

STATE OF NEW HAMPSHIRE

Intra-Department Communication New Hampshire Department of Energy

DATE: December 8, 2022

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SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities
DG 22-045, LDAC Reconciliation
Final Audit Report

TO: Tom Frantz, Director of Regulatory
Faisal Deen Arif, Gas Director, Regulatory
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Introduction

On August 2, 2022 Liberty Utilities filed the LDAC charges that consist of six rate components. The six rate components are the Energy Efficiency charge, Revenue Decoupling Adjustment Factor (RDAF), Property Tax Adjustment Mechanism (PTAM), Environmental Surcharge, Rate Case Expense Factor, and the Gas Assistance Program. The purpose of this Audit Report is to verify the over/under beginning balances, specific general ledger (GL)account activity, and ending balances to the filing schedules. Updated LDAC filing schedules were filed on September 1, 2022. On September 8, 2022, the Company sent to NH DOE Gas Staff Attachments DOE 1-4c.1 Sch4 RDAF Revised to 1-4c.5 that comprised updated RDAF calculations. The September 8th schedules are the specific schedules used as the basis for the RDAF during this review.

On September 29, 2022, the Commission Order No. 26,691 approved \$680,770 in previously audited rate case expenses. The Order indicated the remaining rate case expenses are to be audited with a report to be filed by December 30,2022. A hearing is scheduled in Docket DG 20-105 in January 2023 regarding the rate case expenses.

On September 29, 2022, the Commission Order No. 26,692 approved a carve-out motion request from a NH DOE letter asking that the RDAF and the Concord gas holder costs be removed from the September 1, 2022 LDAC filing and adjudicated on a separate procedural schedule. The Order indicates the Company is to remove from the LDAC filing schedule the \$4.3 million RDAF under-collection recovery, remove Concord Gas Holder cost recovery, and update the rate case expense recoveries as directed in Order No. 26,691.

A detailed review of invoices was conducted only for the environmental and property tax portion of the LDAC. On October 7, 2022 updated LDAC filing schedules were filed.

Below is a summary of the changes to the various LDAC reported components, as officially filed in the instant docket:

Reported Summary-LDAC	Filing 8/2/2022	Filing 9/1/2022	Filing 10/10/2022	
Energy Efficiency Sch 2 pg 1	\$ 6,803,910	\$ 6,029,498	no detail-reference HB 549	
Relief Holder and Pond at Gas St Concord Sch 3 pg 1	\$ 69,514	\$ 69,514	\$ 69,514	
Environmental Surcharge Sch 3 pg 1	\$ 1,324,603	\$ 1,382,673	\$ 1,414,208	
Revenue Decoupling (RDAF) Sch 4	\$ 3,121,452	\$ 3,121,452	\$ 3,511,438	removed to \$0 per Order 26,691
Property Tax Adjustment (PTAM) Sch 5 pg 1	\$ 268,674	\$ 2,398,399	\$ 2,301,852	
Rate Case Expense (RCE) Sch 6 pg 1	\$ 664,928	\$ 937,499	\$ 822,018	
Gas Assistance Program (GAP) Sch 7 pg 2	\$ 483,503	\$ 483,503	\$ 494,571	

Energy Efficiency Charge Schedule 2

Audit reviewed the September 1, 2022 May and June 2022 actuals on the Energy Efficiency Filing Schedule 2-page 3 Residential portion and page 4 Commercial/Industrial customers. The review focused solely on a reconciliation of the May and June 2022 GL actual beginning balances, account activity, detailed GL, and ending balances compared to the balances on the filing schedule. Only two months of actuals were reviewed because the filing included estimates for July 2022-December 2022. Audit was able to verify the May 2022 beginning balance on the filing but not any of the other GL activity or the June 2022 ending balance. The Company indicated the variances were due to the formula in Column G (ending over/under balances were not including column F (allocated low-income costs). The Company provided an updated Comparison of the EE LDAC to GL. There is still an additional variance the Company indicated is likely related to interest. The updated EE to GL comparison chart below summarizes the May and June 2022 Deferred Peak Reserve DSM account #8840-2-0000-10-1163-1755:

Updated Sept. 1, 2021 to GL Recon.						
	Res	Com	Total	G/L	Variance	
Beginning Balance May 1, 2022	\$ (830,686)	\$ (1,542,703)	\$ (2,373,389)	\$ (2,373,389)		
Collections	\$ (255,095)	\$ (360,328)	\$ (615,423)			
Program Budget Costs	\$ 188,166	\$ 95,438	\$ 283,604			
Performance Incentive	\$ 98,183	\$ 90,995	\$ 189,178			
Allocated Low Income Costs	\$ 43,082	\$ 57,108	\$ 100,190			
Interest	\$ (3,178)	\$ (2,945)	\$ (6,123)			
Move between EN and KN	\$ -	\$ -	\$ -			
Prior period incentive true-ups	\$ -	\$ -	\$ -			
Ending Balance	\$ (759,528)	\$ (1,662,435)	\$ (2,421,963)	\$ (2,419,983)	\$ 1,980	
Collections	\$ (113,472)	\$ (230,254)	\$ (343,727)			
Program Budget Costs	\$ 311,418	\$ 124,533	\$ 435,951			
Performance Incentive	\$ 18,484	\$ 14,045	\$ 32,529			
Allocated Low Income Costs	\$ 18,484	\$ 24,502	\$ 42,986			
Interest	\$ (2,775)	\$ (2,572)	\$ (5,346)			
June 2022 Ending Balance	\$ (527,389)	\$ (1,732,181)	\$ (2,259,570)	\$ (2,259,798)	\$ (229)	

On October 7, 2022, the Company filed an updated Energy Efficiency LDAC charge that is identified as Bates page 148. The updated filing eliminated the previous four filing schedules. The updated filing is solely one page that indicates rates will be set as of January 1, 2023 based on HB 549. The filing indicates the residential rate is \$0.0664 per therm and \$0.0442 per therm for commercial/industrial customers. The rates the Company proposed do not agree with the rates approved in Commission Order 26,306 that set rates at \$0.0640 per therm for residential and \$0.0426 per therm for commercial. **Audit Issue #1**

Environmental Surcharge Schedule 3

In Docket DG 99-060, Order No. 23,303 dated September 20, 1999, the NHPUC approved a settlement agreement with EnergyNorth Natural Gas, Inc. (Company, ENG) regarding a recovery mechanism for costs related to clean-up of manufactured gas sites. Remediation is to be submitted to the Commission annually for review with ENG's winter cost of gas filing.

On September 1, 2022, the Company filed for its annual Winter Cost of Gas Adjustment in DG 22-045. Within the filing, Schedule 3 page 1, Bates page 019 listed the environmental expenses revenue requirement increase to be \$983,056 based on net expenses incurred of \$1,336,990. The Company proposed \$399,617 in additional adjustments to bring the revenue requirement to \$1,382,673. The Company included the net \$486,596 Concord Gas Holder costs on the filing schedule, but these costs will be adjudicated on a separate procedural schedule. The reason for the delay was noted by the Company to be the result of finalizing the final costs for demolition and any additional environmental remediation costs since the gas holder was stabilized in July 2022.

The first part of this additional amount is \$341,389, which is the last year of amortization over a three-year period based on the \$1,024,167 adjustment owed to the Company. This is based on the cumulative difference between the July 1, 2012-June 30, 2019 on the filing and the general ledger.

The second additional adjustment the Company is proposing is an additional \$58,228. That is the reported difference between the July 2021 and June 2022 "actual" vs. "estimated" collections for the prior period. The annual filing schedule is based on estimated billed amounts, so this means the balance per the filing is different than the actual revenues posted to the general ledger. Audit has only been able to verify the actual annual *activity* on the filing for many prior years.

On October 7, 2022, the Company filed an updated LDAC that included updates to the Environmental portion. The updated filing increased the overall revenue requirement to \$1,414,208 compared to the \$1,382,673 on the original Schedule 3 page 1. The reason for the increase in the revenue requirement was due to an increase in the estimated costs through October 2022 that were \$89,763. The updated filing also increased the proposed Manufactured Gas Plant charge from \$0.0074 per therm to \$0.0076.

July 2021– June 2022 Summary

The Company provided Audit with a confidential report entitled “Summary by Site Specific Projects”. The overall net cost information was verified to the filing DG 22-045 without exception.

<u>Site</u>	<u>Identification</u>	<u>Net Cost for the Period</u>
Nashua MGP	8840-DEF054	\$ 331,327
Concord Pond	8840-DEF056	\$ 302,532
Manchester MGP	8840-DEF057	\$ 120,889
General Expenses	8840-DEF064	\$ 8,346
Concord MGP	8840-DEF077	\$ 38,416
Concord Gas Holder	8840-DEF077	\$ 486,596
Laconia/Liberty Hill	8840-DEF086	\$ 48,885
		<u>\$ 1,336,990</u>

Audit verified the totals by site and expense or recovery category to the cost detail on the filing and reviewed the site-specific invoices. The column identified as “1107 Other” included other expenses as well as labor expenses related to the one full time Environmental Project Manager. Labor costs include payroll, accruals, bonus accruals, vacation accruals, etc.

Audit verified the actual monthly collections activity on filing schedule 3 page 2 for November 2021-June 2022 that was filed on September 1, 2022. Audit was not able to verify the monthly over/under account activity on the filing to the #8840-2-0000-10-1920-1863, R/A – Environmental – Materials account. The filing schedule 3 page 2 indicates a \$2,833,284 November 1, 2021 beginning balance that is from the DG 21-130 Bates page 138 prior period cost of gas filing. The 8840-2-0000-10-1920-1863 account had a November 1, 2021 beginning balance of \$5,319,939. This is a \$2,486,655 difference that the Company indicated was due to timing issue with recovery and expenses and as such the GL will not match what is on the filing. The recovery period is November through October for a prior year period of July through June.

Audit Issue # 2

On October 7, 2022, the Company filed an updated filing schedule 3 page 2 LDAC that included actuals through August 2022. The updated actuals indicated there was a \$58,228 ending under collection. Audit did not review the July or August 2022 collections due to timing and difficulties related to reviewing multiple versions of the LDAC filing.

Bates page 021, on Schedule 3.2 of the filing lists on line 9 \$1,336,990 for total net expenses to be recovered per the September 1, 2022 LDAC filing. Audit reviewed all actual costs and recoveries for the period 7/1/2021 – 6/30/2022 and reviewed the debits and credits for expenses and collections to account #8840-2-0000-10-1920-1863, R/A-Environmental-Materials. The account is specifically listed on Tariff Page 39. The updated October 7, 2022 LDAC filing did not bring any changes to this filing schedule.

Audit reviewed the September 1, 2022 LDAC filing schedule 3.4 Bates page 031 that shows the prior period over/under beginning balances, revenue collected, spending/recovered, and over/under ending balances. Audit was not able to verify the \$4,692,809 July 1, 2021

beginning balance to the #8840-2-0000-10-1920-1863, R/A – Environmental – Materials deferral account that was \$5,500,030. This is an \$807,221 difference than the GL ending balance for the same period. The ending balance for June 30, 2022 is \$2,830,563 in the reconciliation or \$1,194,594 less than the GL ending balance of \$3,975,157. **Audit Issue #2**

The Company indicated that the difference was due to timing and recoupment on the filing is based on a 1/7th rolling average for recovery. The \$1,144,594 is not the total spending, the total spend is \$1,336,990 minus the difference between the filing and the GL of \$192,396 as shown in line 10, column July 21-Jun 22, to arrive at \$1,144,594. The (\$192,396) is comprised of accrual activity and any reclassifications or refund activity during the period of July 1, 2021, through June 30, 2022.

