

# STATE OF NEW HAMPSHIRE

## Intra-Department Communication

**DATE:** September 4, 2024

**FROM:** Sean Courtois, Audit Staff, Division of Enforcement  
New Hampshire Department of Energy

**SUBJECT:** Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities  
DG 23-076, 2023/2024 Winter Cost of Gas Adjustment Reconciliation  
**Final Audit Report**

**TO:** Amanda Noonan, Director of Regulatory  
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### **Introduction**

Liberty Utilities filed the 2023 – 2024 Winter Cost of Gas Reconciliation in DG 23-076 on July 31, 2024. The cost of gas rate was set by Commission Order 26,898 on October 31, 2023. The Order approved the cost of gas as follows for the fixed price option (FPO) and non-fixed price option customers:

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$0.7563	\$0.9454
Residential (GAP)	\$0.4160	\$0.5200
C&I low winter use	\$0.7573	\$0.9466
C&I high winter use	\$0.7561	\$0.9451
Residential FPO	\$0.7763	
Residential FPO (GAP)	\$0.4270	

The Company mailed an initial fixed price option letter to customers in September 2023 for any customers that might be interested in that program. In October 2023 the proposed fixed price option costs increased for implementation on November 1, 2023. The Order 26,898 specifies the Company shall notify enrolled FPO customers of the new PUC approved FPO rate in the second letter and allow them an opportunity to de-enroll now that they are aware of the higher rate. The Order specifies the Company shall track the cost associated with the FPO notification and customers that choose to de-enroll. The cost tracker for the second FPO letter should include email options to de-enroll, postal options to de-enroll, postage, printing, envelopes, staff time, three weeks to plan, and website publication. The Order further indicates that costs associated with the booking error and remedying the booking error shall not be borne by ratepayers.

On November 28, 2023 the Office of Consumer Advocate filed a motion for rehearing regarding Commission Order 26,898 because they thought the FPO program rates were unjust and unreasonable to non-fixed price residential customers. On December 5<sup>th</sup>, 2023 the NH DOE filed an objection to the OCA that noted the FPO has been authorized in the Companies Tariff page 11 for many years. The Company on December 5<sup>th</sup>, 2023 also filed a partial objection that pointed to the fact that the fixed price option has been offered to residential customers in the tariff for many years. The DOE concurred with the OCA that rate payers should not bear the direct costs and carrying charges associated with the second mailing of the FPO program. The Company objected to having shareholders bear the costs of notifying customers if the Commission terminates the FPO program.

On December 21, 2023 the Commission Order 26,919 denied an OCA motion for rehearing on Order 26,898 regarding the FPO program termination and indicates a separate docket will be opened to explore the matter for the 2024-2025 winter season.

The Company was authorized to charge up to 25% more of the non-fixed price rate, with 5-day notice to the Commission, and a revised tariff page. The rate could be decreased without limitation. The maximum rate above reflects the authorized 25% increase to the cost of gas rate. There were five tariff changes in the winter period.

The Commission Order 26,898 indicates the cost of gas over under collection shall accrue interest at the prime rate as reported by the Federal Reserve Statistical Release of Selected Interest Rates and the rate shall be adjusted monthly

**Reported Summary Page 1 and Page 2**

5/1/2023 (Over)/Under Beginning Balance	\$(8,577,690)	Line 2
Net Peak Gas Costs 5/1/2023 - 10/31/2023	\$(5,232,860)	Line 4
Seasonal Correcting Entry October 2023	\$12,131,927	Line 6
Interest	\$ (238,210)	Line 12
Sum Net Gas Costs 5/1/2023-10/31/2023	<u>\$17,126,577</u>	Line 13
Winter Beginning Balance 11/1/2023 (Over)	\$ 8,548,887	Line 15
Less: Cost of Gas Revenue Billed	\$(48,799,687)	Line 49,
Add: Cost of Gas Allowable (11/1/23 – 4/30/24)	<u>\$ 40,618,276</u>	Line 47
Total (over) Collection as of 4/30/2024	\$ 367,476	Line 51
Bad Debts Accounts 1920-1743	\$ (165,765)	Line 67
Working Capital 1424	<u>\$ (143,692)</u>	Line 83
TOTAL 1920-1740, 1743, 1163-1422 a/o 4/30/24	\$ 58,019	Line 85

Audit verified that Schedule 3, Bates page 038 in the Liberty Winter 2023-2024 docket DG 23-076, filed on September 1, 2023, reflects the April 30, 2024 beginning over-collected balance of \$(8,577,690). Audit is also aware that an updated schedule 3 was filed in DG 23-076

on October 24, 2023. In that filing, the Company reflected a revised beginning under-collection of \$3,674,198, a change of \$12,251,888. This figure does not agree with the general ledger as of 4/30/2023 and has not been audited. The adjusted figure was reported to be the results of a **general ledger reclassification of over \$6 million dollars**. Refer to Winter Period Beginning Balance discussion below.

The Summary Schedule page 1 and page 2 were supported/verified to the GL by the net of three specific balance sheet general ledger accounts through 4/30/2024, noted on additional supporting schedules:

R/A COG Reported Over-Collection SAP 130800-11174001-10168	\$306,763
November 2023 FPO Mailing Costs not booked till May 2024	(\$62,993)
January 2024 FPO Labor costs erroneously booked reversal entry July 2024	<u>\$2,280</u>
Winter Deferral Ending Under Collection Balance	\$367,476
Deferred Winter Bad Debt SAP 130804-11174003	(143,692)
Deferred Working Capital Peak SAP 130801-11142004	<u>(165,765)</u>
April 30,2024 Summary Page 2 adj. Summary Page 1 under-collection	\$58,019

Winter Period Beginning Balance-(\$8,577,690)

The May 1, 2023 beginning balance was verified to the prior year audited over-collection ending balance of (\$8,577,690). There was \$17,126,577 in net activity adjustment from May-October 2023 that consisted of fuel refinancing, seasonal accounting correcting entries, interest, and Gas Assistance Program Credits. As a result of the Net Summer 2023 adjustments, the November 1, 2023 beginning balance is an under-collection of \$8,548,887.

