

STATE OF NEW HAMPSHIRE**New Hampshire Department of Energy
Intra-Department Communication****DATE:** March 13, 2024**FROM:** Audit Staff, Division of Enforcement**SUBJECT:** Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a
Liberty Utilities
DG 22-045, 2023 Summer Period Cost of Gas Reconciliation
Final Audit Report**TO:** Thomas Frantz, Director, Regulatory
Faisal Deen Arif, Gas Director, Regulatory
Ashraful Alam, Gas Analyst Regulatory
Bruce Blair, Gas Analyst, Regulatory
Mary Schwarzer, Attorney, Legal
Karen Moran, Director, Audit, Enforcement Division**INTRODUCTION**

The Audit Staff has conducted a review of the gas revenues and expenses associated with the Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities summer cost of gas filing for 2023. The summer period runs from May through October annually and is considered part of the off-peak season. The Company provided a redacted version of the 2023 summer reconciliation in docket DG 22-045 on January 31, 2024, through the e-filing system and PUC docket book. A confidential version of the reconciliation was provided to the Audit Staff and Commission, and our audit was based on that confidential version.

On October 31, 2022 Commission Order 26,715 approved the EnergyNorth summer 2023 cost of gas rates, reflected below, for residential customers and commercial and industrial customers based on cost per therm charge. The Commission Order authorized increases up to 25% maximum charge.

	<u>Summer 2022</u>	<u>Summer 2022 Maximum</u>
Residential	\$1.02690	\$1.28363
C&I Low	\$1.02660	\$1.28325
C&I High	\$1.02710	\$1.28388

On May 3, 2023 the NHPUC issued a procedural request for records and specific answers to questions regarding the Company's proposed May 1, 2023 cost of gas per therm billed rate tariff filing that was submitted on April 24, 2023. The procedural request asked two Record Requests to be answered by the Company on May 15, 2023.

- The first Record Request asked “*Please explain the reasons for the summer rate increase in the context of declining NYMEX prices.*”
- The second Record Request was “*Please explain (with supporting schedules) the under collections included in the updated summer 2023 rates.*
 - a) *Do the under collections match the Summer 2022 reconciliation filed on February 2, 2023 in Docket No. DG 21-130? If not, please explain the differences.*
 - b) *Did DOE complete an audit of the Summer 2022 reconciliation? If yes, please, provide a copy of the final audit report.*”

On May 11, 2023 DOE Gas Regulatory Staff asked the PUC via memo for time to review any Company’s responses that were due on May 15, 2023. The Memo requested a review and an opportunity to file comments by May 25, 2023. On May 15, 2023 the Company responded to the records request.

Record Request RR-1 “*Please explain the reasons for the summer rate increase in the context of declining NYMEX prices.*”

Response to RR-1 *Cost of gas rates are tracked and calculated separately for the Summer (May-Oct) and Winter (Nov-Apr) periods. Each period has its own set of accounts to record expenses and revenues. When rates are established for each period, as well as in the monthly trigger filings, the rates are calculated intended to provide for an adequate amount of revenue to cover the expected costs of gas over the six-month period or remaining portion thereof and are also intended to properly address any prior over/under collection balance.*

Thus, to answer this request for the Summer period, one must look at May rates (the first month of the summer period) in the context of each period having its own running over/under collection balances, in addition to the market cost of gas.

The Summer 2023 accounts are starting with an under-collection from the 2022 Summer period. The calculation of the rate set for May 1, 2023, takes into account the under-collection as well as the projected expenses and revenues for the remainder of the period. Although NYMEX prices have been declining, the prior summer period under collection balance is outweighing the declining NYMEX pricing.”

Record Request RR-2 “*Please explain (with supporting schedules) included in the updated summer 2023 rates.*”

- a. *Do the under collections match the summer 2022 reconciliation filed on February 2, 2023 in DG 21-130? If so please explain the difference.”*

Response to RR 2a-

a)... *The under collection presented in the Summer 2022 reconciliation filed on February 2, 2023 in Docket No. DG 21-130 does not match the under-collection included in the updated summer 2023 rates for two reasons.*

- i. *First, as a result of the Department of Energy’s audit of the summer 2022 reconciliation in Docket No. DG 21-130, the Company made adjustments to the summer deferral account that are reflected in the May*

1, 2023 beginning balance. Please see CONFIDENTIAL Attachment 22-045 RR 2.2 containing the revised Summary Page 1 and Schedules 2B, 3, 5, and 6 which are also being filed in the Docket today. The adjustments are detailed in the Company's responses in the final audit report provided as Attachment 22-045 RR 2.3.

ii. Second, the May 1, 2023 beginning balance includes summer period transactions that occur between October 31, 2022 and April 30, 2023. Docket No. DG 22-045 Request No. RR 2 Page 2 of 2 Please see Attachment 22-045 RR 2.1 for the most recent details for the Summer accounts for Cost of Gas, bad debt and working capital.

b) Yes, please see Attachment 22-045 RR 2.3 for the DOE's Summer 2022 reconciliation final audit report issued March 28, 2023."

On May 16, 2023 the NHPUC in a procedural order granted the DOE request to respond by May 25, 2023 to the Company's response to the records request.

On May 25, 2023 the DOE filed comments in a position memo that indicates:

- *The [summer 2022] Audit Report identified five issues with a total under-collection of \$5,024,836.*
- *The Company's response No. 2 (May 17, 2023) identifies a total under-collection of \$18,727,910*
- *The Company's Response No. 2 (May 19, 2023) identifies a total under-collection of \$4,882,963 under collection.*

The DOE memo also indicates the Company's response to these different figures was very limited and the DOE was unable to provide an opinion on the matter at the moment.

On September 26, 2023 the DOE Staff filed a position statement memo that indicated in the Company's proposed October 1, 2023 cost of gas rate was a 71.3% increase on September 1, 2023 rates. The staff memo indicates the Company Regulatory Team explained the reason for an increase was due to an error and did not realize that the actual therms sold during the summer 2023 period were fewer in number than the forecasted therm sales. When the error was identified the Company felt an increase was merited to avoid a resulting projected \$4,519,276 under-collection ending balance. The memo indicates that staff will review this error further. The DOE memo also indicates the C&I High Use \$1.2839 per therm rounded rates are higher than the permitted \$1.28388 per therm. This memo states that the rounding issue also applied to the C&I Low Usage customers.

On September 28, 2023 the Company responded to the DOE Staff Position Memo that they did indeed file to bill at the maximum possible rate and the Company did not inadvertently round to the nearest fourth decimal place as the DOE had suggested. The Company indicated the rounding of rates is based on the nearest hundredth of a cent per unit as required by the Company's tariff. The Company indicates the October rates are correct as filed.

DG 22-045 Reported Summary Page 1 and 2

As filed with the NHPUC on January 31, 2024, the following summarizes the reported Actual ending balances:

Prior Summer Period Under-Collctn Prior Audit	\$ 4,133,022 as of October 31, 2022
December 2022 seasonal adjustment	<u>\$10,262,769</u>
Prior Summer Period Under-collection	\$14,395,791 Filing line 2
Net Off Peak Gas Costs 11/1/2022-4/30/2023	\$ 7,337,564 Line 4
Prior Period Adjustment 11/1/2022-4/30/2023	\$ (4,196,806) Line 6
Prior Period Interest Adj. 11/1/2022- 4/30/2023	<u>\$ 551,854</u> Line 12
Total 11/1-2022-4/30/2023 Adjustments	\$ 3,692,612 Line 13
May 1, 2023 Beginning Balance	\$ 18,088,404 Line 15
Miscellaneous Overhead	\$(12,131,927) Line 39
Total Gas Costs Allowed per filing	\$ 3,534,276 Line 46
Less: Cost of Gas Revenue Billed per filing	\$(20,101,576) Line 50
Deferral Interest May-October 2023	<u>\$ 401,820</u> Line 17
Summer Period October 31, 2023 Ending Balance	\$(10,209,003) Line 52
Add: Bad Debt	\$ 711,161 Line 68
Add: Working Capital	<u>\$ 17,414</u> Line 84
Total over-collection	\$ (9,480,427) Line 85

The reported ending period over-collection does not agree with the DG 23-076 2023-2024 EnergyNorth cost of gas filing schedule 3, Page 1 of 3 Beginning Balance, which is part of the Winter and Summer Cost of Gas docket for the period November 2023 through October 2024. The Beginning balance in DG 23-076 is reported to be an under-collection of \$9,879,800. The DG 23-076 schedules were filed on September 1, 2023, before the conclusion of the summer 2023 cost of gas season that ended in October 2023. In October 2023, the Company performed a (\$12,131,927) seasonal adjusting entry that affected the summer deferral account balance. This is a large difference that is the result of large adjustments discussed on subsequent pages of this report.

