

STATE OF NEW HAMPSHIRE

Intra-Department Communication Department of Energy

DATE: May 6, 2024

FROM: Enforcement Division Audit Staff

SUBJECT: Year 21 of the Tiered Discount Electric Assistance Program
DE 22-043 Program Year October 2022 – September 2023
FINAL Audit Report

TO: Josh Elliot - Director, Division of Policy and Programs
Amanda Noonan - Director Consumer Services, Department of Energy

Introduction

The Audit Staff (Audit) of the Department of Energy (Energy) has conducted a review of the program parameters for the twenty-first program year of the Tiered Discount Electric Assistance Program (EAP), ending September 30, 2023. The audit has been conducted in accordance with the Public Utilities Commission Order 26,693 issued 9/29/2022; as well as the *Fiscal Procedures Manual*, sections 4.2, 4.3, and the *Monitoring and Evaluations Manual*, section 2.3.1.

Audit thanks Amanda Noonan from Department of Energy Staff; Richard Bowen and Haley Poirier from the NH Treasury; Elizabeth Reynolds from Belknap-Merrimack CAA; John Braswell from Eversource Energy; Taylor Lyford and Karen Hanks from New Hampshire Electric Cooperative; Adam Yusuf from Liberty Utilities; and Elena Demeris from Unitil Energy Systems for their assistance with the audit fieldwork.

Brief Overview of the Electric Assistance Program (EAP) and Participants

The goal of the EAP is to enable residential electric customers with low incomes in New Hampshire to manage and afford electricity, within the limits of available system benefits charge (SBC) funds and the program design established by the PUC. The system benefits charge is a Legislatively established, Commission approved, non-bypassable charge, that is assessed to residential, lighting, and commercial and industrial customers per each kilowatt hour on the customer's electric bill. The SBC provides funding for the EAP and the Energy Efficiency Resource Standard (EERS), including Lost Base Revenue. Eligible customers receive the EAP discount on their electric bills based on a tiered system determined by household size and income.

Program Guidance

In addition to the Orders issued by the Public Utilities Commission and the applicable statutes and regulatory rules, the following procedures manuals have also been developed to provide guidance to the parties involved in the program:

- *CAA Procedures Manual*
- *EAP Monitoring & Evaluation Manual*
- *Electric Assistance Program Fiscal Procedures Manual*
- *Electric Assistance Program Utility Procedures Manual*

The manuals are updated periodically, based on PUC Orders or process changes discussed at the EAP Advisory Board quarterly meetings.

Community Action Programs/Agencies

The Community Action Programs/Agencies (CAA); Community Action Program Belknap-Merrimack Counties, Inc., Southern New Hampshire Services, Inc., Tri-County Community Action Program Inc., Southwestern Community Services, Inc. and Community Action Partnership of Strafford County provide customer education, intake services, certification and re-certification of eligibility, discount tier determination and removal of ineligible customers.

Program Administrator

Community Action Program Belknap-Merrimack Counties, Inc. is the Program Administrator of the Electric Assistance Program. As the Program Administrator, the agency is responsible for contracting with and monitoring all of the Community Action Agencies and performing an annual compliance review of the CAAs. The annual reviews consist of a site visit to each CAA and a review of the application procedures.

Each of the utilities contracts with the Program Administrator for the administrative costs incurred with the program application intake process and the resulting electronic communication with the utilities regarding customer enrollment, discount tier determination, removal from the program, etc.

The Program Administrator also compiles the CAA budgets, invoices the utilities for the monthly administrative expenses incurred, and allocates the administrative revenues to the respective CAAs. Additionally, enrollment reports are compiled and generated by the program administrator, on a weekly basis, and provided to the Director of Consumer Services at the Department of Energy, the Advisory Board members, and to each of the Community Action agencies.

Utilities

Eversource Energy (Eversource), New Hampshire Electric Cooperative (NHEC), Liberty Utilities (Liberty) and Unitil Energy Systems, Inc. (UES) participate in the program. Participation includes billing and collecting the SBC, applying the discounts to

the bills of eligible customers, and removing ineligible customers based on the information provided electronically to the utilities by the CAAs.

Summary of the Department of Energy

The Department of Energy (DoE, Energy), through the Director of Consumer Services, is responsible for overseeing the fiscal management of the statewide EAP. The monthly reports provided by the 15th of each month (for the preceding month's activity) by each utility are reviewed by the Director. The Monthly Systems Benefit Charge Reconciliation of the funds to be received by Treasury, or disbursed by Treasury to the appropriate utility, is prepared by the DoE and submitted within five business days of the 15th. Audit reviewed the consolidated reports for compliance with the *Fiscal Procedures Manual*, section 3.3.2, specifically for timeliness, completeness, and evidence of review and approval. (See *Issuance of the consolidated monthly report by the Department of Energy to Treasury* section of this report.)

Energy receives and reviews the electronic report of the ongoing balance held in custody (in a checking account) by Treasury. Hardcopies of the reports that were received were noted within the monthly folders, with evidence of review noted on each. (See *Issuance of the monthly activity report by Treasury to Department of Energy* of this report.)

Energy also receives and reviews customer enrollment data and invoice copies from the Program Administrator. In compliance with section 7 of the *Monitoring and Evaluations Manual*, the Department of Energy is provided with the enrollment data and compiles a fiscal projection monthly. The projection worksheet is provided to the Advisory Board prior to the quarterly meetings, at which the fiscal position and enrollment sustainability are discussed.

An annual summary of the effectiveness of the SBC overall was provided on October 3, 2023 to the House Science, Technology, and Energy Committee, the Senate Energy and Natural Resources Committee, and the New Hampshire Department of Education. The 2023 report summarized the EAP for the period ended August 31, 2023 and the EERS as of June 30, 2023. The reports have been presented each October since the programs began.

The annual financial reporting form, the Dedicated Funds Report, required by the NH Bureau of Accounts per RSA 6:12, for state fiscal year ending June 30, 2023 was compiled by the NH Department of Energy Director of Consumer Services. The Department of Energy Business Office uses an electronic reporting system to file the Dedicated Funds report. The report was filed on approximately 8/29/2023.

Summary of the Treasury of the State of New Hampshire

The Office of the State Treasurer acts as the custodian for the Citizens Bank checking account used to process the EAP funds. The account activity is directed by the Department of Energy Staff who receive and review the monthly reconciliations of the EAP activity from each of the participating utilities. Automatic Clearing House (ACH)

transfers into the account are made by those utilities that received more SBC revenue than was used for the month, and ACH transfers are made by the Treasury to those utilities that expended more than the SBC collected. The monthly activity is supplied by the Department of Energy Staff to the Treasurer's office to ensure they are aware of the incoming ACH, and the amount of any ACH transfer to be made to a specified utility.

Each month, the monthly statement from Citizens Bank is received and reviewed by the Treasurer's office and verified to an ongoing reconciliation of the account balance. Interest is earned on the account, and fees are not charged.

Approval of the Program Year

Order 23,980 in docket DE 02-034 requires that the state's electric utilities and Community Action Agencies file an annual budget with the PUC no later than 60 days prior to the start of each program year. In July and August 2022, all four utilities and the Community Action Agencies filed their budgets in docket DE 22-043.

On September 19, 2022, for the program year beginning October 1, the EAP Advisory Board submitted their recommendation for the 2022-2023 budgets. The recommendation noted that the total CAA costs increased 3.23% from the prior budget and the utility costs increased 78%. The overall budget increased 5.24% from the 2021-2022 budget. The large increase in the utility costs are due to \$40,000 in the Eversource budget for the hiring of a consultant in DE 21-133 to review and evaluate the EAP. The EAP Advisory Board recommended that the Commission approve the administrative budgets.

On September 27, 2022 the Department of Energy filed a request for an expedited order approving the EAP budgets effective October 1.

On September 28, 2022 the Utilities filed a joint petition supporting the Department of Energy's expedited order request.

The Commission issued Order 26,693 in Docket DE 22-043 on September 29, 2022, approving the utilities' and CAA's budgets submitted for the October 2022 through September 2023 program year.

Consultant's Report

On October 3, 2022, the Department of Energy, Joint Utilities, CAA and LISTEN Community Services joint filed the consultant's report and the EAP Advisory Board response to the recommendations noted in the report.

The Consultant's report was dated September 2022. It was prepared by Roger Colton, Fisher, Sheehan & Colton, Public Finance and General Economics. The report noted it was prepared on behalf of the EAP Advisory Board and the New Hampshire Department of Energy.

The report covers seven different categories:

1. An overview of the EAP recipient population.
2. A consideration of the ongoing impacts of COVID.
3. EAP participant payment patterns.
4. EAP program elements.
5. Lessons from other New England Low-Income Discounts.
6. EAP participant demographics.
7. Impact of 2022 electric rate increases.

The report also contains an Introduction, which covers the history of the EAP, a summary of essential findings, and a summary of recommendations.

The summary of recommendations notes the following regarding the EAP program:
“What is striking about the conclusions that flow from this review, however, is that the New Hampshire EAP is a fundamentally sound program. While there are recommendations advanced below to make some modifications to the EAP, none of these modifications address the fundamental design and operation of the program”.

The recommendations noted in the summary are as follows:

1. The New Hampshire EAP should retain the 750 kWh limit on usage which the EAP discount(s) are applied.
2. The New Hampshire EAP should identify participants with seasonal usage exceeding 1,000 kWh or with annual usage exceeding 9,000 kWh and refer those participants to the State’s low-income energy efficiency program.
3. The discounts offered through the New Hampshire EAP’s five Tiers should be modified to provide greater assistance to the two lowest income Tiers (Tier 5, Tier 6) and lesser assistance to the two highest income Tiers (Tier 3, Tier 2). The recommended modified discounts are as follows:

EAP Tier	Proposed Discount
Tier 2	5%
Tier 3	19%
Tier 4	36%
Tier 5	54%
Tier 6	86%

4. The New Hampshire EAP should retain its five existing discount Tiers.
5. The New Hampshire EAP should seek added EAP funding to incorporate an Arrearage Management Program (AMP) into its program design.
6. New Hampshire’s EAP should seek the aid of the New Hampshire Department of Health and Human Services (DHHS) to enroll participants in the Supplemental Nutrition Assistance Program (SNAP) as well as the State’s various Cash Assistance programs in EAP.
7. New Hampshire’s EAP should seek expanded assistance in identifying and enrolling income-qualified customers into EAP. Assistance from the Department of Health and Human Services (DHHS) in identifying Medicaid recipient

households, and with local Public Housing Authorities in identifying public housing residents, would be of priority importance.