Audit was able to verify the (\$2,723,828) July 1, 2021-June 30, 2022 collections on filing schedule 3.4 to the GL. Audit was not able to verify the July 1, 2021-June 30, 2022 \$1,336,990 total spending account activity to the GL. The 7/1/2021-6/30/2022 account activity balance is \$1,219,369 for remediation expenses which were not able to be verified to the filing schedule 3 Bates page 021 per the September 1, 2022 LDAC filing that was \$1,336,990. This is a \$117,621 difference that was due to accruals and reclassified items. The GL also contains recoveries for the prior year filing which is 1/7th of each of the previous seven years and is reflected in the prior year on Schedule 3.4 Reconciliation. The beginning balance on the filing and the GL balance will not match due to timing differences. The activity in the GL is current year spending, including accruals, and current and prior year collections for the previous filing. The spending period is from July 1, 2021, through June 30, 2022. The recovery period is July 1, 2021, through October 31, 2021, for the filing year July 1, 2019, through June 30, 2020, and it covers the recoveries from November 1, 2021, through June 30, 2022, for the previous filing year of July 1, 2020, through June 30, 2021. Due to this timing issue, the GL balances will not tie exactly to the filings, however, total spending activity for the July through June spending year and the recoveries recorded in the GL for that same period is able to be reconciled. The chart below summarizes the #8840-2-0000-10-1920-1863, R/A – Environmental –deferral account spending and collections activity for July 1, 2021-June 30, 2022.

Spending	Filing	GL
Total Spending	\$ 1,336,990	\$ 1,493,682
Accruals on GL		\$ 24,814
3rd Party Recoveries		\$ (299,127)
Reclassifications		\$ 117,621
Reconciled Spending	\$ 1,336,990	\$ 1,336,990
Recoveries (Revenue)	Filing	GL
Recoveries	\$ (2,700,106)	\$ -
CCSM Bill		\$ (2,731,712)
CCSM Voids		\$ 31,606
Subtotal Recoveries	\$ (2,700,106)	\$ (2,700,106)
Other GL entries:		
Keene Recoveries		\$ (23,722)
Unbilled Recoveries		\$ (3,583)
Prior Period Adjust.		\$ (1,063)
AES Londonderry		\$ (15,769)
		\$ (44,136)
Total Recoveries	\$ (2,700,106)	\$ (2,744,242)

It is unclear to Audit why the Keene recoveries and the AES Londonderry recoveries were not included within the filing “recoveries” total. Unbilled adjustments and prior period adjustments would be included in the general ledger, but not likely included in the period revenue noted in the filing.

On October 7, 2022, the Company filed an updated LDAC filing schedule 3.4 that lowered the current period environmental period spending costs to be recovered from \$1,144,594 to \$675,998. This figure was reduced by \$486,596 to reflect the non-recovery of the Concord Gas Holder costs. This change reduced the ending under collection to \$3,488,561. Audit did not review the actual GL figures for July and August 2022 as the September 1, 2022 filing had actuals only through June 2022.

Amortization and Verification to the General Ledger

Audit requested the balance sheet accounts and other related accounts, to determine compliance with Order No. 23,303, issued on 9/20/1999 in Docket DG 99-060. That Order authorized the recovery mechanism related to environmental remediation costs. Noted in the settlement agreement, and reflected in the Order, were the requirements for the annual submission of remediation expenses, booking of the costs in a deferred asset account and recovery of those costs over seven years, once the approved asset is included in rates, among other terms and conditions.

Using the site cost sheets for each remediation site in the filing, Audit recalculated the amortization for the period to be \$1,382,673. The figure represents the sum of the costs per site

which have yet to be fully recovered, beginning with the 9/2011 – 9/2012 columns. Amortization is calculated to be the amount of the surcharge required each year. The \$1,382,673 was noted in the filing on schedule 3 Bates page 019, resulting in the proposed environmental surcharge for the period of \$0.0078 per the September 1, 2022 LDAC filing (including the Gas Holder Costs). The LDAC revenue is booked to account #8840-2-0000-10-1920-1863, R/A Environmental Materials. On October 7, 2022, the Company filed an updated environmental LDAC that excluded the Concord Gas Holder Costs. The updated filing schedule 3 page 1 now reflects a proposed rate of \$0.0076 per therm.

The amortization/recovery entries are posted quarterly and reflect the LDAC revenue associated with the environmental surcharge, as well as to true-up the various balance sheet accounts to the current and long-term cash flow calculations of the projected costs associated with each site. The accounts impacted are:

8840-2-0000-10-1160-1430 Other Accounts Receivable
8840-2-0000-10-1920-1430 Other Long-Term Asset
8840-2-0000-10-1920-1863 R/A Environmental Materials

8840-2-0000-20-2110-2282 Current Portion Miscellaneous Operating Reserves
8840-2-0000-20-2930-2282 Miscellaneous Operating Reserves

-1160-1430 Other Accounts Receivable is used to reflect the short-term accounts receivable from insurance companies based on a settlement related to an MGP site based on estimated short balances as needed. The June 30, 2022 account activity ending balance for the account was (\$65,100).

-1920-1430 Other Long-Term Asset is used to reflect the long-term receivable from the insurance companies, after the net present value is calculated quarterly, and any increase or decrease booked based on estimated remediation balance needed. The June 30, 2022 ending balance for the account was \$506,329.

-1920-1863 R/A Environmental is used to reflect the surcharge (LDAC revenues) collected for the Environmental portion of the LDAC and LDAC spending for the year. The account is also debited quarterly with the net change to account 8840-2-0000-10-1920-1864, R/A Environmental Purchased Gas. The account is then debited or credited with the change in the net present value calculation for the quarter. The 7/1/2021-6/30/2022 account activity balance was (\$1,524,873).

The value of that account's activity was then debited to account, 8840-2-0000-10-1920-1863, R/A Environmental Materials and credited to Miscellaneous Operating Reserves, 8840-2-0000-20-2930-2282. The Company states that they book two entries quarterly, one to adjust the accounts receivable balance and one to adjust the reserve balances using 1920-1863 as the offset to the adjustments.

The second entry each quarter represents the quarterly activity and the change in the net present value calculation. The entry reflects the increase or decrease to the liability accounts

resulting from the NPV calculation. The accounts impacted are 8840-2-0000-20-2110-2282, Current Portion Miscellaneous Operating Reserves and 8840-2-0000-20-2930-2282, Miscellaneous Operating Reserves. The offsetting account is 8840-2-0000-10-1920-1863.

-2110-2282 Current Portion Miscellaneous Operating Reserves represents the current portion of the liability resulting from the cash flow calculation. The short-term reserve is also used to offset the change in short term accounts receivable balance required based on the short term remediation amount. The general ledger balance is trued-up to the cash flow calculation quarterly. The (\$1,874,905) July 1, 2021 beginning balance resulted in (\$4,065,230) in activity during the year. The June 30, 2022 accounts ending balance for the account was (\$5,940,135).

-2930-2282 Miscellaneous Operating Reserves represents the long-term liability related to the cash flow of all remediation sites, based on the originally projected actuary calculations (from prior ownership). The general ledger balance is trued-up to the cash flow calculation quarterly. That account is also used as an offset for the change in long-term accounts receivable and the adjustment needed in this account to adjust the balance to correspond to the estimated net present value of the remediation amount. The (\$32,030,920) July 1, 2021 beginning balance resulted in \$10,228,334 in activity during the year. The June 30, 2022 accounts ending balance for the account was (\$21,802,587).

Concord Gas Holder

In 2019 the Company and the City of Concord prepared a report that listed various options for the old gas holder site on the east side of Route 3a of the highway. The options included cleaning and fortifying the structure, as well as demolition. The Company had recommended the structure be demolished. In response to demolition concerns the Concord City Council, Liberty, Concord City Staff, and the NH Preservation Alliance (NHPA) met to develop a plan for preservation of the gas holder.

The working group discussions resulted in a plan for the NHPA to raise funds to stabilize the holder house and to manage the relevant construction, and for Liberty to seek PUC approval to contribute up to the estimated cost of demolition and remediation beneath the holder house, as the least cost option for customers. The Company, NHPA, and Concord City Staff met with PUC Staff in February 2021 and obtained PUC Staff support for the plan, provided the Company can demonstrate the Company's contribution toward the stabilization of the holder house is less than the estimated costs of demolition and remediation that would otherwise have been incurred. The Company, the City of Concord, and NHPA signed a memorandum of understanding (MOU) documenting the conditions above.

The Company indicated in early September 2021 that the parties were nearing completion on a formal Emergency Stabilization License Agreement to govern the repairs of the holder house. In October 2021 Liberty and the NH Preservation Alliance signed a formal Emergency Stabilization License Agreement to provide the repairs to the holder house. Under the agreement the NHPA is responsible for the engineering and construction of the stabilization work. Under the contractual agreement Liberty agreed to allow NHPA access to the site to perform the work and to contribute one half of the stabilization costs, capped by the amount Liberty would

otherwise have spent to demolish the gas holder, investigate beneath the gas holder for contamination, and remedy any contamination found. The stabilization work was completed in July 2022. Liberty indicated they have substantially completed the estimate to demolish the holder house and investigate and remedy any contamination beneath the holder footprint. The estimate will serve as the cap of Liberty's contribution toward the gas holder stabilization.

The Company included the \$486,596 in Concord Gas Holder charges that the Company contributed, but these costs will be reviewed and adjudicated on a separate procedural schedule in this DG 22-045 Docket, to allow for additional staff time review as well as finalizing the demolition estimate of the gas holder house and final remediation costs related to any contamination.

The Company's response to Staff Data Request NH DOE 1.7.b.1 includes the Emergency Stabilization License Agreement between EnergyNorth and the NH Preservation Alliance that was signed on October 1, 2021. The agreement indicates the scope of work for phase 1 for the stabilization work for the Concord Gas Holder. The contract indicates phase 1 will be paid by an anonymous donor. The cost estimate in the agreement per YSC Inc. for phase 1 of the work is \$651,250. The agreement authorizes the NHPA to select a contractor subject to Liberty's approval. The agreement allows Liberty to supervise and make sure the general contractor is following all applicable laws, rules, safety polices, and local ordinances. The agreement indicates Liberty Utilities was obligated to pay NHPA 50% of the actual cost to perform phase 1 of the work that was estimated to be \$325,625. The agreement indicates phase 1 is to be completed by January 31, 2022. The agreement indicates a phase 2 scope of work should be completed no later than 6 months after the conclusion of phase 1 of the project. The agreement indicates phase 2 of the agreement would authorize the NHPA up to 5 years to collect money from donors to pay for phase 2 of the project.

On September 20, 2022, the NH DOE Gas Regulatory Staff filed a motion in support of Liberty's proposal to carve out and omit from proposed November 1, 2022 rates the RDAF reported under collection and Concord Gas Holder costs.