Filed Ending Summer Balance in DG 22-045	\$ (9,840,427)
Filed Beginning Summer Balance in DG 23-076	<u>\$ 9,879,800</u>
Variance	\$(19,720,227)

The Company on the filing performed three (\$10,262,769) December 2022, \$6,065,963 March 2023, and (\$12,131,927) October 2023 large seasonal adjusting entries that are discussed later in this audit report.

The Company used the \$14,395,791 prior summer period beginning balance rather than the \$4,133,022 under-collection beginning balance per the 2022 prior year audit report. The reason the Company used the November 1, 2022 \$14,395,791

beginning balance is because of a prior period December 2022 (\$10,262,769) journal entry reclassification that was done moving summer costs to the winter deferral account that was discussed in the summer 2022 audit report and summarized below.

December 2022 Adjusting Entry

The reason for the December 2022 adjustment was for commodity costs reported that were reported erroneously booked to the summer season storage injections rather than to the winter season in a December 2022 adjustment. The Company indicated the costs were all commodity purchases for gas injected to storage from Vitol, DTE, and Direct Energy. The Company performed a December 2022 seasonal correcting entry. The reported costs are:

May 2022	\$1,859,411
June 2022	\$1,628,729
July 2022	\$1,437,292
August 2022	\$2,114,607
September 2022	\$2,103,649
October 2022	<u>\$1,119,077</u>
Total	\$10,262,769

The Company provided the net (\$10,262,769) December 2022 month-end adjusting entry that was part of a larger \$26,448,446 entry that also included bad debt and working capital removing the deferred gas costs booked to the summer that should have been booked to the winter season. The adjusting entry was done on January 9, 2023 and moved (\$10,262,769) in deferred summer gas costs to the winter season:

Debit Winter deferral account #130800-10168-11174001	\$10,262,769
Credit Summer deferral account #130800-10168-11174002	\$(10,262,769)

Summary of December 2022 Adjusting Entry

Audit reviewed a \$26,172,570 December 2022 journal entry that included original and correcting entries between the winter and summer deferral accounts. The entries were done after the Company procurement division informed the Staff Accountant that Vitol, DTE, and Direct Energy Storage injections were booked in the summer 2022 season when they should have been booked in the winter season. The Company provided the seasonal storage injection changes that Audit was able to verify to monthly weighted average injection monthly allocation changes to the specific charge detail. The chart below summarizes the \$26,172,570 entry and the net (\$10,262,769) credit adjustment to the summer deferral account.

Adjusting entries for the Deferred Winter and Summer Costs of Gas

Account	Account Short Text	Text	Amount	REGULATORY Acct Storage Injection Changes
130800	CRA Fuel&Commod Cost	May 2022 Original	\$ 2,061,218.08	11174001 Winter \$ 1,859,413.98
130800	CRA Fuel&Commod Cost	May 2022 Correction	\$ (201,804.10)	11174001 Winter
130800	CRA Fuel&Commod Cost	May 2022 Original	\$ (4,562,255.37)	11174002 Summer \$ (1,859,413.98)
130800	CRA Fuel&Commod Cost	May 2022 Correction	\$ 2,702,841.39	11174002 Summer
total May 2022 correcting entry done in December 2022			\$ 4,764,059.47	\$ (4,764,059.47)
				\$ -
130800	CRA Fuel&Commod Cost	June 2022 Original	\$ 1,461,411.48	11174001 Winter \$ 1,628,729.26
130800	CRA Fuel&Commod Cost	June 2022 Correction	\$ 167,317.78	11174001 Winter
130800	CRA Fuel&Commod Cost	June 2022 Original	\$ (3,900,669.53)	11174002 Summer \$ (1,628,729.26)
130800	CRA Fuel&Commod Cost	June 2022 Correction	\$ 2,271,940.27	11174002 Summer
total June 2022 correcting entry done in December 2022			\$ 3,900,669.53	\$ (3,900,669.53)
				\$ -
130800	CRA Fuel&Commod Cost	July 2022 Original	\$ 2,418,098.62	11174001 Winter \$ 1,437,292.24
130800	CRA Fuel&Commod Cost	July 2022 Correction	\$ (980,806.38)	11174001 Winter
130800	CRA Fuel&Commod Cost	July 2022 Original	\$ (3,062,856.90)	11174002 Summer \$ (1,437,292.24)
130800	CRA Fuel&Commod Cost	July 2022 Correction	\$ 1,625,564.66	11174002 Summer \$ -
total July 2022 correcting entry done in December 2022			\$ 4,043,663.28	\$ (4,043,663.28)
				\$ -
130800	CRA Fuel&Commod Cost	Aug 2022 original	\$ 2,770,875.66	11174001 Winter \$ 2,114,607.81
130800	CRA Fuel&Commod Cost	Aug 2022 correction	\$ (656,267.85)	11174001 Winter
130800	CRA Fuel&Commod Cost	Aug 2022 original	\$ (4,502,007.95)	11174002 Summer \$ (2,114,607.81)
130800	CRA Fuel&Commod Cost	Aug 2022 correction	\$ 2,387,400.14	11174002 Summer \$ -
total August 2022 correcting entry done in December 2022			\$ 5,158,275.80	\$ (5,158,275.80)
				\$ -
130800	CRA Fuel&Commod Cost	Sept 2022 Original	\$ 2,087,318.66	11174001 Winter \$ 2,103,648.71
130800	CRA Fuel&Commod Cost	Sept 2022 Correction	\$ 16,330.05	11174001 Winter
130800	CRA Fuel&Commod Cost	Sept 2022 Original	\$ (4,306,719.21)	11174002 Summer \$ (2,103,648.71)
130800	CRA Fuel&Commod Cost	Sept 2022 Correction	\$ 2,203,070.50	11174002 Summer
total September 2022 correcting entry done in December 2022:			\$ 4,306,719.21	\$ (4,306,719.21)
				\$ -
130800	CRA Fuel&Commod Cost	Oct 2022 Original	\$ 1,168,098.27	11174001 Winter \$ 1,119,077.26
130800	CRA Fuel&Commod Cost	Oct 2022 Correction	\$ (49,021.01)	11174001 Winter
130800	CRA Fuel&Commod Cost	Oct 2022 Original	\$ (3,950,161.76)	11174002 Summer \$ (1,119,077.26)
130800	CRA Fuel&Commod Cost	Oct 2022 Correction	\$ 2,831,084.50	11174002 Summer \$ -
total October 2022 correcting entry done in December 2022			\$ 3,999,182.77	\$ (3,999,182.77)
				\$ -
May through October correcting entries done in Dec 2022			\$ 26,172,570.06	\$ (26,172,570.06)
				\$ 10,262,769.26
				\$ (10,262,769.26)

11/1-2022-4/30/2023 Net Off Peak Gas Costs \$7,337,564

The \$7,337,564 Net Off Peak Gas Costs represent the November 2022-April 2023 off peak gas supply deferral costs, billed revenue, unbilled revenue, and daily meter/reversals costs.