There is a (\$12,131,927) October 2023 winter/summer deferral account seasonal adjusting entry. The filing summary page 1 includes this under the May-October 2023. 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.”*

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

Audit has reviewed the entry that appears to be reasonable, the accuracy of the entry and what it initially represented, cannot be determined. Audit is not able to quantify or comment on what elements constitute costs that ratepayers should not bare due to Liberty’s error.

NET Winter Gas Cost Activity

The filing Summary Page 1 summarizes the reported Actual activity for the winter period:

Gas Cost Billed	\$ (48,799,687)
Interest	\$ 927,526
Return on Inventory	\$ 861,872
Capacity Release Credits	\$ (2,159,873)
Production & Storage	\$ 3,685,458
Bad Debt Adjustment	\$ 0
Gas Assistance Plan	\$ (627,121)
FPO Admin Costs	\$ 62,993
Transportation Cost of Gas Revenue	\$ 0 <b>Audit Issue #1</b>
Broker Revenues	\$ (206,870)
Net Adjustments	\$ 2,543,985 Per Filing
Net Transport cost of gas sum pg. 6	\$ (90,781) <b>Audit Issue #1</b>
Net Adjustments Per Audit	\$ 2,453,204 Per Audit
Gas Costs Per Audit	\$ <u>38,165,072</u>
Total Gas Cost and Adj. Per Filing	\$ 40,618,276
Gas Costs Per Audit	\$ <u>38,165,072</u>
Net Activity per Summary Page 1	\$ 367,476 under-collection

SAP Winter Deferral Account 130800-11174001-10168

R/A COG Reported Over-Collection SAP 130800-11174001-10168	(\$2,047,017)
Other Regulatory Asset SAP 130800-11182302-10168	\$ <u>2,353,779</u>
<b>NET R/A COG Reported Over-Collection</b>	\$ 306,763
November 2023 FPO Mailing Costs not booked till May 2024	(\$62,993)
January 2024 FPO Labor costs erroneously booked reversal entry July 2024	\$ <u>2,280</u>
Winter Deferral Ending Under Collection Balance April 30, 2024	367,476

Audit was able to verify the reported activity to the SAP winter deferral account 130800-11174001-10168 for the months of November 2023 - April 2024 with the inclusion of FPO May 2024 and July 2024 adjusting entries that are discussed in the FPO Section of this report.

Audit also noticed that beginning in January, 2024 has a \$2,353,779 account balance booked to the Regulatory Assets account 130800-11182302-10168 that was carried forward through April 30, 2024. Audit asked the Company regarding the inclusion of the 11182303 Other Regulatory Assets account in the 11174001 winter and 11174002 summer regulatory cost of gas reconciliation. The Company indicated,

*“FERC account 174 is listed as a derivative account. To better align with the FERC Uniform System of Accounts, the regulatory account to be used for the COGs will be a 182.3, which is Other Regulatory Assets. COG winter account will go from 3072-13800-11174001 to 3072-13800-1182302 and COG summer account will go from 3072-*

*130800-11174002 to 3072-130800-1182303. We are updating transactions to correctly flow to these accounts and will perform a manual reclassification as needed to ensure the correct FERC accounts are used.”*

The Company incorrectly noted that account 174 is a derivative account. Based on a review of the FERC Gas Uniform System of Accounts, account 175 is the derivative account. Account 174 is the Miscellaneous Current and Accrued asset account and is included in the Company’s tariff as the account in which to record the cost of gas. The Company should be using the correct FERC regulatory account which is 174. **Audit Issue #2**

On Summary Page 1 line 41 Net Transportation Cost of Gas is left blank while on Summary Page 6 line 27 the November 2023 - April 2024 over recovery account balance is (\$90,781). The winter deferral account filing schedule 1 peak commodity and demand costs does not have a breakout of the accrued transportation net cost that for November 2023 - April 2024 are (\$370,823). **Audit Issue #1**

The filing schedule 1 also does not include a breakout of the (\$2,159,873) November 2023 - April 2024 Capacity Release Credits on filing schedule 4, the (\$206,870) November 2023 - April 2024 broker revenues seen on Summary Page 1, and finally a breakout of the (\$627,121) November 2023 - April 2024 Gas Assistance Program Costs. **Audit Issue #1**

Return on Inventory \$500,438 – Inventory return calculation shown on Summary Page 1 of the filing resulted from the DG 17-048 rate case. The Return on Inventory charges were allocated \$143,645 per month from November 2023 - April 2024 and were booked to the SAP 130800-11174001-10168 winter deferral account.

The SAP General Ledger account 521060-11804000-10168 reflects Capacity Release Credits of \$(2,401,484). The filing schedule 4 shows (\$2,159,873), which agrees with the filing Summary. The \$241,611 difference between the SAP GL and filing schedule 4 is related to \$3,167 November 2023-March 2024 accruals vs actuals invoice payment timing difference and the April 2024 \$238,444 difference is related to a Tennessee Gas invoice for \$1,018,451. The payment of the invoice resulted in a net figure of (\$295,982). The prior March 2024 accrual was (\$534,427), so the Tennessee Gas net Capacity Release for April 2024 was (\$295,982), leaving a difference of \$238,444. The Capacity Release Credits are a mechanism by which holders of firm interstate transportation capacity can relinquish their rights to utilize the firm capacity to other parties that are interested in obtaining the right to use that capacity at a specific price, for a given period, and under a specifically identified set of conditions. The firm transportation rights may include transmission capacity and/or storage capacity.

SAP #	SAP Title Reference	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	Total
filing sch. 4	Capacity Release Credits	\$ (362,173)	\$ (364,344)	\$ (361,179)	\$ (363,414)	\$ (589,769)	\$ (118,994)	\$ (2,159,873)
521060-11804000-10168	Natural Gas Purchase	\$ (362,170)	\$ (364,525)	\$ (361,179)	\$ (360,991)	\$ (595,181)	\$ (357,438)	\$ (2,401,484)
	Accruals							
	SAP vs. Filing	\$ (3)	\$ 181	\$ -	\$ (2,423)	\$ 5,412	\$ 238,444	\$ 241,611
	April 2024 Tenn. Gas Invoice						\$ (238,444)	\$ (238,444)
	Accrual vs Actuals Timing	\$ 3	\$ (181)	\$ -	\$ 2,423	\$ (5,412)	\$ -	\$ (3,167)
	Total SAP GL Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (241,611)
	SAP GL Total	\$ (362,173)	\$ (364,344)	\$ (361,179)	\$ (363,414)	\$ (589,769)	\$ (118,994)	\$ (2,159,873)

Production and Storage - \$3,685,458 Production and Storage of \$3,685,458 is included within the balance sheet, and is an approved cost noted on First Revised Tariff page 18, Cost of Gas Clause. Thus, the filing line had no specific expense account associated with it.