On September 29, 2022, the Commission Order No. 26,692 approved a carve-out motion request from a NH DOE letter asking that the gas colder costs be removed from the September 1, 2022 LDAC filing and reviewed and adjudicated on a separate procedural schedule. On October 7, 2022, the Company filed updated LDAC schedules removing the proposed \$486,596 gas holder costs so far, from the environmental filing schedules that reflected any type of rate recovery.

Reported Remediation Expenses Invoice Review

8840-DEF054 - Nashua MGP - \$331,327

In the cost sheet detail, 100% of the referenced #1102 Consulting expenses of \$247,416 were paid to Innovative Engineering Solutions and GZA Environmental for design review, project management, engineering, reporting, and consulting. Other expenses, #1107 for \$182,710 were paid to NHDES, Anderson Welding LLC, ESMI of NH, and Innovative

Engineering Solutions. The other expenses consisted of welding, NHDES fees, and soil management/asbestos work. Insurance and third-party recoveries, expense category #1109 totaled (\$98,800). All costs were verified and tied to the filing.

8840-DEF056 - Concord Pond - \$302,532

Audit reviewed the cost sheet detail for the period and verified the reported net expenses of the referenced #1102 Consulting expenses \$371,195, which were paid to GEI Consultants and Anchor QEA, LLC for project management, coordination, engineering, planning, remedial design, inspections, groundwater permitting, sampling, reporting, and off-site remediation support. Labor charges of \$217 for employee travel were included in #1107 Other Expenses column that totaled \$9,889. The biggest expense in the “Other Expenses” related to a \$39,467 from NHDES and Clean Harbors for permitting fees and environmental remediation charges. Insurance and third-party recoveries, expense category #1109 totaled (\$78,552). All costs were tied to filing.

8840-DEF057 - Manchester MGP - \$120,889

100% of the referenced #1102 Consulting expenses in the cost sheet detail of \$139,492 were paid to GZA Geoenvironmental, LLC for project management, groundwater permit sampling, planning, investigation, feasibility studies, and engineering. #1107 Other Expenses totaling \$33,180 consisted of environmental remediation charges for Clean Harbors, Environmental Soil Management and \$147 for labor for employee travel. Insurance and third-party recoveries, expense category #1109 totaled (\$51,784).

8840-DEF064 (General Expenses) - \$8,346

Audit reviewed the cost sheet detail for the period and verified the reported net expenses. Cost category #1107 included other Environmental Staff time expenses for travel from Londonderry to the various job sites as well as administrative work related to the job sites.

8840-DEF077 - Concord MGP - \$38,416

In the cost sheet detail, 100% of the referenced. #1102 Consulting Expenses totaled \$81,185 were paid to GZA Geoenvironmental for consulting, project management, report preparation, observation, testing, and inspection. Other expenses, #1107 totaled \$27,222 were paid for landscaping, grass mowing, NHDES for permitting fees/technical reviews, City of Concord for permit/hydrant fees, and Clean Harbors for environmental remediation charges such as oil drum disposals. Insurance and third-party recoveries, expense category #1109 totaled (\$69,992).

8840-DEF077 - Concord MGP with Gas Holder- \$486,596

In the cost sheet detail, 100% of the referenced #1101 Legal Costs totaled \$37,199 were paid to Orr and Reno. The legal work for Orr and Reno related to drafting a contract with the NH Preservation Alliance on behalf of Liberty for the stabilization of the gas holder. The legal

work related to emails, meetings, phone calls, reviewing correspondence, draft review, contract phase review, licensing, and working with GZA Environmental, and NHDES. #1102 Consulting Expenses totaled \$157,345 were paid to GZA Environmental for consulting, site characterization, remedial investigation, feasibility study, design, remedial action, operations/maintenance, and interim measures. Other expenses, #1107 totaled \$36 were paid to Orr and Reno for mileage. #1108 Insurance and Third-Party Expenses summed to \$292,015 that were from the Historic Preservation Redevelopment LLC. There were no monies received from third party providers.

The Company included the \$486,596 in Concord Gas Holder charges but will be seeking recovery for these charges in a separate docket. The Company is seeking recovery in a separate docket for additional staff time review as well as finalizing the demolition of the gas holder house and final remediation costs related to any contamination.

8840-DEF086 - Laconia/Liberty Hill - \$48,885

Audit reviewed the cost sheet detail for the period and verified the reported net expenses. Most of the referenced #1102 Consulting expenses of \$46,580 were paid to GEI Consultants for project management, groundwater permitting, design, field investigation, construction observation, sampling and reporting and off-site remediation support. Other expenses, #1107 totaled \$2,305 for landscaping, soil testing, NHDES fees, labor for staff travel, and grass seed. There were no Insurance or third-party recoveries.

Revenue Decoupling Adjustment Factor (RDAF) Schedule 4

Within the Direct Testimony of Catherine A. McNamara (page 7 of 11 filed on August 2, 2022), the Company indicates \$4,024,830 million of “improperly refunded revenue decoupling reconciliation revenues” has been removed from the LDAC and is the subject of Docket 22-041. Audit understands that the Company stated that the refund was incorrectly returned to customers due to an error embedded in the tariff that was first implemented in the Revenue Decoupling Mechanism (RDM) in November 2018. The Company indicated the tariff was corrected as part of the DG 20-105 rate case. The Company is seeking recovery over a 2-year period beginning November 1, 2022. On September 6, 2022 Commission Order No. 26,677 in Docket DG 22-041 dismissed without prejudice the OCA’s petition regarding its motion to dismiss Liberty’s petition for approval to recover those specific revenue decoupling adjustment factor costs. As a result of that ongoing Docket, Audit is not able to verify the beginning balance in the RDAF general ledger account, as it relates to the RDAF component in this DG 22-045 for the 2021-2022 RDAF charges and the DG 22-041 for historical RDAF charges.

The RDAF is set as part of the annual LDAC each November 1. The LDAC is included in DG 22-045 2022-2023 winter cost of gas, Filing Schedule 4. Revenue decoupling began on November 1, 2018 per Commission Order No. 26,122 in the DG 17-048 rate case. The RDAF replaces the Lost Revenue Adjustment Mechanism (LRAM). As noted in the September 15, 2022 direct response of E. Menard to Staff Data Request NH DOE 1-4 in DG 22-045:

The decoupling mechanism, approved in Order No. 26, 122, was intended to “allow rate

adjustments for weather, energy efficiency, economic effects and other variables and allow Liberty to earn distribution revenues on a per customer basis, thus eliminating substantial revenue risks. Paired with this innovative decoupling mechanism is a modified rate design that lowers fixed customer charges. The reduction in risk leads to a return on equity of 9.3 percent, which represents a 10-basis point reduction in the return on equity” See Order 26, 122 at 1. The Order also “address[es] the various other issues raised in this case that do not directly affect revenue deficiency, such as rate design and decoupling.” Id. at 8. “The [decoupling] mechanism was designed to sever the link between Liberty sales and revenues to remove the Company’s disincentive to promote energy conservation that is inherent in traditional rate making. Liberty’s distribution revenue per customer targets would be set based on test year information and then, going forward, rates would be adjusted twice annually (up or down) to allow the Company to collect its target revenue, calculated using actual customer counts. By using a revenue-per-customer mechanism, Liberty has an incentive to add customers and to control costs. The mechanism would shield Liberty from changes in sales due to conservation (both utilities sponsored and other) as well as weather swings and economic factors. See id. at 42-43 (citing Exhibit 8 at 282-290)”

On September 1, 2022 on LDAC Filing Schedule 4, pages 1 through 3 Bates pages 032-034, the Company reflected a 2021-2022 RDAF deficiency of \$3,563,691 for residential customers and \$841,320 for commercial/industrial customers. This brings the total reported RDAF revenue deficiency for 2021-2022 per the September 1, 2022 filing to \$4,405,011.

On September 8, 2022, the DOE Regulatory Staff received a response to a Data Request, attachment DOE 1-4c.1 Schedule 4 RDAF, that indicated the revenue deficiencies for residential and commercial/industrial customers had been revised with new calculations. The updated attachment on page 1 indicates a revenue deficiency of \$2,364,280 for residential customers and \$77,305 for commercial/industrial customers. This brings the updated reported RDAF revenue deficiency to \$2,441,585. This is a reduction of nearly \$2 million from the September 1, 2022 filing.

The original 8/11/2022 RDAF Summary, and the DOE 1-4c1 Schedule 4 Page 1 in DG 22-045 reflect the 2021-2022 deficiency total as follows:

	LDAC Schedule 4		
	<u>8/11/2022</u>	<u>9/1/2022</u>	<u>Change</u>
Residential			
Beginning Balance-Residential Deficit/(Refund)	\$ (799,553)	\$ 305,885	\$ 1,105,438
Projected Deficiency	\$ 3,563,691	\$ 2,364,280	\$ (1,199,411)
Actual/Estimated Deficiency 10/31/2022	\$ 2,764,138	\$ 2,670,165	\$ (93,973)
Commercial and Industrial			\$ -
Beginning Balance-Comm & Ind Deficit/(Refund)	\$ (484,007)	\$ 418,932	\$ 902,939
Projected Deficiency	\$ 841,320	\$ 77,305	\$ (764,015)
Actual/Estimated Deficiency 10/31/2022	\$ 357,313	\$ 496,237	\$ 138,924
Combined			\$ -
Beginning Balance-Combined Deficit/ (Refund)	\$ (1,283,560)	\$ 724,817	\$ 2,008,377
Projected Deficiency	\$ 4,405,011	\$ 2,441,585	\$ (1,963,426)
Actual/Estimated Deficiency 10/31/2022	\$ 3,121,451	\$ 3,166,402	\$ 44,951

The DOE 1-4c.1 page 1 indicates a prior period October 31, 2022 beginning balance of \$305,885 for residential customers and \$418,932 for commercial/industrial customers. These figures were included on page 2 that show the prior period (over)/under recoupment balances, therm sales, recovery rate, and collections for three prior periods. The Company indicated to Audit the (over)/under balance and rates were approved in the prior cost of gas dockets DG 19-145, DG 20-152, and DG 21-130. Audit was able to verify the Company used the correct revenue per customer rate on the reconciliation and revenue reports. The 2018-2019, 2019-2020, and 2020-2021 (over)/under collection figures were filed with the Commission

The DOE 1-4c.1 filing Schedule 4 RDAF page 3 includes the (over)/under beginning balances starting in September 2021 with actuals going only through February 2022. The Company indicated they do reconcile the RDAF books monthly but true-ups and customer rebills/cancellations from other billing periods can take up to 120 days to completely close. The September 1, 2022 beginning balances on the DOE 1-4c.1 Schedule 4 RDAF page 3 are zero. The Company indicated the beginning balance on page 3 was zero because each year the RDAF is required to start the year with a zero balance. Audit reviewed the September 1, 2022 through June 2022 actual account activity for the EnergyNorth and Keene for monthly revenue. The monthly revenue true-ups included for September 2021 through February 2022 actuals as well as the true-up GL detail are included within the reconciliations of the general ledger account. The Company included estimates for March 2022 through August 2022.

The reported residential monthly revenue difference was \$1,235,356, \$1,060,987 for True-ups, and \$67,938 for interest to arrive at the filed \$2,364,280 September 2021 through August 2022 revenue shortfall. The true-ups represent approximately 45% of the reported revenue for the RDAF year of September 2021 through (Estimated) August 2022. The Company indicated the true-ups comprise such a large part of the balance because the Cogsdale billing system is not a regular calendar month, and includes 20 different billing cycles, with over 1,000 monthly billing batches, resulting in large changes to unbilled revenue from month to month, and customer cancel/rebills, which can take the Company up to four months to clear completely.