11-1-2022-4/30/2023 Prior Period Adjustments (\$4,196,806)

The (\$4,196,806) November 1, 2022-April 30, 2023 on summary page 1 represents the (\$10,262,769) December 2022 credit deferral account seasonal adjustment and a March 2023 \$6,065,963 seasonal revenue adjustment. The Company provided the net (\$6,065,963) April 2023 month-end adjusting entry that removed the deferred gas

costs booked in the winter season that should have been booked in the summer season. The adjusting entry was done on April 4, 2023:

Debit Summer deferral account #130800-10168-11174002 \$6,065,963
 Credit Winter deferral account #130800-10168-11174001 \$(6,065,963)

The Company described the \$6,065,963 seasonal adjusting entry, “\$6,065,963.46 was a seasonal correction for October 2022 through February 2023. In that time, the calculation of the seasonal split was prepared as an estimate and was corrected when more concise data was provided. Unfortunately, the entry was done in the opposite direction between the summer and winter accounts. The correction to this seasonal adjustment was made in October 2023.”

October 2022	(\$3,455,959)
October 2022	\$3,455,800
November 2022	\$4,735,508
December 2022	\$1,088,038
January 2023	\$203,186
February 2023	<u>\$39,391</u>
Total	\$6,065,963

Prior Period Interest Adjustment 11/1-2022-4/30/2023 \$551,854

This line on summary page 1 of the filing represents the off-peak season summer interest calculations.

Net Summer Total Gas Costs and Adjustment

The “Gas Costs Allowed” include reported gas costs, seasonal adjustment and interest:

	<u>1/31/2024</u>	
Reported Gas Costs	\$3,534,276	May-October 2023 Deferred Gas Costs
Misc. Overhead	(\$12,131,927)	October 23 seasonal adj. entry
Interest	<u>\$401,820</u>	May-October 2023 Interest Costs
Total Gas Costs and Adj.	(\$8,195,830)	

On Schedule 1 page 2, the total gas costs and adjustments sum to (\$8,195,830) for May-October 2023 summer deferred gas costs. The filing indicates the May-October 2023 deferred gas costs were \$3,534,276. There was \$401,820 in May-October 2023 interest cost. There was a large (\$12,131,927) seasonal winter/summer deferral account adjusting entry that is categorized as Miscellaneous Overhead on summary page 1 of the filing when this is not a correct statement. The header on the filing should state it is an October 2023 seasonal adjustment. **Audit Issue #1**

Interest on the Summary Page 1 of (\$401,820) was able to be approved by the Commission approved Federal Reserve Statistical Survey. Interest was calculated monthly based on the average balance divided by 365 days, times the number of days in the month. However, the Company used the monthly website Federal Reserve Statistical Release of Selected Interest Rates.

There is a (\$12,131,927) October 2023 winter/summer deferral account seasonal adjusting entry. The filing summary page 1 should not list this entry as Miscellaneous Overhead as this is not a correct categorization. The Company explained that the large adjustment was done because, “ *In March 2023 a correcting entry was recorded to reflect the gas supply recoveries in the correct season. This correction was reversing and rebooking the entries which occurred in Oct 2022, Nov 2022, Dec 2022, Jan 2023 and Feb 2023. This entry was inadvertently booked in reverse. In October 2023 the reversal and correction were booked.*” **Audit Issue #1**

The Company provided the net (\$12,131,927) October 31, 2023 deferral account adjusting journal entries that are summarized below.

Debit Winter Deferral Account 130800-11174001-10168 \$6,065,963
 Credit Summer Deferral Account 13800-174002-10168 (\$6065,963)

Debit Winter Deferral Account 130800-11174001-10168 \$6,065,963
 Credit Summer Deferral Account 13800-174002-10168 (\$6065,963)

Summer Cost of Gas Deferral General Ledger Accounts

Audit requested and was provided with the October 2023 reconciliations related to the Deferred Off-peak SAP account 130800-11174002-10168, the Deferred Off-peak Bad Debt SAP account 130803-11175002-10168, and the Deferred Off-peak SAP Working Capital account 130802-11142005-10168. The chart below summarizes the May 2023 – October 2023 activity for the summer deferral account on filing schedule 1 page 2:

Beginning Balance 5/1/2023	\$ 18,088,404	A
Gas Cost deferral	\$ 3,534,276	B
Unbilled Revenue Accrual	\$ (5,348,812)	C
Cost of Gas Accrual C and I meters	\$ 0	D
Interest on Unbilled Revenue	\$ 0	E
Collections	\$(14,752,765)	F
Interest on Deferral	\$ 401,820	G
Adjustment Summer to Winter Reclass	<u>\$(12,131,927)</u>	H
11174002 Regulatory Account Balance 10/2023	(10,209,003)	Ending Bal per Filing

The reconciliation for the deferred account -11174002 indicated that the information within the reconciliation was taken from:

- A-Beginning Balance per the trial balance
- B- Gas Cost (demand) per source data
- C- Unbilled Revenue Accrual per source data (calculation based on pipeline statements and supplier invoices)
- D-Cost of Gas Accrual C and I Meters-This is an adjustment to purchased gas costs for Commercial and Industrial Customers that is a revenue adjustment and is part of the unbilled revenue calculation.
- E- Interest on Unbilled per source data
- F- Collections per Cogsdale
- G- Interest on deferral per Corporate Treasury data
- H-This represents the October 2023 year-end close deferred gas cost adjustment moving (\$12,131,927) from summer deferred gas costs to winter.

SAP Account 130800-11174002-10168 Summer Period

The Company provided a reconciliation roll forward (prior GP yellow sheets) that started in October 2022 to account the summer cost of gas monthly account activity and track the monthly over under balances in the summer deferral account. The Filing Summary Page 1 indicates the 11/1/2022 beginning balance is \$14,395,791 under-collection, which was not able to be verified to the 11174002 SAP summer gas cost deferral regulatory account. The summer GL deferral account monthly over/under balances for November 2022 through June 2023 are different than those on the roll forward and filing. The remaining July 2023 through October 2023 over/under balances had immaterial rounding difference. Audit was able to verify the monthly billed revenue, deferred gas costs, unbilled revenue, and interest costs account activity on the GL to the filing schedule 1 page 2. The Company was able to explain the October 31, 2022-October 31, 2023 summer deferral account over/under balances with the account activity to Audit.

Audit was able to verify the \$16,810,514 October 1, 2022 SAP summer deferral account balance that was carried over from Great Plains account 8840-2-0000-10-1920-1741 as of 9/30/2022.

The system conversion of Great Plains into SAP (excluding the Keene accounts) as of 9/30/2022 included:

8840-2-0000-10-1920-1740 R/A COG Costs Winter	\$ (2,881,616.53)
8840-2-0000-10-1920-1741 R/A COG Costs Summer	\$16,810,514.15
8840-2-0000-10-1920-1743 Deferred Bad Debt Winter	<u>\$ (255,338.37)</u>
Total EnergyNorth winter, summer, bad debt 9/30/22	\$13,673,559.25

SAP accounts reflected 9/30/2022 in one account balance as:

130800-1117400010168 CRA Fuel&Commod Cost	\$13,673,559.25
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There was \$3,524,295 October 2022 account activity that was booked to account 130800-11174000-10168. The summer cost of gas deferral account 130800-11174002-10168 has \$7,580,126 in account activity for October 1, 2022 through December 31,2022. Besides the October 2022 account activity, the November and December 2022

activity consisted of gas cost deferral costs, interest, revenue recoupment, daily meters billing and daily meter billing reversals. The \$3,524,295 October 2022 account activity and the \$7,580,126 October through December 2022 summer deferral account figures added together is \$11,104,422 December 31, 2022 under collection ending balance which was able to be verified to the roll forward.