Bad Debt Adjustment recovery period and the allowed bad debt recovery rate are shown on page 18 of the tariff. There were zero bad debt adjustment costs. If the Company is recovering its actual gas supply related bad debt on a fully recoverable basis, then the actual bad debt percentage is calculated by dividing the Company's actual net write-offs for the relevant period by its revenue for the same period.

There were zero Bad Debt Adjustment charges for the period that the Company attributes to better bad debt recoupment measures.

Gas Assistance Plan- (\$627,121)

On 8/27/2020, the Commission Order #26,397 approved the Settlement Agreement for the changes made to the (RLIAP) Residential Low Income Assistance Program for gas 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. The Company indicated the (\$627,121) allocated to GAP is the result of a calculation done monthly for the winter period transactions in the GR4 and GR7 (MEP) low-income rate classes. Formerly, under the prior mechanism, the COG rate was not reduced for the RLIAP program. The new GAP program that went into effect on November 1, 2020 reduces the COG rate on the low-income customers. The (\$1,148,580) GAP was verified to the winter deferral account. Audit was able to verify the (\$627,121) November 1, 2023-April 30, 2024 Gas Assistance billings to the monthly billing reports.

The Fixed Price Option – Administration Costs shown on Summary Page 1 of the filing indicated \$62,993 RCL Kubra charges for the year. These are adjustments to costs associated with envelopes and postage to inform customers they are eligible for the fixed price option during the winter season. The Company indicated these costs were for the first mailing only.

The Company in September 2023 notified customers in a letter of an upcoming fixed price option in the fall for the winter 2023-2024 heating season. In October 2023 the rates for the fixed price option increased and the Company had proposed changes to cost of gas rates regarding the change in price. The October 31, 2023 Commission Order 26,898 indicates direct cost and any carrying costs associated with the second letter shall be borne by shareholders and not ratepayers.

The filing schedule 1 indicates the costs were incurred in November 2023 but a review of the winter deferral account 130800-11174001 indicates the costs were not booked to the GL until May 2024. Audit also noticed the summer deferral regulatory account 11174002 also had a \$62,993 entry for the fixed price option when there is no option authorized by the Commission for summer. Audit also noticed in January 2024 the Company booked \$2,280 to the winter deferral account for FPO costs. Audit asked the Company to clarify why the winter \$62,993 FPO costs were not booked until May 2024, the summer \$62,993 fixed price option costs, and

the January 2024 \$2,280 fixed price option costs. The Companies responses are summarized below

- \$62,993 winter FPO costs not booked until May 2024

The \$62,993 FPO RCL Kubra mailing costs were not booked to the winter deferral account until May 2024 because the Company switched mailing vendors this year, and no longer receives individual invoices for each mailing that goes out. The Company indicated the routine FPO costs are done every year and were incurred in September 2023. In the past, an invoice for the FPO mailing was received and booked to the winter deferral account. This year it was included in a monthly invoice along with the routine monthly mailings, and it was not until May 2024 that these costs were calculated using applicable mailing prices and booked per the invoices reviewed by Audit. The RCL Kubra invoices are processed at the Company headquarters in Oakville for all letters sent to customers and each Company is allocated a percentage based on the charges in a given month.

- \$62,993 summer FPO costs erroneously booked May 2024

The Company provided the winter and summer FPO mailing costs. The first entry shows the initial booked of the \$62,993, which was incorrectly booked to the summer deferral account. The entry was corrected the same day in the second entry that shows it being moved out of the summer deferral account and into the winter deferral account as the Company is not authorized an FPO program in the summer months.

- May 31, 2024 original entry

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
130800-11174002-10168	Summer Def. Acct	\$62,993	
500300-11923000-10168	Outside Services		\$42,858
500300-10923000-10168	Outside Services		\$20,135

- May 31, 2024 correcting entry

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
130800-11174001-10168	Winter Def. Acct	\$62,993	
130800-11174002-10168	Summer Def. Acct		\$62,993

- \$2,280 FPO Labor Costs erroneously booked January 2024

The \$2,280 that was erroneously booked in January 2024 were labor costs associated with the preparation of the second FPO letter that the Company was ordered to track per Order 26,898 issued on October 31, 2023 in DG 23-076. The Company indicated the labor costs automatically hit the cost of gas deferral account but are not recoverable through the cost of gas. The costs were removed from the GL on July 19, 2024 and excluded from the reconciliation.

- July 19, 2024 entry

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
130800-11174001-10168	Winter Def. Acct	\$2,280	
502700-11921000-10168	Office Expenses		\$2,280

### Regarding Interest on FPO Costs

The Company indicated to Audit regarding carrying charges on the second FPO mailing, *“With respect to carrying charges, the order did not speak to any carrying costs associated with the second letter. The Company was ordered to be borne by shareholders and therefore, no carrying costs would apply. However, the order did speak to the impact that the underlying accounting entry error had on interest calculated for the winter and summer deferral accounts. While the initial adjustments were booked in December 2023 as part of the year end close, these are not necessarily the final adjustments to interest as Liberty must review its interest adjustment calculations, and second FPO letter costs, with DOE and OCA, as directed in the order. If there are any disagreements, Liberty expects the matter will be returned to the Commission for resolution. Audit is not able to quantify or comment on what elements constitute costs that ratepayers should not bare due to Liberty’s error.”*

Transportation Cost of Gas Revenue over collection of (\$90,781) was shown on the Summary page 6. The Company on summary page 1 of the filing did not include the Net Transportation Cost of Gas Revenue. **Audit Issue #1**

The \$40,618,276 winter 2023-2024 total gas costs were not affected by this error.