8. The New Hampshire EAP should seek legislative authorization to index EAP's funding stream to the price of electricity in the State, total program participations, or other cost-driving factors.

The EAP Advisory Board noted they supported all of the recommendations put forth in the consultant's report. Specifically, it noted the following responses to the above numbered recommendations:

1. The limit on the usage to which the EAP discount applies is a long-standing component of the EAP. Mr. Colton's finding that approximately 80% of EAP households have usage below the 750 kWh cap supports this program component.
2. The Community Action Agencies regularly identify EAP households with high usage and refer those households to the low-income weatherization program.
3. The Advisory Board is fully supportive of the recommended adjustment to the EAP tiers to better align the bill burdens of each tier with the stated program objective of reducing bills, on average, to between 4% and 5% of income.
4. The Advisory Board supports the retention of the five existing tiers. The income eligibility threshold for the EAP is aligned with that of the federal Low-Income Home Energy Assistance Program. Aligning eligibility for the two programs reduces customer confusion. In addition, the potential adverse impact on the CAA administrative costs if the EAP eligibility lever were to be changed is of concern to the Advisory Board.
5. The Advisory Board recognizes that Eversource currently has an AMP for its customers. The Advisory Board supports Mr. Colton's recommendation and recommends a generic investigation be opened to consider an AMP, either as part of the EAP or a separate program for all electric utilities.
- 6 and 7. As mentioned previously, the Advisory Board supports the sharing of data between the Community Action Agencies and the state Department of Health and Human Services. The Advisory Board encourages the Community Action Agencies to explore data sharing between the two agencies to identify and enroll these most vulnerable households. To the extent the Advisory Board and its members can assist in making introductions between the two agencies to facilitate the start of those conversations it commits to doing so.
8. The Advisory Board would be supportive of any legislation that would index the funding for the EAP to avoid future emergency actions such as the one undertaken by the NH legislature on September 15, 2022.

In the October 3, 2022 joint filing, it was asked that the Commission approve and adopt the Colton Report's recommendations. The parties requested the Commission issue an order or notice and schedule a hearing to provide all parties and opportunity to address Commission questions and concerns.

On July 7, 2023 the Commission issued a Notice of Prehearing Conference scheduling the prehearing conference on the matter for August 8, 2023.

On August 9, 2023, Order 26,870 was issued, nisi, approving recommended modifications to the program. The Order approved Recommendations 1, 2 and 4 for application in the 2023-2024 program year. Recommendation 3 was also approved as of October 1, 2023 and directed the utilities and CAAs to make any changes necessary into their annual budget petitions filed in Docket DE 23-073.

Recommendations 5, 6, and 7 were considered as part of the ongoing EAP review process that is geared for potential EAP modification for the 2024-2025 program year and beyond. These will be addressed in a subsequent Order that will be issued by the Commission.

The Commission did not address Recommendation 8 as it does not view advocacy for legislative changes to be within the scope of this proceeding.

As these Order approved changes did not go into effect until the 2023-2024 program year, Audit will review them in detail following the close of the program year September 30, 2024.

HB 2023

Effective September 15, 2022, HB 2023 was signed by the Governor, which appropriated \$7,000,000 non-lapsing General Funds to supplement the dedicated EAP fund. Specifically, the legislation states:

“346:4 Appropriation; Electric Low-Income Program Fund. There is hereby appropriated the sum of \$7,000,000 to the department of energy, which shall be continually appropriated to the department and shall be nonlapsing, to supplement the dedicated fund described in RSA 6:12, I(b)(71), which, like other moneys in that fund, shall be maintained pursuant to the provisions of RSA 6:12-b and managed in accordance with the electric assistance program benefit levels and procedures established by the public utilities commission. The governor is authorized to draw a warrant for said sum out of any money in the treasury not otherwise appropriated. “

Due to the EAP dedicated fund not having the assets available to reimburse the utilities, the Department of Energy made two transfers from the \$7,000,000 appropriated to the EAP fund. On 7/25/23 \$550,000 was deposited into the EAP account and on August 21, 2023 an additional \$350,000 was deposited.

On August 1, 2023, the Department of Energy filed a notice in the Docket making the Commission aware that the Department intends to expend \$450,000 of the \$7 million allocated by HB 2023 to replace software programming utilized by the CAA to administer the EAP, Fuel Assistance Program and Weatherization Assistance Program.

Commission Orders

Order 26,485, in Docket DE 18-057, issued June 1, 2021, authorized Eversource and Liberty to recover costs incurred due to customer information system implementation changes to the EAP. The settlement approved recovery for Eversource of \$70,345 and

recovery for Liberty of \$140,000. Eversource recovered \$70,345 on its June 2021 reconciliation. Liberty did not request recovery for the \$140,000 during the remaining four months of the 2020-2021 program year or the full 2021-2022 program year.

Audit requested an explanation as to why Liberty had not recovered the funds, and the company's response was as follows:

"Upon review, the Company identified that the \$140,000 reimbursement was not applied as an offset to Liberty's plant in service and therefore was not submitted on an EAP filing. Liberty will make the adjustment, provide Audit with a copy of the journal entry, and include the reimbursement from the EAP fund in the next EAP monthly report."

Audit made this a repeat audit issue in the 2021-2022 program year audit report. In response to the issue Liberty responded with the following:

"Liberty included the \$140,000 for cost incurred to implement changes to the EAP in the February EAP reconciliation dated March 15, 2023."

Audit verified that Liberty sought recovery for the \$140,000 on their February EAP reconciliation. The reimbursement of the funds no longer remains an issue.

During the audit of DE 23-039 it was noted that the Company did not offset the software to CIAC as it should have been due to being reimbursed by the EAP fund. This was referenced in Audit Issue #4 in the audit report in DE 23-039. In that issue Audit recommended, *"The Company should remove \$140,000 EAP billing upgrade plant additions from the filing schedule, general ledger, and continuing property records, or provide evidence that the offset to CIAC has been booked and the filing updated to reflect that entry"*.

Liberty noted they concurred with the recommended adjustment and would update the revenue requirement model. Audit concurs with the filing of the update model but requested copies of the adjusting journal entries and/or removal from the continuing property records.

Liberty provided a follow-up to Audit and noted that the EAP software total of \$195,700 was retired in February 2023. This software total included the \$140,000 that was reimbursed to Liberty through the EAP. Instead of retiring the full amount, \$140,000 should have been debited to cash and credited to plant in service to reduce the amount of software on the books. **Audit Issue #1**

Summary of the Utility Budgets

Budgets for Program Year twenty-one were required to be provided to the Public Utilities Commission by August 1, 2022, 60 days prior to beginning of the program year as outlined in the *Utility Procedures Manual*, section 8.3.1. All of the budgets were submitted on or prior to August 1, 2022

	Date Submitted	Administrative	CAA Administrative	Total '22-'23
EVERSOURCE	7/28/2022	\$ 47,700	\$ 1,509,989	\$ 1,557,689
UES	7/28/2022	\$ 2,750	\$ 221,771	\$ 224,521
LIBERTY	8/01/2022	\$ 333	\$ 138,400	\$ 138,733
NHEC	7/29/2022	\$ 1,500	\$ 198,601	\$ 200,101
TOTAL		\$ 52,283	\$ 2,068,761	\$ 2,121,044

EVERSOURCE budgeted \$7,700 for brochures and marketing materials for 2022-2023. This remains the same as in program year 2021-2022. Eversource also budgeted \$40,000 for the EAP consultant fee.

UES budgeted \$250 for brochure printing and \$2,500 for legal expenses for the program year. This budget was the same as the previous program year.

LIBERTY budgeted \$210 for brochures and posters, and \$123 for employee expenses (mileage and tolls) totaling \$333 for the program year. The total incremental administrative expenses were the same as the 2021-2022 program year.

NHEC budgeted \$250 for brochures and mailings, and \$1,250 for legal for the program year. The total incremental administrative expenses of \$1,500, was an increase of \$750 in administrative expenses from the 2021-2022 program year. This increase was due to a higher budgeted legal expense than in the prior year.

Summary of Budgeted CAA Administrative Expenses

The utilities contract with the CAAs, through the Program Administrator, to provide the intake and program management, with the administrative expenses allocated among the participating utilities. Allocations are based on each utility's prior calendar year operating revenues as a percentage of the total utilities' operating revenues. The resulting percentages are applied to the CAA budget figures. The utilities are invoiced by the CAA for the administrative expenses. 1/6th of each utility's CAA budget is initially invoiced as an advance. All subsequent invoices are based on the CAA's actual prior month expenses.

Audit requested and was provided with the signed contracts between the Program Administrator (Belknap-Merrimack Community Action) and each utility. The contracts outlined the percentage of the contract cost for which each utility was responsible, based on revenues for the prior calendar year. For program year 2022-2023, the revenues were based off of the operating revenue from 2021.

	Percentage of Sales	% of CAA Administration
EVERSOURCE	72.99%	\$ 1,509,989
NHEC	9.60%	\$ 198,601
LIBERTY	6.69%	\$ 138,400
UES	10.72%	\$ 221,771
		\$ 2,068,761

Audit recalculated the CAA budget figures for all utilities (above) without exception.