Rollforward Recon Date	Rollforward Recon Beginning Balance	Summary General Ledger Balance Beginning Balance	Variance Beginning Balance Rollforward to General Ledger	Rollforward Recon Ending Balance	Summary General Ledger Ending Balance	Monthly Ending Balance Difference
10/31/2022	\$ 16,810,514	\$ -	\$ 16,810,514	\$ 14,395,791	\$ 954,448	\$ 13,441,344
11/30/2022	\$ 14,395,791	\$ 892,620	\$ 13,503,171	\$ 21,403,087	\$ 1,068,278	\$ 20,334,810
12/31/2022	\$ 21,403,087	\$ 1,068,278	\$ 20,334,810	\$ 11,104,422	\$ 7,580,126	\$ 3,524,295
1/31/2023	\$ 11,104,422	\$ 7,580,126	\$ 3,524,295	\$ 11,794,240	\$ 8,269,945	\$ 3,524,295
2/28/2023	\$ 11,794,240	\$ 8,269,945	\$ 3,524,295	\$ 11,864,359	\$ 8,340,064	\$ 3,524,295
3/31/2023	\$ 11,864,359	\$ 8,340,064	\$ 3,524,295	\$ 17,970,529	\$ 14,446,233	\$ 3,524,295
4/30/2023	\$ 17,970,529	\$ 14,446,233	\$ 3,524,295	\$ 18,088,404	\$ 14,564,115	\$ 3,524,289
5/31/2023	\$ 18,088,404	\$ 14,564,115	\$ 3,524,289	\$ 14,288,225	\$ 10,763,936	\$ 3,524,289
6/30/2023	\$ 14,288,225	\$ 10,763,936	\$ 3,524,289	\$ 13,166,005	\$ 9,641,716	\$ 3,524,289
7/31/2023	\$ 13,166,005	\$ 9,641,716	\$ 3,524,289	\$ 9,879,800	\$ 9,879,806	\$ (6)
8/31/2023	\$ 9,879,800	\$ 9,879,806	\$ (6)	\$ 8,482,784	\$ 8,482,791	\$ (7)
9/30/2023	\$ 8,482,784	\$ 8,482,791	\$ (7)	\$ 8,493,937	\$ 8,493,944	\$ (7)
10/31/2023	\$ 8,493,937	\$ 8,493,944	\$ (7)	\$ (10,209,003)	\$ (10,209,003)	\$ 0

Expense General Ledger Accounts

Audit requested all the expense accounts that comprise the individual types of gas costs that sum to of \$3,534,276 Summary Page 1. Effective October 1, 2022, Liberty converted from the Great Plains system to SAP. The expenses were verified to the SAP expense accounts summarize below.

Account Number	Account Description	Period	Debit	Credit	Total
410630-11483000-10168	SAP- Sales for Resale AMA Credits	May-October 2023		\$ (724,136)	\$ (724,136)
521020-11804000-10168	SAP Natural Gas City Gate Purchases	May-October 2023	\$ 11,087,638	\$ (5,074,172)	\$ 6,013,466
521070-11804000-10168	SAP Natural Gas City Gate Purchases	May-October 2023	\$ 1,371,001	\$ (255,931)	\$ 1,115,070
521030-11804101-10168	SAP Natural Gas Demand Charges - Transportation	May-October 2023	\$ 19,415,301	\$ (10,118,077)	\$ 9,297,224
521060-11804003-10168	SAP Natural Gas Capacity Release	May-October 2023	\$ 4,800,377	\$ (9,319,508)	\$ (4,519,131)
521040-11804000-10168	SAP Natural Gas Imbalances - Cashout	May-October 2023	\$ 224,379	\$ (261,578)	\$ (37,199)
521050-11804000-10168	SAP Natural Gas Imbalances - Cashout Invoices	May-October 2023	\$ 260,427	\$ (1,151)	\$ 259,276
521190-118082000-10168	SAP Natural Gas Delivered to Storage	May-October 2023	\$ 196,505	\$ (2,340,413)	\$ (2,143,908)
521180-118081000-10168	SAP Gas Withdrawn from Storage	May-October 2023	\$ 28,395	\$ (31)	\$ 28,364
Rounding	Rounding	May-October 2023	\$ -	\$ 29	\$ 29
	Total		\$ 37,384,023	\$ (28,094,968)	\$ 9,289,055
521040-11804000-10168	SAP Natural Gas Deferral Account	May-October 2023	\$ -	\$ (9,289,055)	\$ (9,289,055)
	483,804,805 and 808 account Total		\$ 37,384,023	\$ (28,094,968)	\$ 9,289,055
	winter deferral costs		\$ -	\$ -	\$ 5,754,779
	Total Gas Costs Summary Page 1A				\$ 3,534,276

Review of Monthly Invoices, Documentation

Audit tested sixteen invoices from May 2023 through October 2023, verifying that the invoices reflected the payee and delivery location, the date of the actual delivery, the proper account number code, invoice amounts and the authorization initials. Audit verified the invoices to Schedule 2B Commodity and Demand costs.

GL Code	Account Description	Vendor	Contract #	Month	Invoiced Amount
8040	Supply Purchased	Sprague	None Listed	May-23	\$ [REDACTED]
8040	Supply Purchased	Ice Exchange	OTC Comm. Exp.	May-23	\$ [REDACTED]
8040	Supply Purchased	Emera	None Listed	May-23	\$ [REDACTED]
8040	Supply Purchased	Rev LNG	None Listed	Jun-23	\$ [REDACTED]
8041	Demand-Transportation	Emera	None Listed	Jun-23	\$ [REDACTED]
8041	Demand-Transportation	Portland Natural Gas	FT-1999-01	Jun-23	\$ [REDACTED]
8040	Supply Purchased	Ice Exchange	OTC Comm. Exp.	Jul-23	\$ [REDACTED]
8040	Supply Purchased	DTE	None Listed	Jul-23	\$ [REDACTED]
8040	Supply Purchased	Emera	None Listed	Jul-23	\$ [REDACTED]
8041	Demand-Transportation	Portland Natural Gas	FT-1999-01	Aug-23	\$ [REDACTED]
8040	Supply Purchased	Hitachi	None Listed	Aug-23	\$ [REDACTED]
8041	Demand Charges-Transportation	Iroquois Gas Transmission	R-470-01	Aug-23	\$ [REDACTED]
8041	Demand Charges-Transportation	Emera	None Listed	Sep-23	\$ [REDACTED]
8045	Cashout	Tennessee Gas	2694	Sep-23	\$ [REDACTED]
8041	Demand Charges-Transportation	Tennessee Gas	8587	Oct-23	\$ [REDACTED]
8040	Supply Purchased	Ice Exchange	OTC Comm. Exp.	Oct-23	\$ [REDACTED]
				Total	\$1,120,744

Commodity and Demand Schedules

The confidential version of the filing schedule 2b, that breaks out the commodity and demand details. There was one invoice for Hitachi Energy USA that listed an invoice on filing schedule 2B line 125 for \$ [REDACTED]. The actual invoice was for \$ [REDACTED] for a spare radiator. The invoice is \$ [REDACTED] difference compared to the filing and spare radiator parts should have been booked to inventory rather than the cost of gas expense accounts. **Audit Issue #2**

Audit was able to verify these schedules were calculated correctly except for the Hitachi Energy invoice.

Filing Schedule 1 page 2 off peak gas costs for October 2023 are \$1,363,426 and total summer 2023 gas costs of \$3,534,276. The filing schedule 2a, 2b, and filing schedule 6 indicate the October 2023 gas costs are \$1,405,520 and total summer 2023 gas costs of \$3,576,370. This is a \$42,094 October 2023 difference. The Company indicated the Company received payment from Sprague Energy for \$ [REDACTED] that is a credit. The Company provided the October 2023 adjusting journal entry that debited the Gas Demand Transportation account 521030-111804101-10168 for \$ [REDACTED], Intercompany AR 521030-111146000-10168 \$ [REDACTED] and crediting the Gas purchases account 521020-111804001-10168 for \$ [REDACTED]. The Company should adjust filing schedules 2A, 2B, and filing schedule 6 to reflect the Sprague adjustment so that they consistent with the gas costs on summary page 1 and filing schedule 1. **Audit Issue #3**

Bidding

The Company indicated for the 2023 summer season they initiated several requests for proposals and received bids from 18 vendors for the purchase of the gas commodity. The Company indicated in all cases the lowest bid was selected and no alternative procurement partners were sought.