Broker Revenues (\$206,870) were verified to a portion of account 521070-11804000-10168 Natural Gas City Gate Purchases and 521050-11804002-10168. Audit reviewed the November 2023 - April 2024 invoices to Filing Schedule 2B.

Total Adjustments \$2,543,985 on the Summary Page 1 represents the sum of all activity in the winter deferral account Capacity Release Credits, Broker Revenues, Gas Assistance Plan, Transportation, Production/Storage, Interest, Return on Inventory Bad Debt, and Working Capital deferred balance sheet accounts from November 2023 - April 2024.

### Expense General Ledger Accounts

Audit requested all the expense accounts that comprise the individual types of gas costs that sum to of \$38,074,292 Summary Page 1. Audit was unable to verify the \$35,707,548 winter 2023-2024 deferred gas costs to the offsetting 521040-11804000-10168 account, noting a \$14,819 difference. The Company indicated that

*“The \$14,819, is made up of timing of accruals and reclasses between profit centers of EnergyNorth and Keene. There are also a few transactions that are mapped to the above accounts that are not part of the deferral and should not be included in the deferral. The total variance between these two profit centers and accounts listed above is under \$1,000. The variance shown on the provided to Audit Staff, does not impact the deferral because these amounts were not included in the deferral amount, thus the variance.”*

The Company should not have mapping issues and deferred gas costs to different profit centers. **Audit Issue #3**

Effective October 1, 2022, Liberty converted from the Great Plains system to SAP. The account transition associated with the Cost of Gas was noted to be:



Account Number	Account Description	Period	Debit	Credit	Total
521010-11804000-10168	SAP Natural Gas City Gate Purchases	11/1/23-4/30/2024	\$ 11,631		\$ 11,631
410630-11483000-10168	SAP- Sales for Resale AMA Credits	11/1/23-4/30/2024		\$ (4,382,530)	\$ (4,382,530)
521020-11804000-10168	SAP Natural Gas City Gate Purchases	11/1/23-4/30/2024	\$ 54,512,992	\$ (26,013,859)	\$ 28,499,133
521070-11804000-10168	SAP Natural Gas City Gate Purchases	11/1/23-4/30/2024	\$ 296,332	\$ (421,994)	\$ (125,662)
521030-11804101-10168	Natural Gas Demand Charges - Transportation	11/1/23-4/30/2024	\$ 21,637,389	\$ (10,181,470)	\$ 11,455,919
521060-11804003-10168	SAP Natural Gas Capacity Release	11/1/23-4/30/2024	\$ 2,364,592	\$ (5,945,395)	\$ (3,580,803)
521040-11804000-10168	SAP Natural Gas Imbalances - Cashout	11/1/23-4/30/2024	\$ 105,778	\$ (111,742)	\$ (5,964)
521050-11804000-10168	SAP Natural Gas Imbalances-Cashout Invoices	11/1/23-4/30/2024	\$ 37,334	\$ (74,408)	\$ (37,074)
521190-118082000-10168	SAP Natural Gas Delivered to Storage	11/1/23-4/30/2024	\$ 3,322,683	\$ (584,227)	\$ 2,738,456
521180-118081000-10168	SAP Gas Withdrawn from Storage	11/1/23-4/30/2024	\$ 1,204,844	\$ (55,583)	\$ 1,149,261
	Rounding	11/1/23-4/30/2024			\$ -
	Total	11/1/23-4/30/2024	\$ 83,493,575	\$ (47,771,208)	\$ 35,722,367
521040-11804000-10168	SAP Natural Gas Deferral Account	11/1/23-4/30/2024	\$ -	\$ (35,707,548)	\$ (35,707,548)
	Difference				\$ 14,819
	Broker Revenues		\$ -		\$ 206,870
	Capacity Release Credits				\$ 2,159,873
	Total GL Accounts Above		\$ 166,975,519	\$ (131,249,964)	\$ 206,870
	Total Gas Costs Summary Page 1A				\$ 38,089,110

**Review of Monthly Invoices, Documentation**

Audit tested sixteen invoices from November 2023 through April 2024, 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.

Vendor	Activity Description	Month	Amount
Rev LNG	Demand	Nov-23	\$ 1,550,000
DTE Energy	Commodity	Nov-23	\$ 32,177
EMERA	Demand	Nov-23	\$ 68,486
Gazmet	Demand	Dec-23	\$ 620,088
Calpine	Commodity	Dec-23	\$ 31,500
Citadel	Commodity	Dec-23	\$ 262,861
Hartree	Commodity	Jan-24	\$ 1,460,497
Twin Eagle	Commodity	Jan-24	\$ 423,315
Portland Natrual Gas	Commodity	Jan-24	\$ 132,243
Resepol	Commodity	Feb-24	\$ 5,306,890
EMERA	Commodity	Feb-24	\$ 789,974
ICE-Exchange	Commodity	Mar-24	\$ 853
Tennessee Gas	Demand	Mar-24	\$ 366,486
Koch	Commodity	Apr-24	\$ 310,372
Tennessee Gas	Demand	Apr-24	\$ 238,444
National Fuel	Demand	Apr-24	\$ 4,355
Total			<b><u>\$11,598,541</u></b>

Commodity and Demand Schedules

The confidential version of the filing schedule 2A and 2B, breaks out the commodity and demand details that summed to \$35,707,548 for winter 2023-2024, had a different allocation than on the deferral sheets provided to Audit. The net zero allocation difference for commodities is \$522,786 and Demand costs is (\$522,786) that did not affect the \$35,707,548 November 2023-April 2024 deferred winter gas costs. **Audit Issue #4**