Actual CAA Administrative Expense Activity

Audit reviewed the actual CAA payment activity for the program year, which revealed the following:

EVERSOURCE- For program year twenty-one, the CAA invoices received and paid totaled \$1,425,088, which was \$84,900 below the contracted amount. The July invoice, which was billed on August 15, was not recorded on the general ledger until September. As it was recorded on the GL in September it was correctly included on the September monthly reconciliation. All other monthly CAA invoices were recorded to the GL and on the appropriate monthly EAP reconciliation.

The total CAA invoice amount recorded on their monthly reconciliation was \$1,514,098. This total amount includes a \$89,010 invoice from September 2022, the prior program year, which was invoiced in November 2022. No exception is noted.

NHEC- Was invoiced a total of \$187,521 for the 2022-2023 program year which is \$11,080 less than the budgeted amount.

The CAA invoice provided by NHEC show the May and June invoices both totaling \$11,958.54. This is the amount that NHEC recorded in their general ledger and on their monthly filings.

A spreadsheet provided to Audit by the Lead Agency, Belknap-Merrimack, shows the June invoice amount to be \$11,872.59. **Audit Issue #2**

NHEC sought a total of \$199,196 for CAA invoice reimbursement during the program year. The difference of \$11,675 between the total reimbursement and the program year total is the September 2022 invoice which was billed in November 2022.

A total of \$60,889 in CAA payments were included on NHEC's November 2022 reconciliation filing. This included \$11,675 for the September 2022 invoice, \$33,100 for the Advance Payment and \$16,113 for the October 2022 invoice. Audit was able to verify the \$11,675 to the November general ledger but was unable to verify the other two amounts. **Audit Issue #3**

LIBERTY- For program year twenty-one, Liberty received and paid, \$130,618, which was \$7,782 less than the contracted amount.

The December invoice, issued on January 17, was included on the January reconciliation but not recorded in the general ledger until February 6. The June invoice, issued July 13, and the July invoice, issued August 15 were both included on the August monthly filing but were not recorded to the general ledger until September 1. **Audit Issue #3**

A total of 139,210 was reimbursed during the program year for CAA expenses. The difference of \$8,591 between the program year expenses and the total reimbursed was due to the September 2022 invoice being issued in November 2022.

UES- Received and paid \$209,302 to the CAA for the 2022-2023 program year. This amount was lower than the contracted amount by \$12,469.

The May invoice was issued on June 15, 2023. UES recorded the invoice in their general ledger on July 12, 2023 and correctly included it in the corresponding monthly reconciliation, July. All other invoices were properly recorded on the monthly filings and general ledger account.

Total reimbursement sought by UES for CAA expenses totaled \$222,409 and the program year invoice amount totaled \$209,302. The difference of \$13,107 is the amount of the September 2022 CAA expenses invoiced in November 2022.

CAA- Per the *Fiscal Procedures Manual*, section 3.8.3, “The Program Administrator shall submit to the utilities an invoice for administrative costs monthly, by the fifteenth day of the month following the month for which they are billing.”

A total of three monthly invoices were issued following the fifteenth of the month. The Advance for Year 21 was issued 11/16/22 instead of in October; the December 2022 invoice was issued 2 days late in 1/17/2023. The third invoice issued late was the prior program year’s September invoice. It was issued November 2, 2022 rather than in October 2022. **Audit Issue #4**

Over the past few program years, the Program Administrator, Belknap-Merrimack, has incorrectly billed the utilities. For the 2019-2020 program year, the Program Administrator over-billed the utilities. Audit reviewed all of the invoices received by the utilities for that year and notes the totals in the chart below.

	CAA Billed/Paid	Total Budget	Over Paid
Eversource	\$ 1,437,611.43	\$ 1,392,604.02	\$ 45,007.41
UES	\$ 216,478.93	\$ 209,701.60	\$ 6,777.33
NHEC	\$ 199,535.36	\$ 193,288.50	\$ 6,246.86
GSE	\$ 139,734.56	\$ 135,359.88	\$ 4,374.68
Total	<u>\$ 1,993,360.28</u>	<u>\$ 1,930,954.00</u>	<u>\$ 62,406.28</u>

As noted in the EAP audit report issued February 25, 2022, NHEC took the \$6,247 credit for the overpayment on its March 2021 monthly filing. UES took its credit of \$6,777 on the April 2021 filing. Eversource has the credit of \$45,007 on its February 2022 filing. In response to the February 2022 Audit report, Liberty noted it would take the \$4,374.68 credit on its March 2022 but did not. In the audit report for the 2021-2022 program year, issued June 1, 2023, the Program Administrator noted a check had been issued to Liberty and was still outstanding. During the week of May 22, 2023 through May 26, 2023 the outstanding check would be cancelled and reissued. On Liberty's June 2023 monthly reconciliation, they included the \$4,374 refund. This issue has been resolved.

During the 2020-2021 program year, the Program Administrator's records show that the utilities were over billed by \$94,238.42, in which the utilities took credits for.

During Audit's review of the Program Administrator's records, it was noted that the CAA's records included the incorrect invoice amounts for all utilities in June 2021. The CAA records show a total of \$129,719.88 as the amount billed when the actual invoices the utilities received sum to \$132,731.17, a difference of \$3,011.29.

Per the CAA invoices billed to the utilities, a total of \$1,893,573.38 was paid by the utilities for the 2020-2021 program year. This results in a total over-payment amount of \$97,249.73 and not \$94,238.42. An additional \$3,011.31 was to be refunded back to the utilities. In response to the audit issue in the EAP audit report issued June 1, 2023 the Program Administrator noted that a credit of \$3,011.31 will be refunded back to the utilities and checks were to be mailed the week of 5/22/23 – 5/26/23.

Belknap-Merrimack provided documentation showing that checks were issued to the utilities on May 25, 2023 totaling \$3,011.31. NHEC booked their refund of \$291 to the GL on 6/30/2023 but failed to include it in their monthly reconciliation. Eversource received a refund of \$2,179. This amount was not included on any of the monthly reconciliations or their general ledger. **Audit Issue #3**

UES' refund amount of \$331 was include on their June 2023 monthly reconciliation and booked to the GL on June 30, 2023. Liberty received a refund in the amount of \$211 and included this on their June 2023 monthly reconciliation. The amount was booked to their general ledger 6/30/2023. No exception was noted with the refunds issued to UES and Liberty.

In the June 1, 2023 EAP Audit Report issued for the 2021-2022 program year, Audit noted that Eversource included a credit of \$68,151.50 on its February 2022 EAP filing. According to the Program Administrator's records, the credit to be given to Eversource was \$68,181.50. On May 25, 2023 the Program Administrator issued a refund check to Eversource for the remaining \$30. On the June 2023 monthly reconciliation Eversource included the \$30 but the general ledger does not show the \$30 being booked. **Audit Issue #3**

Audit notes that over the last few program years, the CAAs have underspent their budgets. Going forward, Audit recommends the CAAs assess their budgets and make reductions as deemed necessary.

Reported SBC/EAP Funding

The total kWh sales for the 2022-2023 program year, on which the \$.0015 SBC was reported, were:

	<u>kWh</u>	<u>SBC</u>	<u>Interest</u>	<u>Adjustments</u>	<u>Total Funding</u>
Eversource	7,545,020,574	\$ 11,317,531	\$ 18,772	\$ -	\$ 11,336,303
NHEC	773,942,589	\$ 1,160,914	\$ 1,604	\$ -	\$ 1,203,554
Liberty	871,082,281	\$ 1,306,623	\$ 1,909	\$ -	\$ 1,308,533
UES	1,128,660,200	\$ 1,695,694	\$ 2,886	\$ -	\$ 1,698,580
TOTAL	10,318,705,644	\$ 15,480,762	\$ 25,171	\$ -	\$ 15,546,971

Verification of kWh Sales and SBC

EVERSOURCE - kWh sales were verified to the monthly Unbundled Revenue Report. Audit reviewed all twelve sales reports and verified them to the monthly EAP filings without issue.

Eversource uses the calculation of the SBC times the kWh as its actual billed SBC amount.

NHEC – On its monthly reconciliations, NHEC deducts kWh for Group Net Metering from the Net kWh sales for the month as no SBC charges are collected on them.

Group net metering consists of a host, who is a renewable energy facility, and group members, who have contracts with the host to receive the power generated. The surplus electricity produced by the host goes back into the grid and is deducted from the total kWh sold on NHEC’s monthly EAP reconciliation.

Law requires electric utilities to pay full retail rate to the host for all excess production. Full retail rate consists of all aspects of a customer’s bill such as power, taxes, SBC, and delivery. The host’s excess generation is presumed to be used by the group members. Group members receive a regular monthly utility bill that includes SBC charges. Because members pay the SBC on their monthly bill, and NHEC pays the host the SBC for excess production, no SBC is actually collected for those kWh.

The Sales Summary report shows the delivered kWh less the exported “Below the Cap Group Host” kWh totaling the net kWh. The exported kWh on the report also shows “Below the Cap Individual” in which these kWh are added to the net kWh total. These kWh are added to the total due to the net metering being handled outside of the normal billing process.

KWh sales were verified to the month end sales report and the group net metering support, for the 2022-2023 program year, except for the month of November 2022 and December 2022. The November month end sales report shows a total kWh of 50,662,395 but the monthly reconciliation filing shows 50,664,235. The difference in kWh is 1,840. Audit notes that the amount of 1,840 was the industrial exported kWh from the October monthly filing. This inclusion resulted in the kWh for the month of November to be overstated by 1,840 or \$2.76 in EAP revenue. **Audit Issue #5**

The December reconciliation report included an error in kWh sales and group net metering kWh. Per the monthly sales report a total of 68,415,579 kWh were sold. The reconciliation report shows only 68,414,699 kWh. The group net metering support shows (5,305) kWh while the reconciliation shows (2,276). The monthly reconciliation shows SBC was collected on 68,413,303 kWh. Based on the monthly sales report and group net metering support, the SBC should have been collected on 68,411,154. The December reconciliation filing was overstated by 2,149 kWh or \$3.22 in EAP revenue. **Audit Issue #5**

The net metering kWh was tied to the supporting documentation for all months except December 2022 as noted above. In January, the monthly EAP filing showed a group net metering amount of 1,204 kWh; however, the support showed a total of (2,276). The difference of 3,480 was an error in the October 2022 amount reported for one group hosts. No exception was noted with this correction.