Cost of Gas Revenue Billed (\$20,302,379)

Audit verified the reported figure on the filing Summary page 1 to schedule 3. Schedule 3 outlines, by month, the total volumes billed. The Total Gas Revenue Billed on Summary page 1 of \$(20,302,379) consists of the following:

Estimated Unbilled (Schedule 1)	\$(5,348,812)
Gas Cost Billed (Schedule 3)	<u>\$(14,752,765)</u>
Total Gas Cost Billed Summer Sum. Pg. 1	\$(20,101,576)
Bad Debt Revenue Billed (Schedule 7)	(\$136,269)
Working Capital Revenue Billed (Schedule 7)	<u>(\$64,534)</u>
Total Off-Peak Revenue Billed Sum. Pg. 1 and 2	(\$20,302,379)

Note: The Company did not include the Bad Debt or Working Capital billed revenue on summary page 1 and 2 of the filing. The Company also did not list the bad debt or working capital adjustments. **Audit Issue #4**

The Company on off peak filing schedule 1 spent \$3,534,276 in May 2023-October 2023 gas costs. EnergyNorth billed (\$14,752,765) in gas costs and had (\$5,348,812) in summer 2023 unbilled revenue to bring the total summer 2023 off peak revenue billed to \$(20,201,576). Audit asked the Company why there was a \$16,567,300 difference compared to the total revenue vs total gas costs. The Company responded by stating:

“The revenue that is billed during a period is intended to recover all actual gas costs incurred during that period, as well as make up for any under or over collection in the deferral account. During the 2022 summer period, gas costs

were so high that the approved rates could not increase enough to recover the costs. This led to a large under-collection in the summer deferral account at the end of the 2022 summer period – see line 2 on Summary Page 1 for the 11/1/2022 balance. In March 2023 a journal entry was booked in reverse which led the Company to believe the under-collection balance was even greater. As a result, the rates billed during May-October 2023 were set to recover the large under-collection in addition to the actual gas costs incurred. When the journal entry correction was made in October 2023 it was apparent that the total revenue billed far exceeded the gas costs incurred during the period.”

The Company made a \$6,065,963 March 2023 seasonal deferral account adjusting entry and in October 2023 performed a (\$12,131,927) reversal and correction of the March 2023 adjusting entry. Audit asked the Company for a specific reason and any specific steps in the process the Accounting Department does to verify the summer gas costs are accounted for correctly as these are quite large adjustments compared to the \$3,534,276 summer 2023 gas costs. The Company responded by stating:

“The two journals referenced were done for a more exact reflection of gas supply transactions between summer and winter seasons. These are recoveries from customers, rather than vendor invoices.”

Audit understands the Company was able to make the revenue adjusting entries but considering the revenue billing adjustments exceeded the \$3,534,276 summer 2023 gas costs the Company going forward should try to reduce errors, so the gas costs and revenue figures are more accurate and in balance with one another. **Audit Issue #5**

Gas Costs Billed

Audit reviewed the monthly journal entries and supporting schedules of therm sales provided by Liberty, for May 2023 through October 2023, for billed and unbilled revenue. Liberty receives the SAP revenue data from Oakville each month and reports therm deliveries and revenues by rate class, revenue class and general ledger account for base revenues, LDAC and COG for sales and transportation customers with the appropriate totals.

Audit verified the billed therms on Filing Schedule 3 for May 2023 through October 2023, that summed to 39,057,522 therms, to the revenue reports. Audit was not able to verify the \$(14,752,765) May 2023 through October 2023 billed revenue on Filing Schedule 3 and the Deferral account to the monthly revenue reports natural accounts 410200 Residential Gas Customers, 41021 Commercial/Industrial customers, 410220 Residential Transportation, and 410420 Commercial/Industrial Transportation. The May 2023-October 2023 billing reports summed to \$15,448,227. This is a (\$695,463) difference. **Audit Issue #6**

Bad debt and working capital that summed to (\$200,803) for the summer 2023. Audit verified the bad debt and working capital collected to the working capital natural

account 130802 Bad Debt natural account 130803. The Company should be using the NHDOE Regulatory account. **Audit Issue #4**

Month	Account	Billed Amt per B. Rpt.	Billed Amount per Filing Sch 3	Billed Rpt Difference
May-23	410200	\$ 1,469,586.71		
May-23	410210	\$ 895,297.59		
May-23	410220	\$ 449.98		
May-23	410420	\$ 36,911.63		
Total		\$ 2,402,245.91	\$ 1,569,815.00	\$ (832,431)
Jun-23	410200	\$ 2,435,429.41		
Jun-23	410210	\$ 1,485,994.61		
Jun-23	410220	\$ 2,250.40		
Jun-23	410420	\$ 6,722.68		
Total		\$ 3,930,397	\$ 3,921,119.00	\$ (9,278)
Jul-23	410200	\$ 1,613,737.00		
Jul-23	410210	\$ 1,236,180.37		
Jul-23	410220	\$ 1,510.76		
Jul-23	410420	\$ (537.26)		
Total		\$ 2,850,891	\$ 2,805,059.00	\$ (45,832)
Aug-23	410200	\$ 1,081,070.98		
Aug-23	410210	\$ 842,968.01		
Aug-23	410220	\$ 1,586.33		
Aug-23	410420	\$ 3,673.79		
Total		\$ 1,929,299.11	\$ 1,909,592.00	\$ (19,707)
Sep-23	410200	\$ 1,023,590.32		
Sep-23	410210	\$ 861,233.53		
Sep-23	410220	\$ 1,369.35		
Sep-23	410420	\$ 223.64		
Total		\$ 1,886,416.84	\$ 1,967,713.00	\$ 81,296
Oct-23	410200	\$ 1,464,568.07		
Oct-23	410210	\$ 983,315.69		
Oct-23	410220	\$ 1,228.06		
Oct-23	410420	\$ 151.24		
Total		\$ 2,448,977.06	\$ 2,579,466.00	\$ 130,489
Total		\$ 15,448,226.89	\$ 14,752,764.00	\$ (695,463)

Estimated Unbilled Revenue and Interest

The Estimated Unbilled (Net), from schedule 1, totaled \$(5,348,812). EnergyNorth provided the journal entries and the calculations for the unbilled revenue for

the summer period. Audit recalculated the unbilled commodity, the unbilled margins, and the unbilled interest for May 2023 through October 2023 from the Company's worksheet. The amounts were tied to schedule 1, Off-Peak Demand and Commodity for, each month and tied to general ledger SAP account 10168-130800-130800111740002-10168.

Commission Order 26,715 issued on October 31, 2022 for effect November 1, 2022 approved rates.

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.02690	\$1.28363
C&I high summer use	\$1.02660	\$1.28325
C&I low summer use	\$1.02710	\$1.28388
Gas Assistance Plan Res.	\$1.02690	\$1.28363

The 22nd revised page 89 dated April 24, 2023 and effective May 1, 2023 referenced the following maximum authorized maximum summer 2023 cost of gas rates:

Residential Cost of Gas	\$1.2836
Gas Assistance Plan	\$1.2836
C & I Cost of Gas Low Winter Use	\$1.2833
C & I Cost of Gas High Winter Use	\$1.2839

The 24th revised page 89 dated May 24, 2023 and effective June 1, 2023 referenced the following authorized summer 2023 cost of gas rates as approved by Commission Order 26,649.

Residential Cost of Gas	\$1.2438
Gas Assistance Plan	\$1.2438
C & I Cost of Gas Low Winter Use	\$1.2435
C & I Cost of Gas High Winter Use	\$1.2441

The 25th revised page 89 dated June 23, 2023 and effective July 1, 2023 referenced the following authorized summer 2023 cost of gas rates as approved by Commission Order 26,649.

Residential Cost of Gas	\$1.2071
Gas Assistance Plan	\$1.2071
C & I Cost of Gas Low Winter Use	\$1.2068
C & I Cost of Gas High Winter Use	\$1.2074

The 26th revised page 89 dated July 25, 2023 and effective August 1, 2023 referenced the following authorized summer 2023 cost of gas rates as approved by Commission Order 26,649.

Residential Cost of Gas	\$0.8964
Gas Assistance Plan	\$0.8964
C & I Cost of Gas Low Winter Use	\$0.8961
C & I Cost of Gas High Winter Use	\$0.8967

The 28th revised page 89 dated August 24, 2023 and effective September 1, 2023 referenced the following authorized summer 2023 cost of gas rates as approved by Commission Order 26,649.