Audit verified the actual revenues through June 2022 of the total \$2,364,280 proposed residential under recovery to the monthly Cogsdale Bills and Volumes reports, and to the GL accounts included in the EnergyNorth DOE 1-4c.3, Keene DOE 1-4c.4, and true-up file DOE 1-4c.5. Audit also verified the reported \$77,305 commercial/industrial under recovery on the filing using the same process as the residential portion. Audit verified the monthly revenue difference/true-ups from the NHDOE 1.4c.3 EN and KN 1.4c.4 to the general ledger revenue accounts 8840-2-0000-40-4460-4951, 8843-2-0000-40-4460-4951 and liability accounts 8840-2-0000-20-2910-2542, and 8843-2-0000-20-2910-2542 identified on the reconciliation.

The Deferral Decoupling Asset accounts for EnergyNorth and Keene are 8840-2-0000-10-1168-1823 and 8843-2-0000-10-1168-1823 per the updated tariff page 43 filed with the PUC on August 13, 2021 in docket DG 20-105. The asset accounts reflect the specific amount billed to each customer that was reviewed on the Billed Revenue and Volume Reports.

The Decoupling Liability account is not included in the tariff page. The Company indicated the account is used as a pass-through account to track each year's costs which get included in the filing. Once the costs are approved for recovery, they are moved to the asset account. The total (over)/under balance is a combination of two accounts. **Audit Issue #3**

Audit reviewed the month of September 2021 allowed revenue, number of customers, and actual revenue as seen on NH DOE 1-4c.3.

Calculated Allowed Revenue	\$3,707,598.96
Actual Base Revenue	\$3,474,870.18
(Less) MEP Premium	\$ (3,947.42)
Add: Low Income	\$ 353.60
Unbilled Daily meter change	\$ 4,583.51 change from prior month
Unbilled Revenue change	\$ 19,884.82 change from prior month
Adjusted Actual Revenue	\$3,495,744.69

Revenue Decoupling Adjustment \$ 211,854.27 reflected as a credit to revenue to bring the adjusted actual revenue up to the calculated allowed revenue.

The Company indicated the allowed revenue and actual revenue are adjusted for the Normalized Weather Adjustment (NWA) that is in effect for the November-April winter period each year. Audit verified the data provided and as explained by Liberty while Audit was on site. Liberty indicated the actual calendar bills customer counts were 29,903, the estimated bills were 63,500, and 106 estimated special daily meter customers. The Company indicated the adjustments are based on 20 billing cycles as well as the specific calendar month. There are customers on special contracts such as Granite Ridge and iNatGas who are not included in the customer count or base revenue. This brings the total September customers to 93,508. The total allowed revenue was calculated to be \$3,707,598.96. The September 2021 actual base revenue billed per the Cogsdale Bills and Volumes report was \$3,474,870.18. There was \$20,875 in revenue adjustments in the September 2021 EnergyNorth adjustment. The first (\$3,947) adjustment related to the Managed Expansion Program (MEP) premium that is included on

Tariff Page 50. The Managed Expansion Program is a 30% premium on participating customers distribution rates to effectively pay a Contribution in Aid of Construction (CIAC) over time. Audit verified the September 2021 (\$3,947) MEP premium was removed from the billing. The second adjustment was adding back the \$354 September 2021 GAP/low-income entry that was done due to peak activity in the billings for the calendar month. Audit verified the \$354 September 2021 GAP charges to the billing report.

The third adjustment was for \$4,584 that was the unbilled daily meter change from the prior month. The daily meters amount is an accrual so it will not be on the September revenue report. The daily meter revenues are billed a month in arrears, so they are technically unbilled, but they are based on the actual information and have not been billed yet. Since they are unbilled, the revenues show the difference between the reversal of the prior month's unbilled daily meter accrual and the current month's unbilled daily meter accrual.

The final adjustment for \$19,885 was to add the unbilled revenue change from August 2021. The Company indicated the unbilled is reflected the same as the daily meters except it is not inclusive of the daily meters that are removed from the calculation so that they are not double counted. Audit verified the September 2021 \$19,985 unbilled revenue to the billing report.

Audit asked the Company if the Cogsdale billing reports identify the actual daily meter revenue and customers classes. The Cogsdale report does not identify the daily use meters used in the accrual calculation. However, the data is provided to finance and regulatory by customer, showing usage and tariff class. Since these customers are billed a month in arrears, the Cogsdale report shows this activity the following month. The amount is shown on the Transportation tab under MV90 batch information. The Transportation tab is provided to further separate the information on the data tab that pertains to transportation customers, which not only include daily metered customers but monthly billed transportations customers, so pulling out the daily metered customers from the Cogsdale report is not used in the accrual calculation which is what is used in the decoupling calculation.

Audit verified the September 2021 customer counts to the billing report. The specific billing report details were the decoupling entries, true up entries, calendarized monthly therms, equivalent bills, and the calendarized customer billing details. Customer counts used in the decoupling calculation are equivalent bills. The source of the actual equivalent bill information is either the Revenue report or pivot tables created from data contained in the main billing files. These reports are reviewed and approved prior to being distributed for use. The estimated equivalent bills are based on the actual bills rendered in the month on a per-bill basis. The estimate is calculated by computing the number of days between the ending date of each bill's billing period and the ending date for the calendar month divided by 30. When the variance between allowed revenue and actual revenue is initially calculated, the allowed revenue is calculated using actual equivalent bills for the month plus an estimate of remaining equivalent bills to complete the calendar month.

Permanent Rates per Customer, Effective 8/1/2021 per DG 20-105 Settlement Agreement Appendix 7 page 1 of 1

Rate Class	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
R-1/5	\$ 26.014	\$ 25.540	\$ 24.307	\$ 22.609	\$ 20.956	\$ 19.755	\$ 18.931	\$ 19.019	\$ 19.435	\$ 20.546	\$ 22.982	\$ 25.299
R-3/6	\$ 97.157	\$ 93.255	\$ 74.713	\$ 50.567	\$ 34.034	\$ 25.472	\$ 22.948	\$ 23.085	\$ 25.352	\$ 37.025	\$ 62.207	\$ 83.921
R-4/7	\$ 97.157	\$ 93.255	\$ 74.713	\$ 50.567	\$ 34.034	\$ 25.472	\$ 22.948	\$ 23.085	\$ 25.352	\$ 37.025	\$ 62.207	\$ 83.921
G-41/44	\$ 235.956	\$ 226.979	\$ 184.606	\$ 128.146	\$ 88.800	\$ 70.623	\$ 66.093	\$ 66.385	\$ 70.916	\$ 94.488	\$ 154.776	\$ 204.268
G-42/45	\$1,578.472	\$1,524.667	\$1,241.555	\$ 855.091	\$ 523.642	\$ 346.741	\$ 294.872	\$ 301.796	\$ 360.170	\$ 572.697	\$1,034.777	\$1,394.253
G-43/46	\$8,928.306	\$8,426.278	\$7,012.866	\$4,981.917	\$1,969.310	\$1,450.046	\$1,304.759	\$1,372.855	\$1,462.191	\$2,016.955	\$5,871.987	\$7,656.083
G-51/55	\$ 133.825	\$ 130.979	\$ 121.907	\$ 111.427	\$ 104.493	\$ 98.646	\$ 94.516	\$ 98.006	\$ 98.750	\$ 101.809	\$ 115.084	\$ 126.203
G-52/56	\$ 731.471	\$ 706.568	\$ 650.770	\$ 576.938	\$ 402.135	\$ 377.110	\$ 367.473	\$ 377.804	\$ 384.365	\$ 407.882	\$ 611.436	\$ 669.830
G-53/57	\$6,797.367	\$6,197.111	\$5,755.166	\$4,877.206	\$2,508.532	\$2,307.268	\$2,328.947	\$2,476.034	\$2,356.654	\$2,625.619	\$5,366.438	\$6,077.525
G-54/58	\$3,719.928	\$3,726.283	\$3,387.343	\$3,833.707	\$2,775.284	\$2,874.002	\$2,966.625	\$3,090.866	\$2,982.545	\$2,965.834	\$4,662.611	\$3,822.712

The Managed Expansion Program (MEP) is like Contribution in Aid of Construction (CIAC) that is related to the revenue received from customers to offset the expense of literal expansion of the gas system. There was a \$354 adjustment for the low-income portion that is billed at the full R-4 rate. The other adjustments consisted of unbilled daily meter from the prior month of \$4,584, and a \$19,885 unbilled revenue adjustment change from the prior month. The Company indicated they use the top-down method to calculate unbilled revenue. The unbilled revenue is equal to the City Gate price-Company Uses-Company losses. The total adjusted actual revenue for September 2021 was reported to be \$3,495,745. This resulted in a calculated \$211,854 Revenue Decoupling Adjustment, the difference between allowed revenue and adjusted actual revenue. Audit also reviewed the January 2022 Keene \$29,618 adjustment, calculated in a similar manner as the September 2021 EnergyNorth example.

On September 20, 2022, the NH DOE Gas Regulatory Staff filed a motion in support of Liberty's proposal to carve out and omit from proposed November 1, 2022 rates the RDAF under collection and Concord Gas Holder costs. On September 29, 2022, the Commission Order No. 26,692 approved a carve-out motion request from a NH DOE letter requesting the RDAF and gas colder costs be removed from the September 1, 2022 LDAC filing and dealt with in separate dockets. The Order indicates the Company is to remove from the LDAC filing schedule the \$4.3 million RDAF under recovery and file an updated LDAC filing by October 7, 2022.

On October 7, 2022, the Company filed an updated LDAC RDAF filing schedules based on Commission Order 26,692 that removed the 2021-2022 RDAF costs. The updated Schedule 4 page 1 indicates there was (\$2,858,410) in excess revenue for residential customers and (\$653,028) for commercial customers. The Company on the updated October 7, 2022 RDAF Schedule 4 page 2 changed the filing schedule from a September 2021 RDAF beginning balance to a November 2021 beginning balance. As a result of the change there is a November 1, 2021 \$1,431,746 under collection for residential customers and \$943,031 under collection for commercial customers.

The updated RDAF Schedule 4 page 3 reflects the revenue decoupling activity from September 2021-August 2022. The updated schedules start September 2021 with a zero balance for both residential/commercial customers. The updated filing has actuals through August 2022 for the monthly revenue differences/true ups. The prior September 8, 2022 filing only had actuals through February 2022. The updated RDAF Schedule 4 page 3 monthly revenue

differences/true ups for February-June 2022 actuals reflect the same figures as the estimated figure on the September 8th filing for both residential/commercial customers.

Audit was able to verify the decoupling revenue for September 2021 to decoupling billing reports that were provided by the Company. Audit did not conduct a technical review of the implementation of decoupling. During the DG 20-105 rate case, the Company hired Concentric Energy Advisors, Inc. which reviewed decoupling.

The accuracy of the filing and use of the calculations described above cannot be verified by Audit. It is understood that the 2019-2020 and 2020-2021 decoupling calculation is being reviewed in DG 22-041. The 2021-2022 RDAF is being reviewed and adjudicated in DG 22-045 on a separate procedural schedule.

