2142-2426    \$ 280,584  
 Credit 8830-2-0000-40-4210-4511    \$(280,584)

Actual revenues post as debits to account 8830-2-0000-20-2142-2542 and credits to 8830-2-0000-20-2142-2426.

The original true-up calculation was:

Estimates booked to -4210-4511	\$(280,584)
Original "actual"	<u>\$(308,640)</u>
True-up booked 12/31/2019	\$ (28,056)

The above true-up adjustment in the amount of \$28,056 was debited to -2426 on December 31, 2019. However, the adjustment should have been:

Estimates booked to -4210-4511	\$(280,584)
REVISED "actual"	<u>\$(288,654)</u>
True-up for 2018 should have been	\$ (8,070)

### **Recommendation**

A revision to the \$(28,056) should be posted:

Debit 8830-2-0000-40-4210-4511	\$19,986
Credit 8830-2-0000-20-2142-2426	\$(19,986)

The adjusting entry for the 2018 true-up will bring the final revision to the calculated "Actual" for the 2018 year.

### **Company Comment**

Liberty will record the \$19,986 adjustment to reflect the final 2018 LRAM of \$288,654. It is agreed that the correction is needed in order to accurately book the 2018 LRAM. Liberty had recorded the original 2018 LRAM of \$308,640, but an adjustment to reflect the subsequent revision to \$288,654 was not recorded.

Furthermore, an error in the January 2019 residential annual kWh savings was discovered. As a result, the revised 2019 LRAM will be \$107,427 instead of the originally filed 2019 LRAM amount of \$124,632. A revised NHSAVES EE Programs – 2019 Year-End Report for Liberty Utilities (Granite State Electric) Corp. will be filed accordingly with the NH PUC.

### **Audit Comment**

Audit appreciates the Company comment and requests copies of the journal entries be forwarded to Audit when the entries are posted. Audit also understands that the 2019 year-end report will be refiled in the instant docket.



## **Audit Issue #4**

### **Reclassifications for Balance Sheet Purposes**

#### **Background**

Liberty reclassifies balance sheet accounts when an asset account is in a credit position, or when a liability account is in a debit position, for quarterly and annual balance sheet presentation purposes.

#### **Issue**

Moving FERC accounts to the opposite side of the balance sheet, for financial reporting purposes, while understandable for GAAP, does not comply with the FERC.

#### **Recommendation**

At the end of every financial period, the balances in specific accounts should accurately reflect what the balances are, rather than move the balance to the opposite side of the balance sheet. As the Company commented in the 2018-2019 Winter Cost of Gas Audit report, issued on November 12, 2019:

*“In an effort to comply with Staff’s recommendation, the Company has made a proposal to the Corporate Accounting team to use Consolidating General Ledger account numbers to allow Energy North’s and Keene’s account balances to reflect the actual balances at all times. We will be meeting with Corporate to discuss and should have a final decision by the end of November 2019.”*

Discussions, and the resulting conclusion, should be provided. As the Company knows, compliance with FERC is required for regulatory accounting

#### **Company Comment**

Effective with the 2019 fourth quarter reporting, Liberty revised its previous process of reclassifying account balances when the respective account balance is in the opposite position from its account classification (i.e. an asset account with a credit balance). Any reclassifications needed for GAAP purposes will be recorded on the Company’s consolidated books.

#### **Audit Comment**

Audit concurs with the Company’s comment.