Residential Cost of Gas	\$0.7493
Gas Assistance Plan	\$0.7493
C & I Cost of Gas Low Winter Use	\$0.7490
C & I Cost of Gas High Winter Use	\$0.7496

The 29th revised page 89 dated September 22, 2023 and effective October 1, 2023 referenced the following authorized summer 2023 cost of gas rates as approved by Commission Order 26,649.

Residential Cost of Gas	\$1.2836
Gas Assistance Plan	\$1.2836
C & I Cost of Gas Low Winter Use	\$1.2833
C & I Cost of Gas High Winter Use	\$1.2839

Interest \$401,820

The originally reported interest expense of \$401,820 was reviewed by Audit. The monthly figures represent the calculation of the average monthly General Ledger balance * interest rate divided by twelve. The calculated monthly figure is then rolled into the beginning balance for the next month. EnergyNorth provided supporting documentation for the interest without exception. The Company used the Federal Reserve Prime Rate to reflect the interest rate. Audit calculated an immaterial difference that was due to rounding.

Month	Average Balance	Interest Rate	# Days	Interest
May-23	\$ 16,133,505	8.00%	31	\$ 109,619
Jun-23	\$ 13,680,732	8.25%	30	\$ 92,767
Jul-23	\$ 11,482,674	8.25%	31	\$ 80,457
Aug-23	\$ 9,148,277	8.50%	31	\$ 66,043
Sep-23	\$ 8,458,819	8.50%	30	\$ 59,096
Oct-23	\$ (854,445)	8.50%	31	\$ (6,162)
				<u>\$ 401,820</u>

Bad Debt \$711,161 SAP Account 130803-11175002-10168 Recoveries 130803-11186000-10168

The October 2023 reconciliation of account 130803-11175002-10168 - Deferred Bad Debt Summer, for the period May – October 2023 is summarized below:

Beginning Balance 5/1/2023	\$695,893
Bad Debt Costs Billed May 2023-October 2023	(\$136,269)
Bad Debt Costs May-October 2023	\$121,992
Interest May-October 2023	<u>\$29,545</u>
10/31/2023 GL balance	\$711,161

The Summary Page 1 of the filing shows the bad debt calculation with a beginning May 1, 2023 balance of \$695,893 and an October 31, 2023 ending under collection of \$711,161. Summary Page 1 of the filing does not have the May 2023-October 2023 Bad Debt Cost of Gas Billed nor the Bad Debt Adjustment from Filing Schedule 6 page 1 off peak bad debt and working capital. The Company hardcoded the over under balances on summary page 1 correctly so the over under balances on summary page 1 are not affected for bad debt. Audit was able to verify the \$121,992 May 2023-October 2023 bad debt costs booked to the summer bad debt deferral account 130803-11175002-10168. The Company prior to June 2023 and booked bad debt recoveries to the 130803-11186000-10168 account rather than the 11175002-summer deferral bad debt regulatory account. Audit was able to verify the May 2023 to the actual SAP billing report. **Audit Issue #4**

Audit was able to verify the \$695,893 May 2023 beginning balance on off peak bad debt account filing schedule 5. Audit was able to verify the net \$15,268 summer 2023 account activity that consisted of \$121,992 in summer 2023 bad debt costs booked to the summer bad debt deferral account, (\$136,269) summer 2023 bad debt revenue verified to the SAP billing report, and the \$29,545 summer 2023 interest costs. This resulted in a \$711,161 October 2023 bad debt summer deferral account ending balance.

Filing Schedule 6 page 1 has the incorrect October 2023 total gas costs that are listed at \$1,405,520 with total gas costs of \$3,576,370. The filing schedule 1 off peak indicates October 2023 gas costs are \$1,363,426. The Company indicated the \$42,094 difference is a payment received in October 2023 from Sprague Energy. The Company indicated that the summer 2023 gas costs are \$3,534,276 rather than the \$3,576,370 figure on filing schedule 6. As a result, the \$14,789 October 2023 Bad Debt Adjustment and \$27,017 October 2023 Bad Debt costs are overstated. **Audit Issue #3**

Schedule 6 off peak bad debt reflects the calculation of the bad debt costs totaling \$111,825. There was a bad debt adjustment of \$90,545. The Company is currently using 0.86% on the bad debt collection for the monthly bad debt carrying charges. The Company explained that the bad debt collection rate was determined dividing the actual net write-offs of \$1,561,692 by total revenue of \$181,349,187 from May 2021 through April 2022. Audit recalculated the data provided by the Company and it complies with the 0.86% rate on page 17 of the Tariff.

Working Capital Account 130802-11142005-10168

The October 2023 Roll forward of account 130802-11142005-10168 - Working Capital Summer, reflects monthly running balances beginning on May 1, 2023. The summer period May 2023 – October 2023 is summarized below:

Beginning Balance 5/1/2023	\$66,458
Working Capital Off-Peak	13,704
Interest	1,786
Collections Off Peak	<u>(64,534)</u>
Total 10/31/23 (Over)/Under	\$17,414

The Summary Page 2 of the filing shows the Working Capital calculation with a beginning October 31, 2022 balance of \$86,896 and an ending under-collection of \$17,414 that was verified to the Working Capital account 130802-11142000-10168 for the ending October 2023 period balance. The (\$20,438) activity in the account from November 2022 2 to April 2023 related primarily to interest expenses, seasonal billing corrections, and billing transactions. Summary Page 2 of the filing does not include the total working capital billed for 2023 or the working capital adjustment figure from filing schedule 6. **Audit Issue #4**

The over under account activity is accurate as those figures were hard coded on the filing. Audit was able to verify the May 2023 interest and working capital costs but not the collections. Audit was able to verify (\$122) out of (\$5,801) in May 2023 billing costs that were booked to the 130802-11142005-10168 working capital summer deferral account. Audit was able not able to verify the remaining (\$5,679) were booked to the recoupment account 130802-11186000-10168. Audit was able to verify the (\$5,801) in May 2023 off peak billing costs to the 130802 SAP billing report solely. Audit was able to verify the June 2023-October 2023 interest, working capital costs and working capital collections costs as these costs were booked to the 142005 working capital summer deferral account.

Schedule 5 reflects the calculation of the working capital costs totaling \$13,704 as well as customer billings of (\$64,534). The billings comply with Tariff Page 91 for the correct .0388 billing rate.

The Company is currently using .0388 for the working capital monthly cost of gas carrying charges approved by the Commission on page 17 of the Tariff section 16(f). The Company used the Commission approved interest rates in the Federal Reserve statistical rate.

Audit further reviewed the working capital deferral account roll forward reconciliation account 130802-11142005-10168 to Schedule 6 Off-Peak Bad Debt and

Working Capital. The \$13,704 summer 2023 working capital costs in the deferral account were able to be verified to the summer working capital deferral account. Filing Schedule 6 page 1 has the incorrect October 2023 total gas costs that are listed at \$1,405,520 with total gas costs of \$3,576,370. The filing schedule 1 off peak indicates October 2023 gas costs are \$1,363,426. The Company indicated the \$42,094 difference is a payment received in October 2023 from Sprague Energy. The Company indicated that the summer 2023 gas costs are \$3,534,276 rather than the \$3,576,370 figure on filing schedule 6. As a result, the \$5,287 October 2023 Working Capital Adjustment costs are overstated. **Audit Issue #3**

SUMMARY

Prior summer Period under-collection 10/31/2022	14,395,791
Net Off Peak Gas Costs 11/1/2022-4/30/2023	7,337,564
Prior Period Adjustment 11/1/2022-4/30/2023	(4,196,806)
Prior Period Interest Adj. 11/1/2022 – 4/30/2023	<u>551,854</u>
Net 11/1/2022-4/30/2023 Off Peak Adjustments	3,692,612
5/1/2023 Summer Period Beginning Balance	18,088,404
5/1/2023-10/31/2023 Interest	401,820
10/31 seasonal adjusting entry	(12,131,927)
5/1/2023-10/31/2023 Gas Costs	3,534,276
5/1/2023-10/31/2023 Billed Revenue	(14,752,765)
5/1/2023-10/31/2023 Unbilled Revenue	<u>(5,348,812)</u>
10/31/2023 ending over collection	(10,209,003)
10/31/2023 Bad Debt Balance	711,161
10/31/2023 Working Capital Balance	<u>17,414</u>
10/31/2023 Ending Over Collection	(9,480,427)

The Summary Page 1 and 2 on the filing appears to accurately reflect a total over-collection of (\$9,480,427). However, the related commodity and demand costs as well as errors on bad debt and working capital filing schedules may require additional adjustments. Audit recommends the Company file updated reconciliations with the Commission. There are six audit issues that are summarized below.