Activity in each of the general ledger accounts was reviewed and is summarized below:

EN Deferral Decoupling Asset Account Activity

8840-2-0000-10-1168-1823	
September 1, 2021 beginning balance	\$ 4,265,123
CCSM Billing Transactions Fixed Per Therm Sep 21-June activity	\$ (571,281)
CCSM Voids Sept. 21-June activity	\$ 1,803
Interest on Deferral	\$ 129,359
October 2021 L to A Movement	\$ (86,054)
Adjustments per DG 21-130	\$ 459,586
June 30, 2022 ending balance	\$ 4,198,536

KN Deferral Decoupling Asset Account Activity

8843-2-0000-10-1168-1823	
September 1, 2021 beginning balance	\$ 85,930
CCSM Bills Sep 21-June activity	\$ (5,615)
CCSM Voids Sept. 21-June activity	\$ 952
Interest on Deferral	\$ 15,821
October 2021 L to A Movement	\$ 553,645
Rounding	\$ 2
June 30, 2022 ending balance	\$ 650,735

EN Deferral Decoupling Liability Account Activity 8840-2-0000-20-2910-2542	
September 2021 Beg. Balance	\$ (43,197)
Decoupling	\$ 703,943
True Up For Previous Month	\$ 1,623,128
Interest on Deferral	\$ 33,218
Move Asset Per Sept. 21 filing	\$ 86,054
June 30, 2022 Ending Balance	\$ 2,403,146

KN Deferral Decoupling Liability Account Activity 8840-2-0000-20-2910-2542	
September 2021 Beg. Balance	\$ 556,371
Decoupling	\$ 213,862
True Up For Prior	\$ 3,721
Interest on Deferral	\$ 5,747
Reclass to Asset	\$ (553,645)
June 30, 2022 Ending Balance	\$ 226,056

The general ledger account information is provided for informational purposes only. Audit is not expressing an opinion on the accuracy of the activity or balances. Again, it is understood that that the 2019-2020 and 2020-2021 decoupling calculation is being reviewed in DG 22-041 and the 2021-2022 RDAF is being reviewed and adjudicated in DG 22-045 on a separate procedural schedule.

Property Tax Adjustment Mechanism (PTAM) Schedule 5

Within a Settlement Agreement submitted to the Commission in Docket DG 20-105, on 6/30/2021, and approved by Commission Order 26,505 on 7/30/2021 is a clause detailing a Property Tax Adjustment Mechanism (PTAM). The Order includes: *“The Settlement Agreement includes a local property tax adjustment mechanism, which the settling parties assert is consistent with RSA 72:8-e. The mechanism would allow recovery or refund of local property tax expenses that differ from the amount included in base rates, beginning with the April 1, 2020 tax year.”* The amount of the property tax expense included in base rates was \$8,924,897.

On September 2, 2021, EnergyNorth filed a PTAM Tax Year 2020 Reconciliation and Rate Adjustment filing docketed as DG 21-128. The updated 2020 property tax expense recovery amount totaled \$10,897,564, reflecting the increase in property tax expense of \$1,972,667 from the amount included in base rates. The \$1,972,667 represents tax expenses incurred between April 1, 2020, and March 31, 2021, and was proposed to be recovered through the LDAC beginning with the with the January 1, 2022 billing. On September 15, 2021 the EnergyNorth Property Tax Adjustment Mechanism Final Audit Report was issued and found no issues with the updated PTAM filing. On December 9, 2021, the Commission approved the

recovery of \$1,972,667 in increased property tax expenses incurred between April 1, 2020 and March 31, 2021, by Commission Order 26,554.

In this DG 22-045 LDAC filing, EnergyNorth seeks to recover the increase in property tax expenses for the tax year 2021, April 2021 through March 2022, in addition to projected prior period under collection through October 31, 2022, and projected interest. in the amount of \$2,301,852. In support of this figure EnergyNorth filed a revised Schedule 5 PTAM on October 7, 2022, as an update to the original Schedule filed on September 1, 2022. Each page of the Schedule is outlined as follows:

Schedule 5 PTAM-Revised page 1 of 5:

Property Tax Reconciliation

<i>Projected Prior Period (Over)/Under Balance through October 31, 2022,</i>	
including interest: - see PTAM page 2 of 5	\$ 241,127
PTY 2021 Municipal Property Taxes Increase-see PTAM page 3 of 5	\$2,013,469
Projected Interest:	<u>\$ 47,256</u>
Total <i>Estimated Recovery</i> :	\$2,301,852

Schedule 5 PTAM-Revised page 2 of 5: Shows a *projected* October 2022 ending balance of \$239,661 plus projected interest \$1,465= \$241,126. The beginning figure on page 2, of \$1,972,667, agrees with the DG 21-128 Audit report for the first year of the PTAM. For the period January 2022 through August 2022, the reported actual interest was \$23,328. Projected interest for September and October 2022 was an additional \$2,878. Reconciliation of the previous period January 2022 through October 2022, ending actual balance of \$603,951 plus interest of \$1,747 sums to \$605,698 as of June 2022. The projected interest included on Schedule 5 PTAM-Revised Pages 1 and 5, \$47,256, reflects interest projections for November 2022 through October 2023.

<u>Schedule 5 PTAM-Page 3 of 5:</u> Shows the calculation of the 2021 Municipal Property Taxes	
Expense included in Base Rates-DG 20-105	\$ 8,924,897
Tax year 2021 April 2021 through March 2022	<u>\$10,938,366</u>
Increase	\$ 2,013,469

Schedule 5 PTAM page 4 of 5: Shows 67 specific municipal parcels and related installments for property tax year 2021 which sum to \$10,938,366.

Schedule 5 PTAM page 5 of 5: Shows projections only, which cannot be audited.

Audit reviewed all the 2021 property tax invoices associated with page 4 of the revised Schedule 5 PTAM filing that reflects the \$10,938,366 figure. In the review of the property tax invoices, Audit found 4 invoices for the town of Gilford that contained amounts not included in the PTAM filing. These invoices were appropriately billed to EnergyNorth but incorrectly include the State Education Tax. The parcels included in the PDF invoices and not in the original filing were the following:

Parcel ID				State Ed	
Gilford, NH	1st Issue	2nd Issue	Total Tax	Exclude	Adjusted
210-002-000	\$ 63	\$ 40	\$103	\$(21)	\$ 82
210-003-000	\$ 58	\$ 37	\$ 95	\$(19)	\$ 76
210-004-000	\$ 57	\$ 35	\$ 92	\$(18)	\$ 74
210-005-000	<u>\$ 58</u>	<u>\$ 38</u>	<u>\$ 96</u>	<u>\$(19)</u>	<u>\$ 77</u>
Total	\$236	\$150	\$386	\$(77)	\$309

It is unclear why EnergyNorth did not include \$309 in their tax year 2021 total expense PTAM page 4. **Audit Issue #4**

One of the municipalities listed in the filing was labeled as “7 Delta Drive”, with the actual property location in Londonderry, New Hampshire. Upon further research it was discovered 7 Delta Drive is an administratively dissolved company. Upon questioning EnergyNorth as to why it was included in the PTAM filing and the dissolution status of company, they responded with the following:

The 7 Delta Drive parcel is EnergyNorth’s inventory warehouse located in Londonderry, NH. The warehouse is leased, with EnergyNorth’s immediate parent corporation, Liberty Energy Utilities (New Hampshire) Corp., the lessee, and 7 Delta Drive, LLC the landlord/lessor. Per the terms of the agreement, the Company is required to pay the property taxes on the warehouse.

As confirmed with the landlord, the 7 Delta Drive, LLC entity is still an operating entity. It appears the administrative dissolution resulted from the landlord’s failure to file its annual report with the New Hampshire Secretary of State. Liberty has so notified the landlord and asked them to remedy this.

The PTAM filing indicates taxes were paid for the entire year in full, however in a follow-up request for a copy of the rental agreement, the agreement states the “For the tax years during which the term of this lease shall commence and terminate, Tenant shall pay its prorated share of such real estate taxes upon the leased premises based on the portion of the lease term during such tax year.” According to the rental agreement the lease commenced on May 1, 2021, indicating EnergyNorth should only be responsible for the prorated portion of the first issue taxes since the tax year began April 1, 2021. The total of the first issue taxes was \$14,659, so the prorated portion EnergyNorth should have paid would be \$12,215.85 (\$14,659/6 months = \$2,443.17 then \$2,443.17 x 5 months = \$12,215.85). Audit recommends \$2,443.15 or 1 month of taxes be excluded from the revised page 1 and revised page 3 filing amount. **Audit Issue #4**

Audit received the 1st, 2nd, 3rd and 4th installment invoices for the City of Concord. It was initially discovered that the State Education Tax was incorrectly included in the filing on line 50 of the Schedule 5 PTAM page 4, or Concord parcel ID #77Z/11 and line 55 Concord Parcel ID #77Z/6/A. However, on the PDF copies of the 2nd and 3rd tax installment invoices, there is a note that says, “empty lot so not used to utility business; subject to state Ed tax”. This note indicates these 2 properties are not being used for utility business, therefore under RSA

72:8-d they should not be included in the filing. Audit recommends \$2,222.71, the total taxes paid on the two properties mentioned above be excluded from the revised page 1 and revised page 3 filing amount. **Audit Issue #4**

Audit also found most of the 4th installment payments for the Concord properties listed on page 3 of the revised filing, varied from the actual invoices supplied, with the differences noted below:

		4th Installment	Actual	
	PARCEL ID	per Filing	PDF Invoice	Difference
Concord	77Z/12	\$ 7,832.47	\$ 7,174.62	\$ 657.85
Concord	77Z/11	\$ 550.18	\$ 503.36	\$ 46.82
Concord	77Z/10	\$ 6,420.15	\$ 5,880.90	\$ 539.25
Concord	77Z/9	\$ 312.06	\$ 285.84	\$ 26.22
Concord	77Z/7	\$ 571.78	\$ 523.77	\$ 48.01
Concord	77Z/6	\$ 903.08	\$ 827.23	\$ 75.85
Concord	77Z/6/A	\$ 5.47	\$ 4.99	\$ 0.48
Concord	NO00/1/13	\$ 22,179.03	\$ 13,628.82	\$ 8,550.21
Concord	P000/1/6	\$ 1,635.83	\$ 785.36	\$ 850.47
Concord	792Z/2/1	\$ 125.68	\$ 262.39	\$ (136.71)
Concord	P000/1/3	\$ 28,405.53	\$ 26,182.10	\$ 2,223.43
Concord	NO00/1/2	\$ 437,962.67	\$ 454,308.05	\$ (16,345.38)
Concord	202Z/21	\$ 254.94	\$ 233.51	\$ 21.43
Concord	743Z/19	\$ 1,780.19	\$ 1,623.61	\$ 156.58
Concord	494Z/3	\$ 290.38	\$ 266.00	\$ 24.38
	TOTAL	\$ 509,229.44	\$ 512,490.55	\$ (3,261.11)

There was no explanation as to why the Company paid different amounts than what was due on the property tax invoices.

After review of all the property invoices submitted it is recommended that a total of \$4,666 be excluded from the from the revised page 1 and revised page 3 filing amount, and \$309 should be added. **Audit Issue #4.** Invoices were properly addressed to the correct owner and excluded the State Education Tax when appropriate.