NHEC uses the calculation of the SBC times the kWh as its actual billed SBC amount.

LIBERTY – the billed kWh sales stated on the monthly reconciliations matched the kWh noted on the Bills & Volume reports from Liberty’s billing system for the 2022-2023 program year.

For the month of December 2022, the monthly reconciliation filing notes the total kWh sales to be 72,161,022 but the SAP revenue report shows a total of 88,262,368 kWh. The kWh difference was due to a true-up for September 2022.

In the audit report for the 2021-2022 program year, Liberty had noted the following regarding the September 2022 kWh:

“In September 2022, customer billing in Great Plains (GP) concluded prior to the billing of Cycle 19 and MV90. Due to the timing of the cutover to SAP, Cycle 19 and MV90 were billed in SAP and the billing data was not included in the revenue reports derived from GP. An adjustment was recorded to the September 2022 billed data to include an estimate of the Cycle 19 and MV90 sales and revenue based on actual sales for September 2021. The adjustment was reversed in December 2022 once it was determined that the revenue reports during the period October – December 2022 has included the September Cycle 19 and MV90 data.”

No exception was noted with the kWh reported on the monthly EAP filings.

Audit was also able to verify the filed SBC amounts to the Bills & Volume report to the monthly filings via Liberty's SBC reconciliations for the program year. During the program year the following SBC amounts were in effect:

May 2022	\$0.00792
January 2023	\$0.00700

The full SBC amount collected by Liberty is booked to the EAP general ledger account. The Energy Efficiency (EE) and Lost Revenue Adjustment Mechanism (LRAM) amounts collected are then allocated to the EE and LRAM general ledger accounts per the billed rate on the tariff.

Audit reviewed the SBC reconciliations for all twelve months and notes that the recons show three different SBC amounts each month. The first amount is the kWh times the SBC amount. This is the amount that is recorded on Liberty's monthly EAP filings. The second SBC amount is the amount noted on the revenue report and the third SBC amount is the GL amount.

For example, the SBC revenue amounts for February 2023 are as follows:

- EAP Monthly filing shows kWh * SBC = \$608,714.91
- Revenue Report = \$612,104.48
- General Ledger = \$611,985.09

Audit requested clarification as to why there are three difference SBC revenue amounts and what each number represents. Liberty provided the following response:

"With respect to the differences between the Revenue Report and the GL, the variance of \$119.39 is attributable to bill adjustments, corrections and to some degree, internal rounding, that are not reflected in the Revenue Report, but are reflected in the GL. With respect to the \$608,714.91, [reflected on the monthly filing] we determined that this amount is not correct. The appropriate amount that should have been included is the \$612,104.48. The \$608,714.91 is the calculated SBC revenue based on kWh of 85,348,748, which has now been determined to reflect net metering billing and is not the correct kWh base to be used. The correct kWh base is 85,799,503, which would yield the \$612,104.48 SBC revenue per the monthly revenue report.

The Company will look at this further to see if other months are afflicted by the same issue and will make any appropriate corrections, if necessary."

Audit Issue #6

Liberty uses the calculation of the SBC times the kWh as its actual billed SBC amount on the monthly filings.

UES – Audit reviewed the kWh sales noted on the "UES Merged Cap & Sea Post Deregulation Electric Consumption and Revenue Worksheet" and was unable to verify the kWh sales from the monthly reconciliations to it. However, Audit was able to verify

the SBC revenues noted on the EAP filing to the revenue support without issue. **Audit Issue #5**

All utilities excluded “company use” kWh, and “sales for resale” as appropriate. SBC was collected on gross kWh for the three utilities that have to comply with the Commission’s net metering order.

Interest on EAP Reserve

On May 21, 2004, the Commission issued Order 24,329 which required that interest, at the 3-Month LIBOR rate, be payable by the utilities on the balance of the reserve funds held by the utilities. The reserve interest is required to be included in the revenue portion of the monthly reconciliation.

<u>Total Reserve Balances:</u>	
EVERSOURCE	\$ 372,886
UES	\$ 57,323
NHEC	\$ 31,868
LIBERTY	\$ 37,923
Total Reserve Balances:	\$ 500,000

The interest is to be calculated on the monthly average balance of the EAP reserve. The rate used was verified to the LIBOR website for the three month US Dollar listed on the first business day of the month.

And the following link was used to verify the rates for the 2022-2023 program year:

<https://www.global-rates.com/en/interest-rates/libor/american-dollar/usd-libor-interest-rate-3-months.aspx>

All four utilities used the correct interest rate and booked the correct interest amount to their monthly filings and their respective general ledgers for the program year.

Actual Program Year Expenses/Discounts -Year 21

Customer Discounts

EVERSOURCE	\$	14,037,530	Verified to the monthly "Credits Applied" report and General Ledger Report.
NHEC	\$	1,425,748	Verified to the NHEC "Grand Totals Cycle:ALL" report
LIBERTY	\$	866,809	Verified to Bills & Volume reports
UES	\$	1,651,257	Verified to the "LIEAP General Ledger" and "Ledger Detail Trial Balance"
Total	\$	17,981,344	

The discount amount on Eversource's Credits Applied reports for the program year was verified to the monthly filings. Audit was also able to verify the customer discount amounts to the monthly Unbundled Revenue Reports. No exception was noted.

Audit verified NHEC's discount amounts noted on the monthly reconciliations for the program year to its "Grand Totals Cycle: All" report. No exceptions were noted.

For Liberty, Audit was able to tie the discounts reported on the monthly filing to the Bills & Volume reports for program year 21. Audit notes that Bills & Volume report shows total discounts as \$63,577.75. The monthly filings reported discounts in this amount but also included a deduction of \$(4,208.63). The filing notes the discounts reported in September 2022 included a \$4,208.63 accrual for pre-SAP billing system cutover. Audit reviewed this accrual during the audit of the 2021-2022 program year and notes there is no exception present.

The UES discount amounts noted on the monthly Energy filings were verified to the LIEAP General Ledger and the Ledger Detail Trial Balance for the program year without exception.

The budgets provided each year by the Utilities do not include budgets for discounts for the year, therefore, the above actual figures were verified to the monthly reports submitted to the Department of Energy, and also verified to the source documents identified for each utility.

Comparison of Budgeted to Actual Utility Incremental Administrative Expenses

<u>Utility</u>	<u>Expenses</u>		<u>Budget-Actual</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>-% Spent</u>
<u>EVERSOURCE</u>				
Brochures and Marketing	\$ 7,700	\$ -	\$ 7,700	0%
EAP Consultant	\$ 40,000	\$ 36,000	\$ 4,000	90%
Total EVERSOURCE	\$ 47,700	\$ 36,000	\$ 11,700	75%
<u>NHEC</u>				
Brochures and Marketing	\$ 250	\$ -	\$ 250	0%
Legal	\$ 1,250	\$ 5,004	\$ (3,754)	400%
Total NHEC	\$ 1,500	\$ 5,004	\$ (3,504)	334%
<u>LIBERTY</u>				
Brochures and Marketing	\$ 210	\$ -	\$ 210	0%
Mileage/tolls	\$ 123	\$ -	\$ 123	0%
Total LIBERTY	\$ 333	\$ -	\$ 333	0%

<u>UES</u>				
Brochures and Marketing	\$ 250	\$ -	\$ 250	0%
Legal	\$ 2,500	\$ -	\$ 2,500	0%
Total UES	\$ 2,750	\$ -	\$ 2,750	0%
Statewide Total Year 21	\$ 52,283	\$ 41,004	\$ 11,279	78%

Comparison of Budgeted to Actual Utility Incremental Administrative Expenses

With regards to the chart above, the amounts in the “Budget” figures column represent those provided to the Department of Energy and approved by Orders 26,693. The amounts in the “Actual” column are those reported monthly to the Department of Energy and verified as part of the audit process conducted. The amounts in the Difference column represent the Budget minus the Actual. The % column represents the Actual expenses as a percentage of the Budget.

Verification of Utility Administrative Expenses

EVERSOURCE – During the program year, Eversource only sought reimbursement for the payment to the EAP consultant. Audit reviewed the detailed invoice for Roger Colton, in the amount of \$36,000, without exception.

NHEC - NHEC incurred legal expenses during the 2022-2023 program year as they do not have an internal legal staff and use the services of outside legal counsel. Four legal invoices, totaling \$4,700.50 were included on the monthly EAP filings. Audit reviewed all four legal invoices which noted EAP activity and included a calculation of hours billed times the hourly rate. Audit recalculated the charges without exception.

Two additional invoices were incurred from Steven Patnaude. One invoice, in the amount of \$162.50, was paid for transcripts of the Hearing on Motion to Extend Deadline in Docket DE 21-133, 2021-2022 EAP Budgets. The invoice was dated 9/7/2022 with a 10/7/22 due date and sent to Orr & Reno, NHEC outside legal counsel. In December Steve reached out to Orr & Reno regarding the outstanding invoice, which was then forwarded to NHEC and included on their December reconciliation and GL.

The second invoice from Steven Patnaude was in the amount of \$141.37 for transcripts of the Prehearing Conference in Docket DE 23-043 for the 2022-2023 EAP Budgets. The invoice was dated 9/7/23 with a 10/7/23 due date. This invoice was included on NHEC September EAP filing and general ledger.

Audit notes that the two invoices received from Steven Patnaude note that per NHPUC the total invoice amount was to be equally apportioned between Eversource, Liberty, Unitil and NHEC. NHEC is the only utility that included these EAP expenses on their monthly reconciliations for reimbursement.