In **Audit Issue #1** the Company on summary page 1 misclassified the October 2023 (\$12,131,927) as Miscellaneous Overhead when the Company no longer recovers the \$2,602 Miscellaneous Overhead.

In **Audit Issue #2** the Company needs to clarify why a spare radiator inventory item is being included for recovery in the cost of gas. The Company needs to explain the Hitachi Energy invoice vs filing schedule variance.

The Company in **Audit Issue #3** needs to adjust the gas costs on filing schedules 2a, 2b, and filing schedule 6.

The Company on **Audit Issue #4** is going to have to refile summary page 1 and 2 with the bad debt billed, bad debt adjustment, working capital billed, and working capital adjustment. The Company is going to have to explain the 186 Regulatory recoupment account.

The Company in **Audit Issue #5** going forward needs to develop an internal control process to better manage winter/summer gas costs and billed revenues so large adjusting entries are not needed.

The Company in **Audit Issue #6** should explain the reason for the revenue GL report variances. The Company needs to explain the 186 regulatory recoupment account.

Audit Issue #1

Miscellaneous Overhead

Background

The Company on Summary Page 1 categorized something as overhead when it is not the correct title.

Issue

The Company on Summary Page 1 of the filing line 39 included (\$12,131,927) Miscellaneous Overhead that is not related to overhead but is instead an October 2023 seasonal gas costs correcting entry.

Recommendation

The Company should refile summary page 1 of the filing to make the line-item correction.

Company Response

Please see the updated line 39 [on] the updated proposed Summary Page 1 DG 22-045 Summer 2023 cost of gas reconciliation.

Audit Response

Audit has reviewed the proposed Summary Page 1 line 39 and concurs with the Company's proposal. The line item has been changed to the seasonal correcting entry.

Audit Issue #2

Spare Radiator Parts

Background

The Company on Filing Schedule 2B of the reconciliation included a spare radiator.

Issue

The confidential version of the filing schedule 2b, that breaks out the commodity and demand details. There was one invoice for Hitachi Energy USA that listed an invoice on filing schedule 2B line 125 for \$17,613. The actual invoice was for \$66,000 for a spare radiator. The invoice is \$48,387 difference compared to the filing and spare radiator parts should have been booked to inventory rather than the cost of gas expense accounts.

Recommendation

The Company should explain why a spare radiator part was included in the cost of gas rather than the inventory account. The Company should explain the \$48,837 price difference between the invoice and filing schedule 2b. The Company should make any changes to the filing schedules as necessary.

Company Response

The Hitachi invoice provided for \$66,000, was the incorrect invoice and not the one related to the \$17,613.25 requested. The Company apologizes for providing the incorrect support initially.

Invoice 8600234936 for \$33,232.55 is the correct invoice. These charges were for an annual maintenance contract and the \$17,613.25 is EnergyNorth's portion of the invoice. The remaining balance was charged to other gas entities through intercompany.

Audit Response

Audit reviewed the Hitachi Energy USA invoice that was for \$33,232.55. The invoice was for a subscription to a modeling software that is used for forecasting gas costs. Audit does not concur with the Company that a subscription for modeling software should be included for recovery in the cost of gas reconciliation but instead should be booked to an operations and maintenance account. The Company should adjust the filing schedules, reducing the gas costs by \$17,613.25.

Audit Issue #3

October 2023 Gas Costs

Background

The October 2023 gas costs and total summer 2023 gas costs are different on various filing schedules.

Issue

Filing Schedule 1 page 2 off peak gas costs for October 2023 are \$1,363,426 and total summer 2023 gas costs of \$3,534,276. The filing schedules 2a, 2b, and filing schedule 6 indicate the October 2023 gas costs are \$1,405,520 and total summer 2023 gas costs of \$3,576,370. This is a \$42,094 October 2023 difference. The Company indicated the Company received payment from Sprague Energy for \$42,094 that is a credit. The Company provided the October 2023 adjusting journal entry that debited the Gas Demand Transportation account 521030-111804101-10168 for \$73,986, Intercompany AR 521030-111146000-10168 \$42,094 and crediting the Gas purchases account 521020-111804001-10168 for \$116,080.

Recommendation

The Company should adjust filing schedules 2A, 2B, and filing schedule 6 to reflect the Sprague adjustment so that they are consistent with the \$3,534,276 summer 2023 gas costs on summary page 1 and filing schedule 1. The Company should make any changes to the bad debt adjustment and working capital adjustment as needed on filing schedule 6.

Company Response

Please see updated proposed filing Schedules 2A, 2B, and 6 that will now tie to Schedule 1.

Audit Response

Audit has reviewed the proposed filing schedule 2A, 2B, and 6 and concurs the Company made the October 2023 commodity and demand cost corrections that flow to filing schedule 1.

Audit Issue #4

Bad Debt and Working Capital

Background

The Company on Summary Pages 1 and 2 of the filing did not include the billed revenues for bad debt or working capital. The Company also did not include the bad debt adjustment or working capital adjustment on the filing.

Audit was not able to verify the May 2023 bad debt and working capital billed revenue account.

Issue

The Company on summary page 1 of the filing did not include the (\$136,269) summer 2023 total bad debt billed revenue as seen on filing schedule 5 page 4. The Company on Summary page 2 did not include the (\$64,534) summer 2023 total billed working capital revenue as seen on filing schedule page 2. The Company on summary page 1 did not include the (\$172) summer 2023 working capital adjustment on filing schedule 6 page 1 or the summer 2023 \$90,545 bad debt adjustment on filing schedule 6. Audit notes that the bad debt and working capital over under balances on summary pages 1 and 2 are hard coded correctly.

The Company prior to June 2023 booked bad debt recoveries to the 130803-11186000-10168 account rather than the 11175002-summer deferral bad debt regulatory account. As a result, Audit could not verify the May 2023 bad debt billed revenue. The Company should explain the purpose of the 1860 recoveries account.

Audit was able to verify (\$122) out of (\$5,801) in May 2023 billing costs that were booked to the 130802-11142005-10168 working capital summer deferral account. Audit was able not able to verify the remaining (\$5,679) were booked to the recoupment account 130802-11186000-10168. The Company should explain how the 186 Working Capital Regulatory recoupment account works.

Audit was able to verify the summer 2023 SAP billing reports to the 130802 working capital natural account and 130803 bad debt natural account, but the Company should be using the regulatory accounts.

Recommendation

The Company should adjust summary page 1 and 2 so the summer 2023 total bad debt revenue billed, bad debt adjustment, total working capital billed, and working capital adjustment are reflected accurately.

The Company should explain how the 186 Regulatory account May 2023 billed revenues for bad debt and working capital were booked.

Company Response

Please see the proposed Summary Pages 1 and 2 in for the updated bad debt and working capital activity.

Initially, the working capital and bad debt accounts were set up in the 186 regulatory account, which is a miscellaneous deferred debits account. All automated revenue entries that were recorded to the 186 regulatory account were subsequently reclassified into the correct account. By June 2023, the working capital and bad debt accounts were correctly classified to the correct regulatory accounts through automated procedures (therefore no longer requiring those manual adjustments).

Audit Response

Audit has reviewed the proposed Summary Pages 1 and 2 and concurs the Company made the correct changes, including the working capital billed revenue and bad debt billed revenue for summer 2023.