Month	Per Filing Pages 2A/2B			Per Deferral Account File			Commodity Difference	Demand Difference
	Commodity	Demand	Total	Commodity	Demand	Total		
Nov-23	\$ 2,706,716	\$ 2,885,151	\$ 5,591,867	\$ 2,785,834	\$ 2,806,033	\$ 5,591,867	\$ 79,118	\$ (79,118)
Dec-23	\$ 3,405,212	\$ 1,290,600	\$ 4,695,812	\$ 3,628,969	\$ 1,066,843	\$ 4,695,812	\$ 223,757	\$ (223,757)
Jan-24	\$ 11,364,315	\$ 1,792,092	\$ 13,156,407	\$ 11,328,811	\$ 1,827,596	\$ 13,156,407	\$ (35,504)	\$ 35,504
Feb-24	\$ 5,630,210	\$ 1,907,870	\$ 7,538,080	\$ 5,745,411	\$ 1,792,670	\$ 7,538,081	\$ 115,201	\$ (115,200)
Mar-24	\$ 1,436,775	\$ 1,110,084	\$ 2,546,859	\$ 1,581,832	\$ 965,027	\$ 2,546,859	\$ 145,057	\$ (145,057)
Apr-24	\$ 683,756	\$ 1,494,766	\$ 2,178,522	\$ 678,913	\$ 1,499,609	\$ 2,178,522	\$ (4,843)	\$ 4,843
Total	\$ 25,226,984	\$ 10,480,564	\$ 35,707,548	\$ 25,749,770	\$ 9,957,778	\$ 35,707,548	\$ 522,786	\$ (522,786)

**Bidding**

The Company indicated for the 2023-2024 winter season they initiated several requests for proposals and received bids from 23 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.

**Revenue - \$(49,152,964)**

Audit verified the (\$48,799,687) reported figure on the filing Summary page 1 to schedule 3. Schedule 3 outlines, by month, the total volumes billed. Audit noted several filing schedule inconsistencies regarding the presentation of the billed revenue that is discussed below. The Total Gas Revenue Billed on Summary page 1 and 2 of \$(49,152,964) consists of the following:

Estimated Unbilled (Schedule 1)	\$ (1,856,213)	Accr. Transp. Net Incl.
Gas Cost Billed (Schedule 3)	<u>\$(47,570,595)</u>	Includes GAP
Total Gas Cost Billed Schedule 1	\$(49,426,808)	
Gas Assistance Plan (Schedule 1)	<u>\$627,121</u>	<b>Audit Issue #1</b>
Total Gas Costs Billed Summary Page 1	\$(48,799,687)	
Bad Debt Revenue Billed (Schedule 7)	\$(172,576)	
Working Capital Revenue Billed (Schedule 7)	<u>\$(180,701)</u>	
Total Peak Revenue Billed Sum Pg. 1 and 2	\$(49,152,964)	

The Company on filing schedule 1 did not breakout the Customer Billings properly as the Company included the (\$627,121) Gas Assistance Plan cost in the (\$47,570,595) billed gas costs rather than having it as a separate line item. The Company on the unbilled revenue included the

(\$370,823) Accrued Transportation Net Billings seen on Summary Page 6 in the (\$1,856,213) estimated unbilled revenue rather than its own line item. **Audit Issue #1**

The filing schedule 3 \$47,570,595 reported billed revenues to the winter deferral account that included the Gas Assistance Program rather than being broken out on a separate line. The Company also did not include the (\$206,870) broker revenues and (\$370,823) Accrued Transportation Revenue. **Audit Issue #5**

### Gas Costs Billed

Audit reviewed the monthly journal entries and supporting schedules of therm sales provided by Liberty, for November 2023 through April 2024, 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 November 2023 through April 2024, that summed to 115,826,697 therms, to the revenue reports.

Audit verified the \$(47,570,595) November 2023 through April 2024 billed revenue on Filing Schedule 3 and the Deferral account to the monthly revenue reports to the regulatory accounts for residential, and commercial/industrial customers 410200,410210,410220 revenue account to the 410220-revenue account. The billed winter deferral costs included the (\$627,121) Gas Assistance in the \$47,570,595 November 2023-April 2024 billed gas costs rather than (\$46,943,474). The filing schedule 3 also did not include the (\$370,823) Accrued Net Transportation billings. Bad debt and working capital summed to (\$353,277) for the winter season. The bad debt on filing schedule 3 is presented as a (\$172,576) credit which is not consistent with the working capital winter billed revenues of \$180,701. **Audit Issue #5**

The Filing Reconciliation Schedule 3 does not include off peak bad debt and working capital that is included in the revenue report. Audit verified the bad debt and working capital collected to the working capital 10168-130801-11142004 deferral account and the 10168-130804-11174003 bad debt deferral account.

### Estimated Unbilled Revenue and Interest

The Estimated Unbilled (Net), from schedule 1, totaled \$(1,856,213). EnergyNorth provided the journal entries and the calculations for the unbilled revenue for the winter period. Audit recalculated the unbilled commodity, the unbilled margins, and the unbilled interest for November 2023 through April 2024 from the Company's worksheet. The amounts were tied to schedule 1, Peak Demand and Commodity for, each month and tied to general ledger SAP account 10168-130800-13080011174000101698

Commission Order 26,898 issued on October 31,2023 for effect November 1, 2023 approved rates.

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$0.7563	\$0.9454
Residential (GAP)	\$0.4160	\$0.5200
C&I high winter use	\$0.7561	\$0.9451
C&I low winter use	\$0.7573	\$0.9466
Gas Assistance Plan Res.	\$0.7865	\$0.9831
Residential FPO	\$0.7763	
Residential FPO (GAP)	\$0.4270	

The 14<sup>th</sup> revised page 95 dated November 21, 2023 and effective December 1, 2023 referenced the following:

Residential Cost of Gas	\$0.7248
Gas Assistance Plan Res. Rate	\$0.3986
C & I Cost of Gas Low Winter Use	\$0.7246
C & I Cost of Gas High Winter Use	\$0.7258

The 15<sup>th</sup> revised page 95 dated December 21, 2023 and effective January 1, 2024 referenced the following:

Residential Cost of Gas	\$0.6460
Gas Assistance Plan Res. Rate	\$0.3553
C & I Cost of Gas Low Winter Use	\$0.6470
C & I Cost of Gas High Winter Use	\$0.6458

The sixteenth revised page 95 dated January 24, 2024 and effective February 1, 2024 referenced the following:

Residential Cost of Gas	\$0.6648
Gas Assistance Plan Res. Rate	\$0.3656
C & I Cost of Gas Low Winter Use	\$0.6658
C & I Cost of Gas High Winter Use	\$0.6646