LIBERTY – During February of the program year Liberty requested reimbursement for \$140,000 for system upgrades that were granted in Docket DE 18-057.

UES – UES did not report any administrative expenses for the 2022-2023 program year.

Comparison of Program Year 20 to Program Year 21

Total kWh sold during program year 21 were 103.2M or approximately a 4% reduction than the kWh sold in program year 20. Likewise, the SBC also decreased by \$619,402 or approximately 4% from program year 20 to program year 21. Reserve interest increased by \$19,460 or 341% from year 20 to year 21. Total funding for the program year ending 9/30/2023 decreased \$558,911 or approximately 3% from the prior program year ending 9/30/2022. Additionally, participant/customer discounts increased by \$3,959,698 or 28% from the prior year.

General Ledger

Audit reviewed all EAP related activity to the general ledgers described below:

EVERSOURCE - utilizes account #254ET0 to reflect the activity within the EAP and #254ER0 to maintain the Reserve Balance. There was no activity in account 254ER0 during the program year.

All activity on the monthly reconciliations filed with the Department of Energy was verified to the general ledger.

All of the activity was properly booked to the general ledger in the same month the activity was recorded on the monthly reconciliation filing. There was one exception; the September CAA invoice was included on the October reconciliation but included on the November general ledger. **Audit Issue #3**

Audit does note that in the last several audit reports noted an audit issue regarding Eversource not booking expenses to the GL in the same month they are recorded on the reconciliation. In response to the issues Eversource had *“Effective immediately, Eversource will enhance internal controls and perform a month-end cross-verification between the monthly EAP program reconciliations and the month-end general ledger reports. If there are any differences, the monthly EAP reconciliation will be adjusted to reflect the data as recorded in the general ledger prior to filing the monthly EAP report”*.

The one exception for the 2022-2023 program year was a substantial improvement from the prior program years.

NHEC - utilizes account #182.50 to reflect the EAP SBC. Previously, activity in the account included EAP and EERS, the SBC revenue, which is deposited net of EAP discounts then the EERS is transferred out. This process was changed and now only the EAP SBC is deposited into account 182.50. The account now also reflects net metering activity.

Audit reviewed the general ledger activity and notes that all general ledger activity is included on the monthly reconciliations in the correct month. On the May 2023 reconciliation, a \$41,036.28 credit for the 2020-2021 program year overbilling was included. However, this activity was not included on the general ledger. **Audit Issue #3**

LIBERTY – utilizes account 3071-240300-10254000 to reflect the EAP activity. Audit received copies of the monthly general ledgers showing the full month's SBC (\$0.00792 per/kWh effective May 2022; and \$0.00700 effective January 2023) is recorded in general ledger account 240300-10245000. The EERS portion (\$0.00528 per/kWh effective May 2022; and \$0.00550 effective January 2023) and Lost Base Revenue portion of the SBC (\$0.00114 per/kWh May 2022. In January 2023 there was no LRAM charge included in the SBC) is transferred to the appropriate account at the end of each month. The EERS general ledger account is 3071-240800-10242005 and the LRAM general ledger account is 3071-241600-10242003.

As stated in the *Verification of kWh Sales and SBC* section above, the SBC (EAP/EERS) allocation provided by the Company show three different SBC amounts for each month. Based on the information provided in the monthly EAP filings, Audit was unable to verify the EAP revenues to the GL. **Audit Issue #6**

Audit was unable to verify the customer discount amounts from the monthly EAP filings to the general ledger. **Audit Issue #7**

Audit requested assistance from Liberty in which the following response was provided:

"In the SAP general ledger, CS transactions are not distinguished by the type of transaction, so it is not known with certainty which transactions are EAP Discounts.

However, the general ledger debit CS transaction would generally be EAP Discounts, and the credit CS transaction would generally be SBC billing transactions, but both the debit and credit transactions could also include a combination of EAP Discounts and SBC billing corrections or adjustments.

The monthly SBC reconciliation files previously provided in this proceeding do include a "reasonableness" check which compares the EAP Discounts total per the monthly revenue file to the total of the GL debit transactions and "adjusts" both the EAP Discounts and the SBC billed for the difference."

The EAP payments to Treasury, interest earned on the reserve, CAA payments, and all other expenditures were tied from the monthly reconciliation and supporting documentation to the general ledger without exception.

UES – utilizes accounts #10-29-01-22-923-00-00 to reflect the Administrative Costs and account #10-29-01-22-923-03-00 for printing and marketing expenses. Account #10-20-01-22-431-00-00 is utilized for Interest Expense and account #10-20-00-00-253-02-00 to maintain the Reserve Balance. Revenues and EAP credits are noted within revenue general ledger accounts #10-29-01-22-440-xx through 445.

All EAP activity was verified to the Monthly Reconciliation reports without exception. Activity on the Low Income Electric Assistance Program (LI-EAP) Reconciliation was verified to the general ledger without exception.

Audit also notes that during the 2021-2022 program year, UES began billing an EV TOU rate. The EAP SBC collected on these rates are properly included on the general ledger and the monthly EAP filings.

Monthly Reporting by Utilities, Department of Energy, and Treasury

Audit noted that each of the utilities filed the monthly reports electronically, in compliance with the Puc Rule 202.05(b). Audit also reviewed the reconciliation filings for compliance with the *Fiscal Procedures Manual* (sections 3.3 and 3.4) requirement that the monthly reconciliation be provided on or before the 15th day following the month end.

For the program year, UES and Eversource filed all twelve of their monthly reconciliation reports on or before the 15th of each month. NHEC filed one of its reconciliation reports late. The November 2022 report was filed on December 20, 2022. Liberty filed two reports late. The March 2023 report was filed April 17, 2023 and the June 2023 report was filed July 17, 2023. **Audit Issue #8**

Audit notes that in September 2022, Liberty implemented the new SAP system and was unable to provide some of the required documentation with the monthly filing. On the October, November and December 2022 filings the following note was included;

“On October 3, 2022, Liberty transitioned to a new financial and billing system. Due to this change, the November 2022 Number of Active Participants by Discount Tier Levels and Amounts and Aging Report information provided monthly in the EAP filing is not available at this time. Liberty will file this information as soon as it is available.”

On February 8, 2023, the October, November and December 2022 reports were filed with all of the required documentation. The January 2023 and February 2023 filings were complete.

The March and April 2023 monthly filings included the following note:

“At the time of this filing, information for Active Participants by Discount Tier Levels and Amounts and Aging Report information provided monthly in the EAP filing was not available. Liberty will provide this information when available.”

The complete March report was filed with the Commission on April 25, 2023 and the complete April report was filed on May 19, 2023. The remainder of the program year’s monthly filings included the complete information.

Issuance of the consolidated monthly report by the Department of Energy to Treasury.

Audit reviewed, as required by *Fiscal Procedures Manual*, sections 3.3.2 and 3.3.4, the “Monthly System Benefits Charge Reconciliation” filings made by the Department of Energy and submitted to Treasury. These reconciliations identify the amounts to be distributed to or received from the specific utilities. This form must be submitted to the Treasury within five business days following the 15th of the month.

All reports were issued to Treasury within five business days of the 15th of the month.

Issuance of the monthly activity report by Treasury to the Department of Energy

Per the *Fiscal Procedures Manual* section 3.5, Treasury is to provide the Commission a report showing all deposits, withdrawals, and interest earned monthly.

Treasury submitted all reconciliations and bank statements to the Department of Energy on a monthly basis.

Accurate Monthly Transmission of Funds to/from Treasury

As required by *Fiscal Procedures Manual*, section 4.2.2, Audit reviewed the ACH activity of the System Benefit account for compliance with the *Fiscal Procedures Manual*, sections 3.3 (Under-collection of the SBC), 3.4 (Over-collection of the SBC), 3.3.2 and 3.3.4.

Transmission of over-collection of EAP funds to Treasury by the utilities - “*If during a month a utility bills more SBC than it pays out in current bill discounts, approved utility administrative costs, and CAA administrative costs, the utility shall remit the balance electronically via ACH transfers to the Treasury no later than the 15th day of the following month.*”

UES was only required to make three transfers to Treasury during the program year. All three transfers were made prior to or on the 15th of the month.

NHEC was not required to make any transfers during program year twenty-one.

EVERSOURCE did not make any transfers to Treasury during the program year.

LIBERTY made nine transfers to Treasury during the 2022-2023 program year. Two of the transfers were made after the 15th of the month and the remaining seven were made prior to the 15th. The two late payments were for June 2023 and September 2023. Both of these payments were made two days late, on 7/17/2023 and 10/17/2023, respectively.
Audit Issue #8

Transmission of under-collection of EAP funds from Treasury to the utilities – The Department of Energy shall prepare and submit to the Treasury a Monthly Systems Benefits Charge Reconciliation within five business days of the 15th. Within five

business days of receipt of the Reconciliation, the Treasury shall electronically transfer the funds to the specific utility(s).

Upon review, Treasury made transfers for all months during the program year. Only one of those transfers were not made within 5 business days of receipt of the reconciliation.

The transfer for the August 2023 reconciliation should have been made by September 27, 2023 but was not completed until September 29, 2023. **Audit Issue #8**

For the April reconciliation, Eversource was owed to them \$398,347. Treasury erroneously issued payment on 5/24/2023, in the amount of \$398, 647, \$300 more than what was due to Eversource. The error was caught and the \$300 was deducted from the 6/22/23 payment to Eversource. No issue is present.

Tariff Compliance

There were no changes to the EAP program during program year twenty-one that required the utilities to update their tariffs. Audit reviewed the tariffs for each of the four utilities, and all tariffs reflected the correct discount percentages.

Sample Customer Invoice Verification

Order 25,901, issued on May 13, 2016, set the current EAP discount levels. These discount rates were effective with bills rendered on or after July 1, 2016.

Discount amounts are 8%, 22%, 36%, 58% and 76% depending on the household's qualifying income.