Verification to the general ledger

As tested during the DG 21-128 audit process, EnergyNorth indicated that “we combine all EN property tax invoices sitting in the prepaid account, then amortize that total on a monthly basis to Expense over the tax period. The NHDRA taxes, which are not eligible for the mechanism, are combined with the town taxes on the monthly amortization entry...” The prepaid and expense accounts noted in the prior audit were:

8840-2-0000-10-1240-1653, Prepaid Taxes-Mun Property-Oper (ENG)

8843-2-0000-10-1240-1653, Prepaid Taxes-Mun Property-Oper (Keene)
8840-2-9820-69-5680-4080, Property Tax Expense (ENG)
8843-2-9820-69-5680-4080, Property Tax Expense (Keene)

The process to record the PTAM had been to estimate the tax year total, and deduct that from the amount included in base rates, then spread that evenly across twelve months. Subsequently, to more closely match the deferral reduction (via revenue) to the actual revenue, the estimates are based on a percentage revenue calculation such that in higher use months, the monthly estimated revenue would be higher, and vice versa. Because the Company indicated that testing this for any specific month would not be productive, given that at the end of the tax year is a true-up regardless of the monthly entries, as well as the timing of the information provided (discussion with Audit on November 29, 2022), Audit cannot conclude if the manner of demonstrating the revenue is appropriate or not.

Account 8840-2-0000-10-1168-1828, Property Tax Adjustment Mechanism, established in January 2022, reflected a balance of \$3,160,500.26 through June 2022. \$3,160,500.26 is the reported difference of the PTAM entries totaling \$4,547,142.00 and the PTAM recoveries from customers totaling \$(1,386,641.74). The filing schedule 5 reflects a June 2022 balance of \$603,951. **Audit Issue #5**

PTAM Entries were originally recorded in account 8840-2-0000-10-1168-1820, Miscellaneous Current Accrued Assets. The Company explained:

“The PTAM activity for the filing period April 2021 – March 2022 started to be calculated in account 1168-1820. When Order No. 26,554 was issued for recovery to begin January 1, 2022, a new account (1168-1828) was set up for the recovery to be recorded directly from customers’ bills... (January, February, early March), the recovery rate was placed in the rate case recovery account (1930-1745) by adding the rate to the existing LDAC rate and starting March 1 the PTAM rate was reclassified from the rate case recovery account to the PTAM account....In March 2022, all previous activity from April 2021 to the present was moved to the new account. Recoveries that started in January 2022 were recorded manually in this account until the automatic calculation became active.”

In a follow up meeting with the Company on October 20, 2022, it was questioned how the originally approved tax year PTAM figure of \$1,972,667 was reflected in 1168-1820 since this general ledger account was not provided and it was unclear how this balance was reflected in a roll forward calculation provided to Audit. It was explained by the Director of Accounting at Liberty, that although the roll forward balance has a \$0 starting balance, *“the \$1,972,667 was within all the entries posted on 3/31/2022”*. The Company did not provide the general ledger for account 1168-1820, despite requests for the offsetting entries for account 1168-1828. During the course of the audit, the Company’s only response was *“Monthly mechanism calculations for future filings are offset in the Other gas Revenues account.”* **Audit Issue #5**

Audit was unable to verify the total of \$(781,424.70), identified on the PTAM reconciliation as PTAM revenue that needed to be reclassified to the Rate Case Recovery

deferred account. Of this, \$(494,771.95) was credited to the PTAM account and debited to 1903-1745 Rate Case Recovery account, but \$(286,652.75), credited to the PTAM account, could not be verified to an offset. Audit was able to verify \$(605,216.24) to the detailed general ledger which represents part of March through June 2022 revenue. Again, offsetting entries could not be verified. The total of these 2 figures \$(781,424.70) + \$(605,216.24) is the reported recovery amount of \$(1,386,641.74). **Audit Issue #5**

The filing Schedules 5 PTAM should be adjusted as follows:

Municipal Property Taxes	<u>As filed</u>
Expense included in Base Rates-DG 20-105	\$ 8,924,897
Tax year 2021 April 2021 through March 2022	<u>\$10,938,366</u>
Increase	\$ 2,013,469 per pages 1 and 3
Municipal Property Taxes	<u>As Audited</u>
Expense included in Base Rates-DG 20-105	\$ 8,924,897
Tax year 2021 April 2021 through March 2022	\$10,938,366
Add 4 Gilford invoices	309
Deduct 1 month Londonderry lease	(2,443)
Deduct 2 Non-utility Concord parcels	(2,223)
Adjusted Tax year 2021 April 2021 – March 2022	<u>\$10,934,009</u>
Adjusted Increase	\$ 2,009,112

Rate Case Expense Factor Schedule 6

On October 11, 2021, the EnergyNorth DG 20-105 Rate Case Expense Final Audit Report was issued. The Audit Report indicates \$741,520 in actual invoices and total expenses were reviewed as of August 1, 2021. The report indicates an additional estimated \$115,034 in rate case expenses for which those invoices were not reviewed. The report recommended a \$694,412 recovery of rate case expenses. This is a \$47,108 difference that Audit Issue #1 indicates are \$12,893 in Keegan Werlin legal costs and \$34,215 Scott Madden consulting costs. The Audit Issue #1 recommended disallowance of recovery of the rate case expense costs that were related to Customer First and the Granite Bridge Project. The Company is presently involved in litigation at the NH Supreme Court seeking recovery for Granite Bridge costs that were disallowed by the Commission for recovery.

Department of Energy Staff did not issue a recommendation until August 12, 2022. In that recommendation letter, Staff recommended disallowances for all the Granite Bridge legal and consulting costs seen in Audit Issue #1 as well as \$48,382 paid to Concentric Energy Advisors for the decoupling study. Staff recommended disallowance of the decoupling study because of an allegedly flawed study conducted by Concentric which resulted in the petitioned erroneous RDAF calculation now the subject of Docket DG 22-041.

EnergyNorth responded to the Staff Recommendation letter on September 8, 2022 and disputed DOE Regulatory Staff recommended disallowance of Granite Bridge and the

Decoupling Study. The Company response indicates that all the rate case expenses were prudently incurred and should be authorized for recovery.

As stated previously in this report, on September 29, 2022, the Commission Order No. 26,691 approved \$680,770 in previously audited rate case expenses. The Order indicated the remaining rate case expenses are to be audited with a report to be filed by December 30, 2022. On September 29, 2022, the Commission Order No. 26,692 required the Company to file updated LDAC schedule by October 7, 2022 showing the \$680,770 approved rate case expenses. On October 7, 2022, the Company filed updated Rate Case Expense LDAC filing schedules.

Audit verified the initial August 1, 2022 DG 22-045 the Rate Case Expense and Recoupment Reconciliation Filing Schedule 6 Page 3 Bates page 095, July 2021-June 2022 monthly actual balances to the general ledger account 8840-2-0000-10-1169-1756. The \$773,228 beginning balance for EnergyNorth matched the prior year deferral ending balance on the filing. Audit also verified the monthly activity, and monthly ending balances to the filing schedule. The Company, in the subsequent September 1, 2022 LDAC filing, updated Filing Schedule 6 pages 2 and 3. The update removed the July 2021-October 2021 actuals from the filing for account 8840-2-0000-10-1930-1745.

EN Rate Case Expense Portion of LDAC

Beginning Balance November 1, 2021	\$ 812,604
PTAM Adjustment part of RCE acct originally	<u>\$ 494,772</u>
Rate Case Recoupment Adjustment	\$ 1,296,728
Interest on Deferral	\$ 19,383
CSM Bill Transactions	\$(1,811,762)
CSM Void Transactions	\$ 20,186
Granite Bridge Invoices Removed	\$ 42,808
Mr. Occupant	\$ -
Interest on Deferral	<u>\$ -</u>
Ending Balance June 30, 2022 Bates Page 095	\$ 874,718

The September 1, 2022 LDAC Rate Case Expense Filing Schedule 6 Page 1 Bates Page 040 indicates the prior period October 31, 2022 under recovery from prior period rate case expenses to be \$72,693. There were reported to be additional rate case expenses, bringing the total to \$843,361 in rate case expenses that includes a (\$4,836) DG 17-048 prior period rate case credit. This brings the projected rate case expense to \$937,499 on the September 1 filing. The September 1, 2022 LDAC Rate Case Expense Filing Schedule 6 Page 4 Bates Page 043 summarizes the audited expenses of \$741,518 and \$106,680 in post audited expenses that summed to \$848,198 for all the rate case expenses. The post audited expenses included legal costs, review status of the depreciation reserve, testimony support, consulting, and cost of capital study charges. Audit did not review the post audited \$106,680 rate case expenses during this review per the September 1 filing. Rather, the post-audit review of the updated rate case expenses is being done as directed by the PUC, with a separate report to be issued prior to December 31, 2022.

The October 7, 2022 LDAC Rate Case Expense and Recoupment Filing Schedule 6 Page 1 indicates the prior period October 31, 2022 under recovery from prior period rate case and recoupment expenses to be \$129,039. The filing indicates there are \$680,768 in DG 20-105 rate case expenses to be recovered as of August 31, 2022. There was a credit for (\$4,836) for DG 17-048 rate case expenses. The projected recoupment to \$804,971 and \$17,048 in projected interest bring the project November 1, 2022-October 31, 2023 projected recovery to \$822,018. The October 7, 2022 LDAC Rate Case Expense Filing Schedule 6 Page 4 summarizes the \$680,768 previously approved recovery expenses and an additional \$71,940 in expenses to be audited. in post audited expenses that summed to \$752,708 for all the rate case expenses. **Refer to the Audit Report required by PUC Order 26,691**

Recoupment of Temporary to Permanent Rate Difference

On September 1, 2022 Filing Schedule 6 Page 2 Bates Page 41 the Company filed updated actual Rate Case Expense and Recoupment schedules that included the recoupment beginning balance of \$1,331,220 recoupment allowance for November 1, 2021. This figure is seen on Bates Page 126 in the updated RCE updated schedule in the DG 21-130 EnergyNorth winter cost of gas docket. The settlement agreement in DG 20-105 included (\$568,780) applied against the indirect costs of \$1,900,000 for a total recoupment of \$1,331,220 that was filed in DG 21-130 on October 19, 2021 Bates page 126. The recoupment was for the temporary/permanent rate difference. Audit reviewed the phased in recoupment account #8840-2-0000-10- 1168-1420 that indicates August 1, 2021 beginning balance is supposed to be \$1,329,067 while the filing schedule 6 page 2 shows \$1,331,220. This is a \$2,153 difference that will require an adjusting entry. **Audit Issue #6** Audit was able to verify the (\$1,090,117) November 2021-June 2022 revenue collected on the GL to the filing. Audit was able to verify the Company was using the correct interest rates that was the quarterly Federal Reserve Prime Interest Rate.

On October 7, 2022, the Company filed an updated LDAC Filing Schedule 7 page 2 that includes the November 1, 2021 beginning balance, collections, interest, and ending balance through August 2022. Despite the Company providing multiple versions of the LDAC filing schedules, Audit was able to verify the recoupment of temporary to permanent rate difference activity to the general ledger. September-December 2022 are projections that were provided by the Company. The chart below summarizes the Phased in Revenue account activity 8840-2-0000-10-1168-1420 through August 2022.