The seventeenth revised page 95 dated February 22, 2024 and effective March 1, 2024 referenced the following:

Residential Cost of Gas	\$0.5039
Gas Assistance Plan Res. Rate	\$0.2771
C & I Cost of Gas Low Winter Use	\$0.5049
C & I Cost of Gas High Winter Use	\$0.5037

The eighteenth revised page 95 dated March 22, 2024 and effective April 1, 2024 referenced the following:

Residential Cost of Gas	\$0.3449
Gas Assistance Plan Res. Rate	\$0.1897

C & I Cost of Gas Low Winter Use \$0.3459  
C & I Cost of Gas High Winter Use \$0.3447

**INDIRECT COSTS**

**Bad Debt \$(165,765)**

The beginning balance of (\$389,248) agrees with the October 2023 ending balance shown on Summary Page 2 of the reconciliation. Summary page 2 of the 2023-2024 filing includes a schedule relating to Bad Debt:

**Bad Debt Account 10168-130804-11174003**

Beginning Balance	\$	(389,248)
Bad Debt Costs 5/1/2023 - 10/31/2023	\$	383
Interest 5/1/2023- 10/31/2023	\$	(18,252)
Beginning Balance 10/31/2023 (Over)/Under	\$	(407,117)
Bad Debt Costs 11/1/2023 - 4/30/2024	\$	81,724
Bad Debt COG Billed	\$	172,576
Adjustment	\$	-
Interest	\$	(12,948)
Total (Over)/Under 4/30/2024	\$	(165,765)

The Summary page 2 of the reconciliation indicates that the Bad Debt rolling (over)/under recovery is maintained in general ledger SAP account 10168-130804-11174003-Deferred Peak Bad Debt. Audit tied the April 2024 ending credit balance of (\$165,765) to the general ledger.

**Bad Debt Write-offs**

Schedule 6 reflects the calculation of the Bad Debt costs totaling \$81,724, using a bad debt rate of 0.0023. The Company is currently using 0.23% on the bad debt collection for the monthly bad debt carrying charges. Audit asked the Company how the 0.23% bad debt rate was determined that is used by dividing the actual net write offs by the total actual revenue from November 2023-April 2024. The Company responded

*“The 0.23% Bad Debt rate used on Schedule 6 was pulled from the initial COG filing made in DG 23-076, and that rate was calculated on the Winter 2022-23 COG Reconciliation at the bottom of Schedule 6. We incorrectly omitted the calculation of the new Bad Debt rate that will be used in our upcoming initial COG filing for the 2024-2025 period. Please see bad debt calculations that includes this new Bad Debt rate calculation at the bottom of Schedule 6. This rate is higher than it has been in recent years. This was due to the write-offs in December 2023 and January 2024 being unusually high following disruptions with the collections routines and processes after the Company’s conversion to SAP. The first time the write-off routine was officially run on SAP was December 2023, so it was catching up with a backlog that had been occurring since October 2022.”*

Audit notes the filing schedule 6 pages 3 and 4 that the Company discusses are not in the PDF version of the DG 23-076 reconciliation filing.

Audit reviewed the updated calculations provided by the Company that was determined by dividing the May 2023 - April 2024 \$3,646,794 total write offs by the May 2023 - April 2024 \$183,258,712 total monthly revenue. Audit recalculated the data provided by the Company and it complies with page 18 of the Tariff. Audit is concerned that from October 2022 when the transition to SAP began until December 2023 the Company did not have accurate calculations for the bad debt rate. **Audit Issue #6**

Filing Schedule 5 November 2023 Adjustment

On Filing Schedule 5-page 3 Peak Bad Debt Adjustment in November 2023 on line 9 the Company included a \$173,342 adjustment. The Company explained, *“The transaction should not have been included in the filing; it was incorrectly coded to the 0L ledger instead of the A1 ledger. Once the error was caught during the reconciliation process, the correction was made. This was a quarterly entry for GAAP financial statement presentation purposes and is recorded at the end of the quarter then reversed at the beginning of the next month. This entry has no effect on the deferral account balance.”* **Audit Issue #7**

The A1 general ledger is used for US GAAP reporting. The Company indicated that that is used for consolidated reporting at the Algonquin Power and Utilities Corporate level. Within the A1 ledger, the Company processes journal entries applicable to GAAP only. An example of this type of entry is, *“For example, if we have a regulatory mechanism where the tariff stipulates that we use a 182.3 asset account, and if that account balance is in a credit position at period end, it must be reclassified to a liability account under US GAAP. In recording this entry in the A1 ledger, our 0L ledger remains as is for regulatory reporting in line with FERC or PUC rules, as appropriate.”* The Company further indicated that the 0L ledger is not used where there are adjustments for regulatory reporting only. The Company indicated that they do not have any such transactions for regulatory reporting, but not GAAP reporting so it is not applicable.

Audit reviewed the original October 2023 entry and November 2023 reversing that is summarized below. Audit notes going forward the Company should be using the correctly coded ledgers in SAP.

October 2023 entry

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
240800-112530000-10168	Fuel and Com. Costs	\$280,384	
130801-11142004-10168	Working Cap. Winter Def		\$107,042
130804-11174003-10168	Bad Debt Winter Def.		\$173,342

November 2023 Reversal

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
130801-11142004-10168	Working Cap. Winter Def	\$107,042	
130804-11174003-10168	Bad Debt Winter Def.	\$173,342	
240800-112530000-10168	Fuel and Com. Costs		\$280,384

Regarding Rounding Adjustment

Audit asked the Company to explain why on Summary Page 2 the bad debt adjustment figure is zero while on Filing Schedule 6 page 2 the figure is a (\$256) net adjustment and they indicated, *“that schedule 6 includes small adjustments to the calculated bad debt costs to true up bad debt costs that were booked each month to the GL. This adjustment is only necessary on Schedule 6, because the costs on Summary Page 2 line 59 already include all bad debt costs booked to the GL. The total costs that get booked to the GL come directly from customer transactions in the system and the adjustment required on schedule 6 is likely due to rounding.”*

Revenue

Audit reviewed Schedule 7 of the filing for bad debt collected. The total November 2023 - April 2024 bad debt collected is \$(172,576) on the total column. This was verified to the 130804-11174003-10168 winter bad debt deferral account.