Audit verified a random sample of customer invoices, for all discount tiers from each utility, to ensure compliance with Commission Orders relative to the discount rates/tiers and kWh usage cap. No exceptions were noted with the discount percentage aligning with the tier used. All invoice totals were recalculated without exception.

Procedure Manuals

All four procedure manuals were updated during a prior program year. Audit was provided with the most current program procedure manuals. Specifically:

- *CAA Procedures Manual* dated August 10, 2018,
- *Fiscal Procedures Manual* dated August 10, 2018,
- *Utility Procedures Manual* dated August 10, 2018, and
- *Monitoring and Evaluation Manual* dated August 10, 2018.

No updates were performed during the 2022-2023 program year. No exception was noted with the review of the manuals.

The Director of Consumer Services noted that the manuals do need to be updated to reflect the reorganization and creation of the Department of Energy that took place on July 1, 2021. Updates were waiting to be made following the final legislation. During the January 2022 Board meeting, it was discussed that the manuals needed to be updated to reflect the changes made by the legislation. As of the date of this audit report, no updates to the manuals have been made.

CAA Audit Report Summary

All CAAs shall be audited annually for compliance with program parameters (*Fiscal Procedures Manual*, section 4.1.1 and 4.1.2). By Order 24,820, issued on January 30, 2008, the Commission approved a rolling schedule for the A-133 audit to be performed in at least one (of the five) CAAs per year, beginning with fiscal year 07/08 at Belknap Merrimack and Southern NH Services. Following the initial review, A-133 reviews should continue on a three-year schedule. To meet the A-133 audit report requirement, the A-133 external audit report shall break out the EAP separately from other programs so that it is clearly identified in the audit. The following table indicates the most recent audit and the fiscal year in which the next audit is due. The OMB Circular A-133 audit is now known as Single Audit.

<u>Agency</u>	<u>Last Audit Performed</u>	<u>Next Audit Due</u>
Community Action Program Belknap-Merrimack Counties, Inc.	FY 2023	FY 2026
Tri-County Community Action Program, Inc.	FY 2021	FY 2024
Southwestern Community Services, Inc.	FY 2020	FY 2023
Strafford County Community Action Committee, Inc.	FY 2021	FY 2024
Southern New Hampshire Services, Inc.	FY 2020	FY 2023

Community Action Program Belknap-Merrimack Counties, Inc. The fiscal year ending February 28, 2023 financial audit report was issued on September 14, 2023 with an unmodified opinion. The EAP was specifically identified within the Single Audit section of the 2020 report making 2023 the next required year. The Electric Assistance Program was in fact noted in the 2/28/2023 annual report as a tested program. The next Single Audit should be included in the audit report for the period ending 2/28/2026.

Tri-County Community Action Program Inc. Audit was provided with the fiscal year ending June 30, 2022 financial audit. This audit report was issued on November 15, 2022 with an unmodified opinion. The Single Audit review of the EAP was noted in the 2021 audit report. The next Single Audit should be included in the report for the fiscal year ending June 30, 2024.

Southwestern Community Services, Inc. Audit was provided with the fiscal year ending May 31, 2022 financial audit report issued on February 9, 2023 with an unmodified opinion. The Single Audit review was last completed during fiscal year ending 2020 requiring the next Single Audit of EAP to be performed for the fiscal year ending May 31, 2023.

Community Action Partnership of Strafford County Audit was provided with the financial audit for the year ending December 31, 2022 issued June 15, 2023. The report shows an unmodified opinion. The Single Audit review was last performed in 2021 and therefore will not be due until the fiscal year ending December 31, 2024.

Southern New Hampshire Services, Inc. Audit was provided with the financial audit for the fiscal year ending July 31, 2022. The audit report was issued on February 2, 2023, with an unmodified opinion. The EAP was specifically identified within the Single Audit sections of the 2020 financial audit report. The next scheduled Single Audit review should be completed for fiscal year ending 7/31/2023.

CAA Compliance Review

Per the *EAP Monitoring and Evaluation Manual*, the Program Administrator is required to conduct a compliance review and site visit at each of the community action agencies. Section 6 of the *Monitoring and Evaluation Manual* notes the annual compliance reports are to be provided to the Advisory Board by July 1 of each year.

During the program year, the EAP Program Director went out on medical leave. Prior to being out on leave, the compliance reviews of the CAAs were in process. The Director was unable to return to their position and a new Director was appointed. The compliance monitoring report was completed during the first quarter of calendar year 2024 and is scheduled to be discussed at the April 2024 Board meeting. The new Director is aware of the July 1 deadline and comply with the requirement going forward.

OSI Process Evaluation

Per Commission Order 24,820, a process evaluation of the EAP is to be conducted every three years by the Office of Strategic Initiatives. The first report was due April 1, 2010 and subsequent evaluations were to be submitted by April 1, every third year. The next OSI Process Evaluation was due April 1, 2022 for the three year period of 2019-2021.

Audit notes that House Bill 2, from the 2021 session, established the Department of Energy and re-organized OSI. As of July 1, 2021, OSI, in the capacity as noted in this audit report, is no longer in existence. Therefore, a Process Evaluation was not submitted on April 1, 2022.

It is currently being determined how the process evaluation will be completed, and by whom.

EAP Advisory Board

The EAP Advisory Board Meeting Minutes are posted to the Department of Energy's website at the following link:

<https://www.energy.nh.gov/consumers/help-energy-and-utility-bills/electric-assistance-program/board-meetings>

Audit reviewed the minutes for the four quarterly meetings held in October, January, April, and August of the program year.

During the October 28, 2022 meeting, the Board approved the minutes from the July 29, 2022 and August 5, 2022 meeting. The utilities were reminded that the budgets were approved and the contracts with Belknap-Merrimack as the lead agency should be executed. Also discussed was the sustainability of the EAP and the opportunity to couple messages about energy efficiency with messages about bill assistance. The late items discussed with the role of the Advisory Board. The responsibility of EAP is shared between Energy and the PUC with the Department managing the EAP fund and the PUC has responsibility of the program. The Board was created by PUC order creating challenges in attaching the Board to Energy rather than PUC. The Order also states that a PUC staff person is intended to be a Board member and currently the PUC is not being represented.

The January 27, 2023 meeting approved the October 2022 meeting minutes. A cost increase to the social security benefit was discussed. The deduction would make EAP customer eligible for the highest tier if it were considered for their income. The Board tables the subject to see if anyone is affected by this change. The decreasing EAP fund balance was discussed. The kWh sales were lower but the December benefit averaged \$64 when in previous years it was \$30-\$40. The enrollment number has increased but is still lower than expected. The legislature approved money is sitting in a separate account from the main budget and will be used as needed. The state supplemental benefit program was up and running after software limitations, several applicants and the availability of staff caused a slow start. The Colton report was discussed and how to implement the recommendations noted in the report. Board members offered to draft a petition to file with the PUC on the matter.

The April 28, 2023 meeting approved the January meeting and the additional February meeting. The first matter discussed was the Monitoring and Evaluation Reports for the new EAP/FAP software. The current software is 21 years old and new software will be implemented, not likely, before next fall. The Board discussed what type of information they would like to see in the reports. The EAP enrollment reports were discussed and the fact that a number of participants are showing withdrawn even though their enrollment is still active. It was noted that withdrawal is a manual process by the CAA to notify the utility and no customers were impacted. Only enrollment numbers were affected. Until was the only company impacted and they offered to investigate the customers. The EAP fund balance was noted to be around \$1 million. It was expected that in May the EAP would need to use a portion of the \$7 million in state money. Discussion from the October meeting continued with regards to filing something with the PUC for the Colton report.

The July 28, 2023 meeting approved the April minutes. The first item discussed was the EAP fund balance. After the May SBC collected and benefits paid, the EAP fund balance was approximately \$133,000. Following the June reconciliation report filings, Energy transferred \$550,000 of the Legislative appropriated funds to EAP. It was expected that July will also be impacted by the higher default rates and may require an

additional transfer. In August the rates will be a blend of the higher February – July higher rates and the August – January lower rates. Enrollment has increased over the past year and it is possible the program may need to implement a wait list. It was noted that August 1 is the deadline to file 2023-2024 budgets. The CAA budget was provided to utilities and represents a 2% increase. The Department will file a recommendation regarding the budgets with the PUC. Regarding the software update, the Department will issue an RFP one business requirements document is complete. The goal is to have new software in place before the start of the 2025 FAP program year which begins July 1, 2024. Lastly, it was noted that new EAP brochures were drafted.

Additional Advisory Board meeting was held on February 6, 2023. During the February meeting, the EAP income level update was discussed and the impact on the social security change. The social security income for a single person was discussed and calculated to note a \$16 disregard was approved unanimously.

Cash On Hand

Audit reviewed the Citizens Bank statements throughout the program year and noted the following:

Cash Balance 10/01/2022	\$4,177,922
Cash Balance 9/30/2023	<u>\$ 294,971</u>
Net Decrease	\$3,882,951

Audit notes that during the program year the EAP dedicated fund account received infusions from the \$7,000,000 allocated by HB2023 totaling \$900,000. See HB2023 section above for additional information.

Without the \$900,000 infusion, the EAP fund would have had a negative balance of approximately \$605,000 at program year end.

The following five pages relate to the Agencies' Single Audit reviews.

COMMUNITY ACTION PROGRAM BELKNAP-MERRIMACK COUNTIES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2023**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Community Action Program Belknap-Merrimack Counties, Inc. were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Community Action Program Belknap-Merrimack Counties, Inc., which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Community Action Program Belknap-Merrimack Counties, Inc. expresses an unmodified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs include: U.S. Department of the Treasury, Emergency Rental Assistance Program, ALN 21.023, Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, U.S. Department of Agriculture, Women, Infants and Children, ALN 10.557, U.S. Department of Health and Human Services, Head Start, ALN 93.600, New Hampshire Public Utilities Company, Electrical Assistance Program, NON-Federal.
8. The threshold for distinguishing Type A and B programs was \$1,822,344.
9. Community Action Program Belknap-Merrimack Counties, Inc. was determined to not be a low-risk auditee.