Regulatory account 8840-2-0000-10-1168-1420									
Month	Beg. Balance	DG 20-105	Recovery EN	Recovery KN	Interest	Step Increase	Recoupment	Interest	Ending Balance
7/31/2021	-	1,329,067							1,329,067
8/31/2021	1,329,067				3,659				1,332,726
9/30/2021	1,332,726				3,560				1,336,286
10/31/2021	1,336,286				3,689				1,339,974
11/30/2021	1,339,974		(20,125)	(566)	3,552				1,322,835
12/31/2021	1,322,835		(139,641)	(1,439)	3,457				1,185,212
1/31/2022	1,185,212		(179,012)	(1,866)	3,022				1,007,355
2/28/2022	1,007,355		(209,491)	(1,844)	2,248				798,268
3/31/2022	798,268		(186,570)	(1,561)	1,944	3,267,059			3,879,140
4/30/2022	3,879,140		(131,744)	(1,034)	1,570	325,489			4,073,421
5/31/2022	4,073,421		(90,760)	(652)	1,295	202,471			4,185,775
6/30/2022	4,185,775		(52,709)	(358)	1,199	125,972			4,259,878
7/31/2022	4,259,878		(36,859)		1,293	111,371			4,335,683
8/31/2022	4,335,683		(33,545)	(341)	1,601		(112,580)		4,190,819
9/30/2022	4,190,819								4,190,819
10/31/2022	4,190,819								4,190,819
11/30/2022	4,190,819								4,190,819
12/31/2022	4,190,819								4,190,819
Total		1,329,067	(1,080,456)	(9,660)	32,086	4,032,363	(112,580)	-	4,190,819

Gas Assistance Program (Low Income) Schedule 7

The Company provided the balance sheet account for the Low-Income portion of the LDAC. While the Low-Income program is not part of the Cost of Gas, the review of the general ledger was conducted as the Low-Income rate is set as part of the annual LDAC. On April 27, 2018 Commission Order 26,122 approving permanent rates for EnergyNorth authorized the Keene division to be part of distribution rates and to start calculating Residential Low Income Assistance Program (RLIAP) as part of LDAC effective May 1, 2018.

On August 27, 2020, the Commission Order 26,397 approved the Settlement Agreement for the changes made to the RLIAP to be called GAP or the Gas Assistance Program. The Settlement Agreement replaces a qualified customer's 60 percent bill credit on distribution and supply rates (exclusive of the LDAC) over twelve months with a 45 percent bill credit on the distribution and supply rates (exclusive of the LDAC) during the winter months, November 1, to April 30. This Audit review did not consist of a detailed audit of the specific Gas Assistance Program, rather, was a review of the general ledger beginning balances, activity, details, and ending balances only.

Filing Schedule 7 page 1 is the summary page for the residential Gas Assistance Program for EnergyNorth and Keene customers. The October 7, 2022 filing indicates a proposed November 1, 2022 \$0.0203 per therm charge that was based on actual and estimated \$3,781,934 program costs and 186,338,561 of therm sales and transportation projected through October 31, 2022.

Audit verified in the September 1, 2022 DG 22-045 the GAP Filing Schedule 7 Page 2 Bates page 045, November 2021-June 2022 monthly actual balances to the general ledger

accounts 8840-2-0000-10-1169-1756 and 8843-2-0000-10-1169-1756. The \$318,947 November 2021 beginning balance for EnergyNorth on the GL was verified to the beginning balance on the filing. Audit was able to verify the November 1, 2021 -June 30, 2022 account activity and \$741,214 ending balance on the filing and deferral account for EnergyNorth only. The Company on the filing did not include the Keene account balances/activity. With the inclusion of Keene, the June 30, 2022 deferral account ending balance should be \$770,247. **Audit Issue #7**

On October 7, 2022, the Company filed updated Gas Assistance Program LDAC filing schedules that included actuals through August 2022. Based on the difficulty of reviewing multiple versions of the LDAC schedules Audit was only able to review GL data for actual costs through June 2022.

Account 8840-2-0000-10-1169-1756 and 8843-2-0000-10-1169-1756 reflected the following for the period 11/2021 – 6/2022:

EN Low Income Portion of LDAC

Beginning Balance November 1, 2021	\$	318,947
Variable price per therm	\$	955,201
CCSM Billing Transactions Fixed per Therm	\$	(2,219,600)
Gas Cost Supply	\$	1,413,913
Accrue Missing Cycle Batch	\$	-
Low Income Discount	\$	260,045
Mr. Occupant	\$	-
Interest on Deferral	\$	12,709
Ending Balance June 30, 2022 Bates Page 0097	\$	741,214

Low Income Portion of LDAC Keene

Beginning Balance November 1, 2021	\$	3,394
CCSM Bill	\$	(25,387)
CCSM Bill Void	\$	5,333
Gas Cost Supply	\$	32,582
Base Price per Therm	\$	2,779
Variable Price Per Therm	\$	9,923
Low Income Discount	\$	-
Mr. Occupant	\$	-
Interest on Deferral	\$	410
Ending Balance June 30, 2022 not in Filing	\$	29,033
EN and Keene GL Ending Balance	\$	770,247

Audit Issue #1 Energy Efficiency

Background

On October 7, 2022, the Company filed an updated Energy Efficiency LDAC charge that is identified on Bates page 148. The updated filing eliminated the previous four filing schedules. The updated filing is one page that indicates rates will be set as of January 1, 2023 based on HB 549.

Issue

The filing indicates the residential rate is \$0.0664 per therm and \$0.0442 per therm for commercial/industrial customers. The rates the Company proposed do not agree with the rates approved in Commission Order 26,306 that set rates at \$0.0640 per therm for residential and \$0.0426 per therm for commercial.

Recommendation

The Company should update the Energy Efficiency LDAC filing schedule, so the rates used are in compliance with HB 549.

Company Comment

The Company agrees with the audit recommendation. Updates to the residential rate of \$0.0640 per therm and commercial/industrial rate of \$0.0426 per therm will be made effective November 1, 2022. This change will be noted in the cover letter to the annotated tariff compliance filing pages required in Commission Order No. 26,715 which are due November 15, 2022.

Audit Comment

Audit concurs with the Company, and verified that a revised tariff was provided to the PUC on November 15, 2022 reflecting the correct rates of \$0.0640 and \$0.0426.

Audit Issue #2

Environmental Costs

Background

Audit reviewed the July 2021-June 30, 2022 environmental remediation costs per the filing, for verification to the GL. Activity during the year were verified to the GL.

Issue

Audit was not able to verify the over/under balances in the environmental remediation GL account #8840-2-0000-10-1920-1863, R/A-Environmental-Materials \$5,500,030, to the LDAC filing schedule 3 page 2 of 2 \$2,833,284 or schedule 3.4 page 1 \$4,692,809.

The -1920-1863-deferral account has a November 1, 2021 beginning balance of \$5,500,030. This is a \$2,666,746 difference from the filing schedule 3-page 2 beginning balance of \$2,833,284.

Filing schedule 3-page 2 November 2021 beginning balance \$2,833,284 per Bates page 138 in DG 21-130. The filing schedule 3.4 page 1 indicates the beginning balance is \$4,692,809, a variance of \$807,221 from the GL and a \$1,859,525 difference in the filing itself between \$2,833,284 and \$4,692,809

Recommendation

The over/under balances on the filing vs the GL were different due to timing, per the Company, and the reconciliation of any accruals that were done. The over/under balances on the filing should be verifiable to the GL. The Company should perform any adjusting entries as needed so the GL and filing tie to one another. It is understood that the filing expenses do not include accruals or reclassifications that may be booked to the GL. However, the Company should ensure beginning balances on the GL and Filing can be reconciled.

Company Comment

The Company will follow-up with a reconciliation of the beginning balances on the GL to the LDAC filing balances on Schedule 3, page 2, and Schedule 3.4, page 1.

Audit Comment

Audit appreciates that the Company will follow-up with a reconciliation clarifying the beginning balances on the GL to the LDAC filing schedule balances for Schedule 3, page 2, and Schedule 3.4, page 1. The Company should be able to explain the difference between the beginning balances on the GL and the LDAC filing schedules Schedule 3, page 2, and Schedule 3.4, page 1. The reconciliation should be provided to Audit as soon as it is accomplished.

Audit Issue #3 RDAF

Background

The Company included a decoupling liability account on the filing schedules that is not included on the tariff. Also, the filing schedules need to clearly list the asset and liability general ledger accounts on the filing schedule.

Audit Issue

The Company did not clearly identify the EnergyNorth and Keene Deferred Decoupling Asset accounts 8840-2-0000-10-1168-1823 and 8843-2-0000-10-1168-1823 or the Deferred Decoupling Liability accounts 8840-2-0000-20-2910-2542 and 8843-2-0000-20-2910-2542 by name on filing schedules 4 in docket DG 22-045. The decoupling liability account is not included on the tariff page.

It is unclear why asset and liability accounts would be necessary, as the tariff does not reflect the use of any account other than the 1823 asset account.

Audit was unable to reconcile the RDAF filing to the general ledger.

Audit Recommendation

The Company should explain why a liability account is used, and why the tariff does not reflect that account.

Going forward, the Company should clearly list the names of the EnergyNorth and Keene Deferral Decoupling Asset 8840-2-0000-10-1168-1823 and 8843-2-0000-10-1168-1823 accounts and Deferral Decoupling Liability 8840-2-0000-20-2910-2542 and 8843-2-0000-20-2910-2542 on all filing schedules. The account titles (aka names) are presently not included on the filing schedules.

Going forward, the (over)/under balances on the RDAF filing schedules must reconcile to the GL accounts.

Audit understands that a detailed examination of the 2021-2022 RDAF calculations balances will take place in Docket DG 22-045 over an extended procedural schedule. Docket DG 22-041 will review the prior years' RDAF calculations and refunds.

Company Response

The Company uses one account (liability 2910-2542) to track the current activity over the course of the decoupling year from September 1 to August 31 and one account (asset 1168-1823)

to track the recovery of the previous years' filed activity. This is consistent with the implementation of decoupling at EnergyNorth and Keene. The Company finds that it is cleaner to include the prior approved vs. the current year activity in separate accounts for tracking purposes. The liability account can be reclassified to a 182X account if that is preferred. The additional asset or liability account will be added to the Tariff.

The Company will reference the account numbers and names on the filing schedules going forward.

The Company reconciled the filed 6/30/2022 ending balance as follows:

June 30, 2022 Per Filing:			
	Residential	Commercial	Total
Page 2	373,226	475,812	849,038
Page 3	2,449,586	131,532	2,581,118
			3,430,156
	Add back:	2019 Filing	1,932,224
		2020 Filing	2,092,605
			7,454,985
June 30, 2022 Per GL:			
	EnergyNorth	Keene	Total
Asset	4,198,535	650,735	4,849,270
Liability	2,403,146	226,056	2,629,202
			7,478,473
	Variance Filing to GL		(23,488)

The Company will record any adjustments to the GL to agree to the filing based on actual figures presented (rather than estimates included in the filing).

Audit Response

Audit appreciates that the Company will include the account numbers and account names on filing schedules going forward.