Audit appreciates the clarification regarding the incorrect posting to the 186 Miscellaneous Deferred Debits account prior to June 2023. The referenced automated procedures, and thus automated entries to the 175 regulatory account, will be reviewed as part of the next cost of gas audit.

Audit Issue #5

Large Seasonal Adjusting Entries

Background

The Company had large seasonal adjusting entries that exceeded total summer 2023 gas costs.

Issue

The Company, on off-peak filing schedule 1 spent \$3,534,276 in May 2023-October 2023 gas costs. EnergyNorth billed (\$14,752,765) in gas costs and had (\$5,348,812) in summer 2023 unbilled revenue to bring the total summer 2023 off peak revenue billed to (\$20,201,576).

Audit asked the Company why there was a \$16,567,300 difference compared to the total revenue vs total gas costs. The Company responded by stating:

“The revenue that is billed during a period is intended to recover all actual gas costs incurred during that period, as well as make up for any under or over collection in the deferral account. During the 2022 summer period, gas costs were so high that the approved rates could not increase enough to recover the costs. This led to a large under-collection in the summer deferral account at the end of the 2022 summer period – see line 2 on Summary Page 1 for the 11/1/2022 balance. In March 2023 a journal entry was booked in reverse which led the Company to believe the under-collection balance was even greater. As a result, the rates billed during May-October 2023 were set to recover the large under-collection in addition to the actual gas costs incurred. When the journal entry correction was made in October 2023 it was apparent that the total revenue billed far exceeded the gas costs incurred during the period.”

The Company made a \$6,065,963 March 2023 seasonal deferral account adjusting entry and in October 2023 performed a (\$12,131,927) reversal and correction of the March 2023 adjusting entry.

Audit asked the Company for a specific reason and any specific steps in the process the Accounting Department does to verify the summer gas costs are accounted for correctly as these are quite large adjustments compared to the \$3,534,276 summer 2023 gas costs. The Company responded by stating,

“The two journals referenced were done for a more exact reflection of gas supply transactions between summer and winter seasons. These are recoveries from customers, rather than vendor invoices.”

Audit understands the Company was able to make the revenue adjusting entries but considering the revenue billing adjustments exceeded the \$3,534,276 summer 2023 gas costs

the Company try to reduce errors, so the gas costs and revenue figures are more accurate and in balance with one another.

Recommendation

The Company going forward should pay closer attention to winter and summer gas costs and billed amounts and document an Accounting Internal Control procedure, so such large adjusting entries are not needed in the future. This will ensure that winter and summer gas costs are more accurately accounted for.

Company Response

The revenue (Gas Supply) entries were not adjustments to billing. The revenues were reflected in total correctly. Rather, the entries were done to reflect the seasonality of the revenue (i.e., winter v summer accounts).

The Gas Supply Report used with Great Plans data was not available for the first five months after the conversion to SAP. A manual method was applied during the interim to reflect seasonality. Once the report was available with SAP data, the original entries were to be reversed and the corrected entries recorded. The total revenue did not change. Rather, the allocation between summer and winter accounts changed. Gas costs have been consistently recorded in the correct season.

The two entries mentioned above only affected the seasonality of the recovery, not the recoveries themselves, and did not impact the deferred gas costs.

The need for the corrections was addressed by the development of the report within the new system. This is now established.

Audit Response

Audit restates the issue that the Company should not have had to make such large adjusting entries and the notes the Company had to resort to developing a manual method to deal with an SAP revenue billing issue. The Company going forward should develop internal controls so seasonal revenue is accounted for accurately and large adjustments are not necessary.

Audit Issue #6
Summer 2023 Billed Revenue Reports

Background

Audit was not able to verify the summer 2023 SAP billing reports to the billed amounts on filing schedule 3.

Issue

The Company clarified with Audit how to verify the total therms billed on filing schedule 3 to the SAP monthly billing reports. The Company needs to explain by month the exact \$14,752,764 summer 2023 billed revenues on filing schedule 3 to the 400 SAP regulatory accounts. Based on a review by Audit the cost of gas natural accounts summed to \$15,448,227 which is a (\$695,463) figure compared to filing schedule 3. The billing reports included the following revenue natural accounts. 410200 Residential Gas Customers, 41021 Commercial/Industrial customers, 410220 Residential Transportation, and 410420 Commercial/Industrial Transportation.

Month	Account	Billed Amt per B. Rpt.	Billed Amount per Filing Sch 3	Billed Rpt Difference
May-23	410200	\$ 1,469,586.71		
May-23	410210	\$ 895,297.59		
May-23	410220	\$ 449.98		
May-23	410420	\$ 36,911.63		
Total		\$ 2,402,245.91	\$ 1,569,815.00	\$ (832,431)
Jun-23	410200	\$ 2,435,429.41		
Jun-23	410210	\$ 1,485,994.61		
Jun-23	410220	\$ 2,250.40		
Jun-23	410420	\$ 6,722.68		
Total		\$ 3,930,397	\$ 3,921,119.00	\$ (9,278)
Jul-23	410200	\$ 1,613,737.00		
Jul-23	410210	\$ 1,236,180.37		
Jul-23	410220	\$ 1,510.76		
Jul-23	410420	\$ (537.26)		
Total		\$ 2,850,891	\$ 2,805,059.00	\$ (45,832)
Aug-23	410200	\$ 1,081,070.98		
Aug-23	410210	\$ 842,968.01		
Aug-23	410220	\$ 1,586.33		
Aug-23	410420	\$ 3,673.79		
Total		\$ 1,929,299.11	\$ 1,909,592.00	\$ (19,707)
Sep-23	410200	\$ 1,023,590.32		
Sep-23	410210	\$ 861,233.53		
Sep-23	410220	\$ 1,369.35		
Sep-23	410420	\$ 223.64		
Total		\$ 1,886,416.84	\$ 1,967,713.00	\$ 81,296
Oct-23	410200	\$ 1,464,568.07		
Oct-23	410210	\$ 983,315.69		
Oct-23	410220	\$ 1,228.06		
Oct-23	410420	\$ 151.24		
Total		\$ 2,448,977.06	\$ 2,579,466.00	\$ 130,489

The Company should explain how the 1860 revenue recoupment account operates and interacts with the summer and winter deferral accounts.

Recommendation

The Company should explain the reason for the billing variances on the chart below and provide the billing detail backup. The Company should clarify how the

Revenue Recoupment 186 Regulatory account interacts with the summer and winter deferral accounts.

Company Response

The amounts from the billing reports that were pulled, as noted above, include both summer and winter revenues for each month, while the amounts on Schedule 3 are just the summer revenues.

Please see the updated proposed Schedule 3 line 20 in the original filing included the daily meter accruals from the GL roll forward. The Company determined that this accrual should be included with the unbilled revenue instead of the billed revenue. September and October were the only months with daily meter accruals, so the monthly billings on Schedule 3 line 20 were adjusted slightly to remove those accruals.

Please see the Gas Supply Billing reports for May through October 2023. This is another monthly billing report that shows the same information as the previously provided billing reports but presented in different ways. The total in the summer columns will tie to the updated Schedule 3 line 20 for May through October.

The summer and winter deferral accounts do not interact with the 186 regulatory account. They interact with Regulatory accounts 480 and 805.

Audit Response

Month	GL account	Amount	Filing Sch 3	Difference
Sep-23	410200	\$ 1,018,371		
	410210	\$ 856,660		
	410220	\$ 1,369		
Total		\$ 1,876,400	\$ 1,967,713	\$ 91,313
Oct-23	410200	\$ 1,460,029		
	410210	\$ 978,723		
	410220	\$ 1,228		
Total		\$ 2,439,980	\$ 2,579,466	\$ 139,486
Summer 2023 Total Revenue		\$ 14,521,965	\$ 14,752,764	\$ 230,799

Audit was able to verify the monthly billed revenue to the natural GL accounts provided by the Company. The Company should be using the regulatory accounts. Audit notes in the proposed Schedule 3 includes changes to the September and October 2023 summer billed revenue amounts with the Daily Meter Accruals now reflected in the unbilled revenue figures. This is a \$230,799 difference between the filing schedule 3.