SOUTHERN NEW HAMPSHIRE SERVICES, INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JULY 31, 2022**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the combined financial statements of Southern New Hampshire Services, Inc. and Affiliate were prepared in accordance with GAAP.
2. No significant deficiencies disclosed during the audit of the combined financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the combined financial statements of Southern New Hampshire Services, Inc. and Affiliate, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Southern New Hampshire Services, Inc. and Affiliate expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were: U.S. Department of Health and Human Services; Head Start, ALN 93.600, Community Services Block Grant, ALN 93.569; and U.S. Department of Treasury; and Emergency Rental Assistance Program, ALN 21.023;
8. The threshold for distinguishing Type A and B programs was \$3,000,000.
9. Southern New Hampshire Services, Inc. and Affiliate was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SOUTHWESTERN COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2022

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the consolidated financial statements of Southwestern Community Services, Inc. and related companies were prepared in accordance with GAAP.
2. One significant deficiency disclosed during the audit of the consolidated financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the consolidated financial statements of Southwestern Community Services, Inc. and related companies, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Southwestern Community Services, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were: U.S. Department of Health and Human Services; Low-Income Home Energy Assistance, ALN 93.568; U.S. Department of Treasury; Emergency Rental Assistance Program, ALN 21.023; and U.S. Department of Transportation; Formula Grants for Rural Areas, ALN 20.509.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Southwestern Community Services, Inc. was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2022-001 – Lack of accurate and timely reconciliations

Criteria: Internal controls ensuring timely and accurate reconciliations.

Condition: There was a delay in accurate account reconciliations at May 31, 2022.

COMMUNITY ACTION PARTNERSHIP OF STRAFFORD COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Community Action Partnership of Strafford County were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Community Action Partnership of Strafford County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for Community Action Partnership of Strafford County expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that would be required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major were: U.S. Department of Agriculture, Emergency Food Assistance Program (Food Commodities), ALN 10.569 and U.S. Department of the Treasury, Emergency Rental Assistance Program, ALN 21.023.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Community Action Partnership of Strafford County was determined to not be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

TRI-COUNTY COMMUNITY ACTION PROGRAM, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. The auditors' report expresses an unmodified opinion on the financial statements of Tri-County Community Action Program, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Tri-County Community Action Program, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs during the audit are reported in the *Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditors' report on compliance for the major federal award programs for Tri-County Community Action Program, Inc. expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included:
 - U.S. Department of Health & Human Services, Head Start – ALN 93.600
 - U.S. Department of the Treasury, Emergency Rental Assistance Program – ALN 21.023
 - U.S. Department of Health & Human Services, Aging Cluster – ALN 93.044, 93.045, 93.053
8. The threshold for distinguishing Type A and B programs was \$934,818.
9. Tri-County Community Action Program, Inc. was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Audit Issue #1 (Page 8)
Liberty Software Expense

Background

Order 26,485 issued June 1, 2021 approved Liberty to recover \$140,000 for costs incurred due to implement changes to the EAP.

Issue

Audit verified that Liberty sought recovery for the \$140,000 on their February 2023 EAP reconciliation submitted in March 2023. The reimbursement of the funds is no longer an issue. However, during the audit of Liberty's rate case test year 2022, it was noted that the Company posted the amount to Plant in Service, without an offset to Contribution in Aid of Construction, or a reduction of the Plant in Service amount. The reported total software cost was \$195,700, of which \$140,000 was reimbursed from the SBC. This was referenced in Audit Issue #4 in the audit report in DE 23-039. In that issue, Audit recommended, *"The Company should remove \$140,000 EAP billing upgrade plant additions from the filing schedule, general ledger, and continuing property records, or provide evidence that the offset to CIAC has been booked and the filing updated to reflect that entry"*. Liberty concurred with the recommended adjustment and indicated they would update the revenue requirement model. Liberty provided a copy of a journal entry reported to include \$140,000 as a retirement, crediting Plant in Service and debiting Accumulated Depreciation.

Recommendation

The Company must adjust the SAP general ledger with the following entry:
Debit SAP #3071-240300-10254000 Other Regulatory Liabilities \$140,000
Credit SAP #3071-155010- 1010800 Accumulated Provision for Depreciation of Electric Utility Plant MjO-FERCE (\$140,000)

As soon as the entry is posted, a copy of the entry must be provided to Audit.

Liberty's Response

A copy of the Company's correcting entry will be provided upon posting. The Company will provide a copy of this entry after our April 2024 month end close.

Audit Conclusion

Audit concurs with the Company's response. Audit will follow up with Liberty in May to review the correcting entry.

Audit Issue #2 (Page 10)
CAA Invoices

Background

The Program Administrator, Belknap-Merrimack, issues invoices to the utilities on a monthly basis for expenses incurred by the Community Action Agencies for administering the EAP program.

Issue

The May and June invoices issued to NHEC both show an amount due of \$11,958.54. This is the amount NHEC recorded on their monthly EAP reconciliation and in their general ledger. A spreadsheet provided by Belknap-Merrimack shows the May invoice in the \$11,958.54 amount but shows the June invoice to be \$11,872.59.

Recommendation

The actual invoice Audit reviewed, that was provided by NHEC, shows the June invoice amount to be \$11,958.54. As Belknap-Merrimack's records show the amount due was only \$11,872.59, Belknap-Merrimack should issue a refund to NHEC in the amount of \$85.95. NHEC shall include the refund on the monthly EAP filing once the refund is received.

Program Administrator's Response

A refund check in the amount of \$85.95 Check Number 152236 was sent to NHEC on 2-16-24. NHEC cashed the check on 2-27-24

NHEC's Response

Upon receipt of the refund, NHEC will include this amount in the monthly EAP filing to correct the financial records accurately.

Audit Conclusion

Audit followed up with NHEC upon receiving the Program Administrator's response. NHEC noted the check was placed in their clearing account while researching what the check was for. Cash management called the CAA and the CAA was unable to determine why the check was issued to NHEC. In response to this, NHEC issued a check back to the CAA. Check number 201678 in the amount of \$85.95 was issued 4/1/2024 and cashed 4/16/2024. Audit is connecting with both parties to rectify the issue.

**Audit Issue #3 (Pages 10, 11, 12, 19 and 20)
General Ledger**

Background

During the yearly EAP audit, the general ledger for each utility is reviewed to ensure it is properly stated.

Issue

Eversource

1. Eversource received a refund, issued 5/25/2023 from the Program Administrator in the amount of \$2,179. This refund was not included on Eversource's general ledger or monthly reconciliation.
2. On May 25, 2023, Belknap-Merrimack also issued a \$30 refund to Eversource for an error noted on the 2021-2022 program year audit report. The \$30 refund was included on the June 2023 monthly EAP filing but the GL does not show the amount being booked.
3. The September CAA invoice was included on the October reconciliation but not posted to the general ledger until November.

NHEC

1. The November 2022 EAP filing included \$60,889 in CAA payments. \$11,675 for the September 2022 invoice was noted on the general ledger but \$33,100 for the advance payment and \$16,113 for the October 2022 invoice were not on the general ledger.
2. Belknap-Merrimack issued a refund check to NHEC in the amount of \$291. This amount was booked to the general ledger 6/30/23 but was not included on their monthly reconciliation.
3. On the May 2023 EAP filing a \$41,036.28 credit was included for the 2020-2021 program year overbilling. This activity was not included on the general ledger.

Liberty

1. The December CAA invoice, issued on January 17, was included on the January reconciliation but not recorded in the general ledger until February 6. The June CAA invoice, issued July 13, and the July CAA invoice, issued August 15 were both included on the August monthly filing but were not recorded to the general ledger until September 1.

Recommendation

All utilities are reminded that activity included on the monthly filings should be booked to the general ledger during that same month.

Eversource – The \$2,179 refund needs to be included on the next EAP filing and recorded in the GL. The \$30 included on the June 2023 filing needs to be booked to the GL.

NHEC – CAA invoices in the amounts of \$33,100 and \$16,113 need to be booked to the GL. The \$41,036.28 refund from the CAA also needs to be booked to the general ledger. Lastly, the \$291 CAA refund should be included on the next monthly EAP filing.

Eversource Response

In response to the 2021-2022 Audit Issue # 6, the Company included a \$30 overpayment amount in their July 2023 EAP filing. Unknowingly, Belknap-Merrimack included in their payment to Eversource dated May 26, 2023, with the \$30 overpayment for a total of \$2,208.68. The Company has contacted Belknap-Merrimack to state it will reimburse the agency for the \$30 overpayment and \$2,208.68 will be recorded in the general ledger for the month of April 2024.

NHEC Response

NHEC recorded the CAA invoices of \$33,100 and \$16,113 to the incorrect General Ledger. As the activity happened in a prior year, we are unable to reclass into the correct account. Going forward NHEC will ensure all EAP activity is booked accurately. Additionally, the \$41,036.28 refund from CAA will be booked to the General Ledger. We will also ensure that the \$291 CAA refund is included in the next monthly EAP filing.

Liberty Response

The Company will ensure that CAA invoices will be paid and properly stated in the general ledger.

Regarding the June CAA invoice, issued on July 13, the Company received a duplicate of the May CAA invoice from CAA rather than the June CAA invoice and the corrected invoice was not received until August 7th. The corrected June CAA invoice and July CAA invoice were submitted in August but were not approved until September 1, 2023.

The Company included an accrual in the GL for each invoice when it was known that the payment of the invoice(s) would not be included in the respective EAP reporting month.

Audit Conclusion

Eversource- Audit concurs with Eversource's response.

NHEC- Audit reviewed the general ledger detail and notes that on 11/16/2022 the two CAA invoices were in fact booked to the general ledger. Audit concurs with NHEC's response.

Liberty – Audit concurs with Liberty's response.