Audit also appreciates the clarification regarding the reason behind the use of an asset and liability account. However, the tariff First Revised Page 41B, as authorized by NHPUC Order No. 26,187 11/2/2018 in Docket DG 17-048 clearly states:

*“1168-1823 **Revenue Decoupling Adjustment Factor:** This account shall be used to record the cumulative difference between the lost revenue of the Company and the revenue collected from customers pursuant to this clause with respect to a given Rate Category. Entries to this account shall be determined as outlined in the Local Distribution Adjustment Clause, 17(D).”*

The Original Page 41B included identical language, and was authorized by NHPUC Order No. 26,122, issued April 27, 2018 in DG 17-048, and was included as an exhibit (#92) at a hearing on October 19, 2018.

Audit Issue #4 PTAM – Non-utility properties

Background

EnergyNorth seeks to recover the property tax expenses for the tax year 2021 on multiple properties located in New Hampshire.

Audit Issue

After reviewing the supporting backup for the expenses, it was discovered 4 properties in Gilford, NH were not included in the original filing. It also appears that the full year of taxes paid on a property known as 7 Delta Drive in Londonderry, NH was erroneously included and 2 parcels in Concord, NH were inadvertently included in the filing for recovery.

It is unclear why these expenses were not included in the filing. They appear to be utility properties with the total taxes paid as the following:

Parcel ID				State Ed	
Gilford, NH	1st Issue	2nd Issue	Total Tax	Exclude	Adjusted
210-002-000	\$ 63	\$ 40	\$103	\$(21)	\$ 82
210-003-000	\$ 58	\$ 37	\$ 95	\$(19)	\$ 76
210-004-000	\$ 57	\$ 35	\$ 92	\$(18)	\$ 74
210-005-000	<u>\$ 58</u>	<u>\$ 38</u>	<u>\$ 96</u>	<u>\$(19)</u>	<u>\$ 77</u>
Total	\$236	\$150	\$386	\$(77)	<u>\$309</u>

A rental agreement exists for the property in Londonderry also known as “7 Delta Drive”. The lease commenced on May 1, 2021, indicating EnergyNorth would only be responsible for the prorated portion of the first issue taxes since the tax year began April 1, 2021. The total of the first issue taxes was \$14,659, so the prorated portion EnergyNorth should have paid would be \$12,215.85 ($\$14,659/6 \text{ months} = \$2,443.17$ then $\$2,443.17 \times 5 \text{ months} = \$12,215.85$). Therefore \$2,443.15 or 1 month of taxes were improperly included in the PTAM filing.

Parcel ID#77Z/11 and parcel ID #77Z/6/A, located in Concord, NH were non-utility properties or not being used for utility business. Therefore, these parcels do not qualify as a utility company asset under RSA 72:8-d and are exempt from collection under RSA 72:8-e. As a result, the filing is overstated by \$2,222.71.

Audit Recommendation

It is recommended that the total property taxes paid for the 4 properties located in Gilford, excluding the state education, in the amount of \$309 be added to a revised page 1 and revised page 3 filing amount.

It is recommended that 1 month of taxes for 7 Delta Drive totaling \$2,443.17 be excluded from a total revised page 1 and revised page 3 filing amount.

It is recommended that \$2,222.71 be excluded from a total revised page 1 and revised page 3 filing amount.

Company Response

The Company agrees with all three of the recommendations and will make the adjustment in the next PTAM filing accordingly.

Audit Response

Audit concurs with the Company, and will be prepared to review the next PTAM filing for a specific line item detailing the sum of the agreed exclusions, \$(4,356.88). Any adjusting general ledger entries which may result from this issue should be provided to Audit as soon as they are posted.

Audit Issue #5

PTAM – General ledger accounts for balance brought forward

Background

The Company originally accounted for taxes eligible for recovery under the PTAM in 4 pre-paid and expense accounts. The Company indicated that it used account 8840-2-0000-10-1168-1820, Miscellaneous Current Accrued Assets to “start tracking the PTAM activity for the filing period April 2021 – March 2022”.

When Order No. 26,554 was issued for recovery to begin January 1, 2022, a new account 8840-2-0000-10-1168-1828, Property Tax Adjustment Mechanism, was established for the recovery to be recorded directly from customers.

Before the Company could use the new account, they used Rate Case Recovery account 8840-2-0000-10-1930-1745 as a placeholder to post ongoing entries. The Company reported that \$781,424.70 transferred to GL account 8840-2-0000-10-1168-1828 from accounts 8840-2-0000-10-1930-1745 and 8840-2-0000-10-1168-1820.

Audit Issue

The transferred balances for the months of January through March were difficult to verify to the detailed general ledger provided, which was 8840-2-0000-10-1168-1828, since the general ledger account 8840-2-0000-10-1168-1820 was not provided. Audit originally requested general ledger details that support the PTAM amount on August 11, 2022, and again on October 12, 2022. The October 12, 2022 request was only answered with partial information.

Audit verified that \$494,771.95 of the \$781,424.70 was debited to 8840-2-0000-10-1930-1745 in January and February 2022, and credited to the 8840-2-0000-10-1168-1828 account. The description of the debits was “reclass of the PTAM’s revenues”.

The (Over)/Under Ending Balance as of June 2022, \$603,951 on Schedule 5 PTAM Page 2 of the October 7, 2022 attachment to the technical statement of Heather Tebbetts, could not be verified to the general ledger 8840-0-0000-10-1168-1828 which reflected a balance of \$3,160,500.26.

Audit Recommendation

The Company should provide the full and specific journal entries for the entire \$781,424.70 PTAM reclassification.

Company Response

The full \$781,425.50 of PTAM recoveries transferred to 1168-1828 from January 2022 to March 2022 is made up of six journals entries.

5-1 – Journal # 1714124 for \$ 2,564.59
 5-2 – Journal # 1714141 for \$ 97,678.75
 5-3 – Journal # 1729329 for \$397,093.20
 5-4 – Journal # 1730162 for \$ 3,522.26
 5-5 – Journal # 1750518 for \$ 1,943.10
 5-6 – Journal # 1750546 for \$278,623.60
 \$781,425.50

To clarify, the Company did not set up the account 1820 specifically for PTAM. It was used because it was a miscellaneous account and we were not sure what the result of the filing for the 2020-2021 would be until the Order was issued for the collections to start in January 2022. The new permanent account for PTAM was set up and 1820 is still available to be used for other miscellaneous items should they arise.

The April 2020 through March 2021 \$1,972,667 was reclassified into account 8840-2-0000-10-1168-1828 in March 2022:

\$ 545,412.00

\$1,433,029.00

\$1,978,441.00 which is \$5,774 higher than the approved \$1,972,667. This true-up entry will be posted by year-end.

Overall, the -1828 account balance of \$3,160,500.26 as of June 30, 2022 is the net of:

Tax Year 2020 postings	\$ 1,978,441.00	
Tax Year 2020 recoveries	<u>\$(1,386,641.74)</u>	TY 20 \$591,799.26
Tax Year 2021 and 2022	<u>\$ 2,568,701.00</u>	Entries January through June 2022
GL Account total 6/2022	\$ 3,160,500.26	
Net Tax Year 2020 above	\$ 591,799.26	From above
Tax Year 2020 interest	\$ 18,117.12	Interest calculated for Jan - May '22
Tax Year 2020 to true-up	\$ (5,774.00)	Entry to be booked by year-end 2022
Unknown TY 2020 Variance	<u>\$ (191.38)</u>	
TY 2020 per Schedule 5	\$ 603,951.00	TY 2020 not fully recovered as of 6/2022

The \$2,568,701 is the sum of the tax year 2021 \$2,013,469 filing amount being requested for recovery and \$555,232 estimated for tax year 2022.

The Tax Year 2020 ending balance of \$603,951 is the balance remaining to be recovered from Order 26,554. The unknown variance of \$191.38 is attributed to rounding.

Audit Response

Audit appreciates the general journal entries provided in response to the draft report which was issued to the Company on November 1, 2022. The reader is reminded that the initial request for the general ledger was sent to the Company in August, 2022.

Recoveries on Schedule 5 of \$(1,386,642) for the period January 2022 through June 2022 were verified to the -1828 account for both EnergyNorth and Keene customers.

The journal entries provided confirm that the remaining \$286,652.75 (of the \$781,425.50) was debited from 8840-2-0000-10-1930-1745 and credited to account 8840-2-0000-10-1168-1828 in 4 separate entries in January, February and March. The description of the debits were “ Property Tax Adjustment Mecha”.

Clarification of the two entries which were booked to the -1828 account to reflect the Tax Year 2020 figure is appreciated. The true-up of \$5,447 entry should be provided as soon as it is posted.

Audit Issue #6 **Rate Case Expense Recoupment**

Background

Audit compared the EnergyNorth Rate Case Expense Recoupment Schedule 6, Page 2, Bates page 41 to the GL deferral account.

Audit Issue

On September 1, 2022 Filing Schedule 6 Page 2 Bates Page 41, the Company filed updated actual Rate Case Expense and Recoupment schedules that included the recoupment beginning balance of \$1,331,220 recoupment allowance for November 1, 2021. This figure is seen on Bates Page 126 in the updated RCE updated schedule in the DG 21-130 EnergyNorth winter cost of gas docket.

The settlement agreement in DG 20-105 included (\$568,780) applied against the indirect costs of \$1,900,000 for a total recoupment of \$1,331,220 that was filed in DG 21-130 on October 19, 2021 Bates page 126. The recoupment was for the temporary/permanent rate difference. Audit reviewed the phased in recoupment account #8840-2-0000-10- 1168-1420 that indicates the August 1, 2021 beginning balance is supposed to be \$1,329,067 while the filing schedule 6 page 2 shows \$1,331,220. This is a \$2,153 difference that will require an adjusting entry.

Audit Recommendation

The Company should perform an adjusting entry of \$2,153 that is the difference between the rate case expense recoupment account #8840-2-0000-10- 1168-1420 and filing schedule 6 page 2.

Company Response

An adjusting entry for \$2,153.00 will be done in November 2022 to reflect the correct beginning balance in the phased in revenue account and will provide the support to Audit once that is complete.

Audit Response

Audit concurs with the Company and asks that Liberty provide the adjusting journal entry within 30 days of the issuance of this Final Audit Report.

Audit Issue #7 **Gas Assistance Program**

Background

The Company did not include the Keene account details on the Gas Assistance Program in the filing.

Audit Issue

Audit verified in the September 1, 2022 DG 22-045 the RGAP Filing Schedule 7 Page 2 Bates page 045, November 2021-June 2022 monthly actual balances to the general ledger accounts 8840-2-0000-10-1169-1756 (ENG) and 8843-2-0000-10-1169-1756 (Keene). Through June 2022, the reported ending actual balance was \$741,214 under-collection.

The \$318,947 November 2021 beginning balance for EnergyNorth only, on the GL was verified to the beginning balance on the filing. Audit was able to verify the November 1-June 30, 2022 account activity and \$741,214 ending balance on the filing and deferral account for EnergyNorth only.

The Company on the filing did not include the Keene account balances/activity for account #8843-2-0000-10-1169-1756. At June 30, 2022, the balance was noted to be \$29,033.

Audit Recommendation

The Company should include the Keene GL account beginning balance, activity, and ending balance on the filing schedule 7.

Company Response

The Company agrees with the audit recommendation. The actual October 2022 ending balance of the Keene RGAP GL account will be reflected in next year's LDAC annual filing. The actual ending balance for September 2022 was \$27,266. Inclusion of this amount would have had an effect of an additional \$0.0001 per therm (from \$0.0203 to \$0.0204) to the RGAP portion of the LDAC.

Audit Response

Audit concurs with the Company.