Working Capital (\$143,692)

The beginning balance of (\$162,369) agrees with the prior winter period filing and Audit report. Summary page 2 of the 2023-2024 filing includes a schedule relating to Working Capital:

<b>Working Capital Account 10168-130801-11142004</b>		
Beginning Balance	\$	(162,369)
WC Net Costs 5/1/2023 - 10/31/2023	\$	(827)
Interest 5/1/2023 - 10/31/2023	\$	(7,809)
Beginning Balance 10/31/2023 (Over)/Under	\$	(171,005)
Working Capital Costs 11/1/2023 - 4/30/2024	\$	213,982
Working Capital CGA Billed	\$	(180,701)
Adjustment	\$	-
Interest	\$	(5,968)
Total (Over)/Under 4/30/2024	\$	(143,692)

The Summary page 2 of the reconciliation indicates that the Working Capital rolling over/under recovery is maintained in general ledger SAP account 10168-130801-11142004-Deferred Working Capital – Peak. Audit tied the April 30, 2024 ending credit balance of (\$143,692) to the general ledger.

Schedule 5 reflects the calculation of the working capital costs totaling \$213,982 as well as customer billings of (\$180,701). The Company is currently using 0.599% for the working capital rate approved by the Commission on the Third Revised Tariff Page 96 effective November 1, 2023.

Filing Schedule 5 November 2023 Adjustment

On Filing Schedule 5-page 1 Peak Working Capital in November 2023 on line 9 the Company included a \$107,042 adjustment. The Company explained, “*The transaction should not have been included in the filing; it was incorrectly coded to the 0L ledger instead of the A1 ledger. Once the error was caught during the reconciliation process, the correction was made. This was a quarterly entry for GAAP financial statement presentation purposes and is recorded at the end of the quarter then reversed at the beginning of the next month. This entry has no effect on the deferral account balance.*” **Audit Issue #7**

Audit reviewed the original October 2023 entry and November 2023 reversing that is summarized below. The Company going forward should make sure any working capital adjustments are coded properly in SAP.

October 2023 entry

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
240800-112530000-10168	Fuel and Com. Costs	\$280,384	
130801-11142004-10168	Working Cap. Winter Def		\$107,042
130804-11174003-10168	Bad Debt Winter Def.		\$173,342

November 2023 Reversal

<u>Account</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
130801-11142004-10168	Working Cap. Winter Def	\$107,042	
130804-11174003-10168	Bad Debt Winter Def.	\$173,342	
240800-112530000-10168	Fuel and Com. Costs		\$280,384

Rounding Adjustment

Audit asked the Company to explain why on Summary Page 2 the working capital adjustment figure is zero while on Filing Schedule 6 page 2 the figure is a \$93 net adjustment and they indicated, “*Schedule 6 includes small adjustments to the calculated working capital costs to true up to the working capital costs that were booked each month to the GL. This adjustment is only necessary on Schedule 6, because the costs on Summary Page 2 line 75 already include all working capital costs booked to the GL. The amount of the costs that get booked to the GL come directly from customer transactions in the system, and the adjustment required on Schedule 6 is most likely due to rounding.*”

Revenue

Audit reviewed Schedule 7 of the filing for bad debt collected. The total November 2023-April 2024 working capital collected is \$(180,701) on the total column. This was verified to the deferral account.

**Interest \$927,526**

The interest expense of \$927,526 was reviewed by Audit. Audit was able to verify the interest rates to the monthly Federal Reserve Board Statistical Survey of Interest Rates website. For each month the average balance is divided by 365 days in 2023, 366 days for 2024 times the



number of days in the month, multiplied by the rate. The Company in December 2023 made two adjusting entries one for \$157,773 and the other for \$633,621 to the 130800-11174001 winter deferral account to adjust the balances. The Company explained the December 2023 interest deferral accounting adjusting entries were done by stating, *“In March 2023 a \$6.1M journal entry was done to realign Gas Supply entries made for October 2022 through and including March 2023, as more exact data was available. The correcting entry was to reverse the prior entries and book the correcting entries; unfortunately, it was done in the incorrect direction and corrected in October 2023. The interest impact was not adjusted at the time of the entry correction and was done in December 2023. There were two amounts entered, one reversing what had been booked between March 2023 and November 2023, and one which was the new recalculated amount. Audit is not able to quantify or comment on what elements constitute costs that ratepayers should not bare due to Liberty’s error.*

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Interest</u>
Nov-23	\$ 6,475,307	8.50%	30	\$ 45,238
Dec-23	\$ 3,388,143	8.50%	31	\$ 24,460
Jan-24	\$ 3,205,316	8.50%	31	\$ 23,076
Feb-24	\$ 3,887,041	8.50%	29	\$ 26,179
Mar-24	\$ 2,048,957	8.50%	31	\$ 14,751
Apr-24	\$ 348,314	8.50%	30	\$ 2,427
Total				\$ 136,130
December 2023 Adjusting Entry				\$ 791,394
Total Interest				\$ 927,526

Summary of \$791,394 December 2023 ENG Interest Adjusting Entry part of large \$1,758,281 larger entry

<u>Account</u>	<u>Account Name</u>	<u>Debits</u>	<u>Credits</u>
130800-11174001-10168	Winter Def. Acct	\$633,621	
130800-11174001-10168	Winter Def. Acct	\$157,773	
130800-11174002-10168	Summer Def Acct.	\$187,555	
563000-11431000-10168	Interest Exp. Adj.	\$779,332	
470300-11419000-10168	Interest Income		\$791,394
130800-11419000-10168	Interest Income		\$966,886
		\$1,758,281	\$1,758,281

**Actual Summary**

<b>Reported Summary</b>	
Winter Period Beginning Balance	\$ 8,548,887
Less: Cost of Gas Revenue Billed	\$ (48,799,687)
Add: Cost of Gas Allowable (11/1/2023 - 4/30/24)	\$ 40,618,276
Winter Period Ending Balance	\$ 367,476
Add: Bad Debt	\$ (165,765)
Add: Working Capital	\$ (143,692)
Total Winter Period Under Collection	\$ 58,019

Based on the review of the filing to the balance sheet financial records of the Company, billed revenues, gas costs, the sample review of invoices and review of accounting calculations and postings, Audit recommends the \$58,019 under recovery for winter 2023-2024 on the filing schedule.