Audit Issue #4 (Page 11)
Lack of Compliance with *Fiscal Procedures Manual* Section 3.8

Background

The *Fiscal Procedures Manual*, section 3.8 (Reimbursement for Ongoing Administrative Costs) requires that the Program Administrator submit an invoice for administrative costs to the utilities on a monthly basis. Invoices are to be provided by the 15th day of the month, following the month for which the billing is issued.

Issue

During the 2022-2023 program year, three invoices were issued after the fifteenth of the month.

The Advance for Year 21 was issued 11/16/22 instead of in October; the December 2022 invoice was issued 2 days late in 1/17/2023. The third invoice issued late was the prior program year's September invoice. It was issued November 2, 2022 rather than in October 2022

Recommendation

The CAA is reminded to provide invoices to the utilities by the 15th of the following month as required by the *Fiscal Procedures Manual*.

Program Administrator's Response

The CAA Program Administrator will make every effort to adhere to this timeframe as required by the *Fiscal Procedures Manual*.

Audit Conclusion

Audit concurs with the Program Administrator's response

Audit Issue #5 (Pages 14 and 16)
kWh Sale Verification

Background

During the yearly EAP audit, the utilities provide documentation supporting the kWh sold for the month. Audit verifies this supporting documentation to the monthly EAP filings submitted to the Department.

Issue

NHEC

KWh sales were verified to the month end sales report and the group net metering support, for the 2022-2023 program year, except for the month of November 2022 and December 2022. The November month end sales report shows a total kWh of 50,662,395 but the monthly reconciliation filing shows 50,664,235. The difference in kWh is 1,840. Audit notes that the amount of 1,840 was the industrial exported kWh from the October monthly filing. This inclusion resulted in the kWh for the month of November to be overstated by 1,840 or \$2.76 in EAP revenue.

The December reconciliation report included an error in kWh sales and group net metering kWh. Per the monthly sales report a total of 68,415,579 kWh were sold. The reconciliation report shows only 68,414,699 kWh. The group net metering support shows (5,305) kWh while the reconciliation shows (2,276). The monthly reconciliation shows SBC was collected on 68,413,303 kWh. Based on the monthly sales report and group net metering support, the SBC should have been collected on 68,411,154. The December reconciliation filing was overstated by 2,149 kWh or \$3.22 in EAP revenue.

UES

Audit reviewed the kWh sales noted on the “UES Merged Cap & Sea Post Deregulation Electric Consumption and Revenue Worksheet” and was unable to verify the kWh sales from any of the twelve monthly reconciliations to it.

Recommendation

NHEC - On the November and December EAP filings, EAP revenue was overstated by an immaterial total of \$5.98. Audit recommends on their next EAP filing NHEC credit the overstated revenue amount of \$5.98, and that controls be strengthened to ensure the appropriate kWh sales are included in each reconciliation.

UES – UES shall revise their 2022-2023 program year monthly EAP filings to reflect the kWh noted on their revenue worksheet. The difference in the total kWh on the EAP filings versus the revenue worksheet shall be included on their next EAP filing.

NHEC’s Response

NHEC will credit the overstated EAP revenue amount of \$5.98 on the next EAP filing, as recommended by the audit.

UES' Response

UES has reviewed the kWh reported and submits the attached spreadsheet reconciling the reported kWh with the revenue worksheet. As noted on page 5 of the monthly EAP Reports, the Company includes Net Metering kWh in total kWh. In all instances during the program year, except October 2022, the amount shown on the Combined Rev and kWh and Net Metering tabs of the Revenue Worksheet were consistent with the kWh total reported on a monthly basis. The October 2022 difference is the result of the erroneous inclusion of additional net metering kWh and a typo[graphical error] in the formula. The corrected February report shall be re-submitted. In no instance does the kWh reported impact EAP collections or funds owed to or from the Treasury.

Audit Conclusion

NHEC – Audit concurs with the Company's response

UES – Audit notes that in previous program years the revenue worksheet was verified to the kWh without issue. During the current year audit, the additional documentation for the net metering kWh was not provided. In response to this issue, Audit was able to review additional documentation which tied to the kWh amounts on the monthly EAP filings. Audit does also note, that as UES responded, an error in the kWh does not affect the SBC amount collected. As UES is the only utility that does not compute SBC by kWh * SBC charge, it is based on actual revenue received, Audit does agree with their statement.

Audit Issue #6 (Page 15 and 20)
Liberty's SBC Revenue

Background

During the course of the audit, Liberty provided a System Benefit Charge revenue reconciliation spreadsheet to assist Audit in verifying the general ledger detail.

Issue

Audit reviewed the SBC reconciliations for all twelve months and notes that the reconciliations show three different SBC amounts each month. The first amount is the kWh times the SBC amount. This is the amount that is reflected on Liberty's monthly EAP filings. The second SBC amount is the amount noted on the revenue report and the third SBC amount is the GL amount.

For example, the SBC revenue amounts for February 2023 are as follows:

- EAP Monthly filing shows kWh * SBC = \$608,714.91
- Revenue Report = \$612,104.48
- General Ledger = \$611,985.09

Recommendation

Audit requested an explanation as to why there are three different SBC revenue amounts for each month of the program year.

Liberty's Response

*"With respect to the differences between the Revenue Report and the GL, the variance of \$119.39 is attributable to bill adjustments, corrections and to some degree, internal rounding, that are not reflected in the Revenue Report, but are reflected in the GL. With respect to the \$608,714.91, [reflected on the monthly filing] we determined that **this amount is not correct**. The appropriate amount that should have been included is the \$612,104.48. The \$608,714.91 is the calculated SBC revenue based on kWh of 85,348,748, which has now been determined to reflect net metering billing and is not the correct kWh base to be used. The correct kWh base is 85,799,503, which would yield the \$612,104.48 SBC revenue per the monthly revenue report.*

The Company will look at this further to see if other months are afflicted by the same issue and will make any appropriate corrections, if necessary."

Bolding and underline added for emphasis by Audit.

Audit Conclusion

Audit concurs with Liberty's response and requests any necessary corrections be specifically identified and included on the next monthly EAP filing. Specific supporting documentation for the corrections shall be provided to Audit, and detailed explanations should be included in the monthly EAP filing.

Audit does note that the kWh included on the monthly EAP filing did match the kWh noted on the Bills & Volume Monthly Revenue Reports.

Audit Issue #7 (Page 20)
Liberty's Discounts

Background

During the audit of the program year, Liberty's general ledger account 3071-240300-10254000 was reviewed in detail.

Issue

Audit was unable to verify the customer discount amounts noted on the monthly EAP filings to the actual GL detail.

Recommendation

The method used to calculate the EAP discounts in total, as reflected on the monthly EAP filings, should be documented.

Liberty's Response

Within the general ledger, customer transactions are posted directly from the Customer Billing System and are identified by a Journal Entry Type of CS. The transactions are not individually identified by the type of billing transaction such as EAP Discount or SBC Billing.

The monthly SBC reconciliation and EAP calculation includes a "reasonableness" check which compares the EAP Discounts and the SBC Billed amounts per the monthly revenue files to the general ledger activity in GL accounts 240300-10254000 and 241210-10254000. This ensures that, in total, the customer billing transactions per the revenue files compared to the total of the GL transactions are reasonable.

Audit Conclusion

Audit reviewed detail provided by the Company and notes that, for the 2022-2023 program year, the total difference between the EAP Discounts and the SBC billed, per the revenue reports, versus the GL was \$776. Audit notes the difference is immaterial as the total GL activity for the year was \$5,596,704. Audit also notes that the customer billing system, general ledger and revenue report should all align and reflect the same amounts.

Audit Issue #8 (Pages 21, 22 and 23)
Lack of Compliance with *Fiscal Procedures Manual* Submission Requirements

Background

The *Fiscal Procedures Manual*, sections 3.3 and 3.4, note that the utility shall submit a reconciliation report to the Department of Energy by the 15th of the following month.

The *Fiscal Procedures Manual*, sections 3.3 (Under-collection of the SBC) notes that Treasury shall electronically transfer funds to the utility within five business days of received of the monthly reconciliation.

The *Fiscal Procedures Manual*, section 3.4 (Over-collection of the SBC), requires that in the event a Utility bills more SBC than it pays out in current bill discounts, approved utility administrative costs, and CAA administrative costs, the utility shall remit the balance electronically via ACH transfer to the Treasury no later than the 15th of the following month.

Issue

NHEC filed their November 2022 report late, on December 20, 2022. Liberty filed its March 2023 report on April 17, 2023 and the June 2023 report on July 17, 2023.

Treasury should have submitted the August 2023 payment by September 27, 2023 but was not submitted until September 29, 2023.

Liberty was to submit nine payments over the program year. Two of those payments were submitted late. The two late payments were for June 2023 and September 2023. Both are these payments were made two days late, on 7/17/2023 and 10/17/2023, respectively

Recommendation

All utilities need to make sure that all required reconciliation reports are submitted to the Department of Energy and ACH payments are transferred to Treasury by the 15th of the month.

Treasury needs to make sure that all transfers are made within five business days of receipt of the month reconciliation.

NHEC's Response

Due to technical difficulties, NHEC was locked out of the system and unable to access the online reports upload tool. The IT department at the Department of Energy was unable to resolve the issue in time for submittal. Following the recommendation from

Consumer Services Division staff, the EAP reports were emailed to the Consumer Services Director on December 15th at 5:10 pm to ensure they were submitted by the deadline despite the technical difficulties.

We will ensure that all required reconciliation reports are submitted to the Department of Energy and that ACH payments are transferred to the Treasury by the 15th of each month.

Treasury's Response

Treasury concurs, is aware of the 5 business day transfer requirement, and will take steps to be sure to adhere to the requirement.

Liberty's Response

The Company will ensure that reconciliation reports are submitted by the 15th of the month and will submit payments on time.

Audit Conclusion

Audit concurs with all the of the responses.