- In **Audit Issue #1** the Company needs to make changes to Summary Page 1 and filing schedule 1 page 1 to more accurately reflect winter 2023-2024 gas costs and billed revenues.
- In **Audit Issue #2** the Company should be using the correct FERC USOA cost of gas accounts 174 rather than the 182.03 Other Regulatory Asset account. The Company must get PUC approval to change the accounts in the Tariff page 11.
- In **Audit Issue #3** the Company should be using the correctly mapped cost of gas expense accounts.
- In **Audit Issue #4** the Company needs to clarify the Commodity and Demand cost allocation on filing schedules 2A and 2B compared to the accrual payment files by vendor provided to Audit.
- In **Audit Issue #5** the Company needs to make changes to filing schedule 3 to more accurately reflect the presentation of winter 2023-2024 billed revenues.
- The Company in **Audit Issue #6** should make sure bad debt costs are booked to the general ledger in a timely and accurate manner in SAP so large adjustments like the one done in December 2023 are not needed to be done.
- The Company in **Audit Issue #7** going forward when making bad debt and working capital adjustments should make sure they are using the correctly coded accounts in SAP.

**Audit Issue #1**  
**Summary Page 1 and Filing Schedule 1**

**Background**

The Company on Summary Page 1 and filing schedule 1 did not breakout specific filing schedule costs and revenues.

**Audit Issue**

The Company on Summary Page 1 line 41 did not include a breakout of the (\$90,781) over under net transportation cost of gas for winter 2023-2024 as indicated on Summary Page 6 line 27. As a result, of the (\$90,781) changes the Total Adjustments to Gas Costs on Summary Page 1 line 43 and winter 2023-2024 Total Gas Costs. Line 47 on Summary Page 1 the \$40,618,276 winter 2023-2024 total gas costs are not affected by this change.

The Company on filing schedule 1 page 1 Non-Firm Margins and Credits did not include a breakout of the (\$2,159,873) winter 2023-2024 Capacity Release Credits as seen on filing schedule 4. The Company also did not include a breakout of the (\$206,870) winter 2023-2024 Broker Revenues as seen on Summary Page 1 line 33.

The Company on filing schedule 1 the (\$49,426,808) Accrued Customer Billings does not match the (\$48,799,687) winter 2023-2024 total gas costs billed that is the result of presentation. The (\$47,570,595) winter 2023-2024 customer billings on filing schedule 1 include the (\$627,121) Gas Assistance Program billings that should be broken out on a separate line. The (\$1,856,213) winter 2023-2024 estimated net unbilled revenue does not include a breakout of the (\$370,823) Accrued Transportation Net Costs.

**Audit Recommendation**

The Company should make the filing schedule summary page 1 and filing schedule 1 page 1 adjustments to more accurately reflect the presentation of winter 2023-2024 gas costs and billed revenue.

**Company Response**

Please see the updated proposed filing Summary Page 1 and Schedule 1.

Summary Page 1 line 41 has been updated to breakout the (\$90,781) from the Gas Costs included on line 45.

Schedule 1 page 1 has been updated to breakout the Capacity Release Credits and Broker Revenues from the Actual costs (see line 16) and the Gas Assistance Program billings (line 14) and Accrued Transportation Net Costs (line 10) from the Accrued Customer Billings.

The Company notes that all costs were accurately reported on the original filing Summary Page 1 and Schedule 1, and these edits have been made for clarity.

**Audit Response**

Audit has reviewed the proposed filing Revised Summary Page 1 and Schedule 1 and concurs with the Company. The Company should file the Revised Summary Page 1 and Schedule 1 with the Commission.

**Audit Issue #2**  
**Incorrect FERC Cost of Gas accounts**

**Background**

Audit reviewed the 2023-2024 EnergyNorth winter cost of gas accounts and noticed changes to accounts the Company was using, beginning in January 2024.

**Audit Issue**

<u>SAP Winter Deferral Account 130800-11174001-10168</u>	
R/A COG Reported Over-Collection SAP 130800-11174001-10168	(\$2,047,017)
Other Regulatory Asset SAP 130800-11182302-10168	<u>\$2,353,779</u>
<b>NET R/A COG Reported Over-Collection</b>	<b>\$306,763</b>
November 2023 FPO Mailing Costs not booked till May 2024	(\$62,993)
January 2024 FPO Labor costs erroneously booked reversal entry July 2024	<u>\$2,280</u>
Winter Deferral Ending Under Collection Balance April 30, 2024	<u>\$367,476</u>

Audit asked the Company regarding the inclusion of the 11182303 Other Regulatory Assets account in the 11174001 winter and 11174002 summer regulatory cost of gas account. The Company indicated, *“FERC account 174 is listed as a derivative account. To better align with the FERC Uniform System of Accounts, the regulatory account to be used for the COGs will be a 182.3, which is Other Regulatory Assets. COG winter account will go from 3072-13800-11174001 to 3072-130800-1182302 and COG summer account will go from 3072-130800-11174002 to 3072-130800-1182303. We are updating transactions to correctly flow to these accounts and will perform a manual reclassification as needed to ensure the correct FERC accounts are used.”*

The Company is wrong as based on a review of the FERC Gas Uniform System of Accounts account 175 is the derivative account and not 174. The Company should be using the correct FERC regulatory account which is 174 per the Commission approved Tariff.

The Company also should not make any changes to the working capital and bad debt regulatory accounts. The Company, prior to July 2023 was booking cost of gas bad debt and working capital revenue recoveries in the 186 Miscellaneous Deferred Debit accounts rather than in the 142 working capital account or 174/175 bad debt regulatory accounts.

**Audit Recommendation**

Audit understands that the Company proposed (in July 2023 DG 23-067 EnergyNorth rate case) changes to some gas accounts included in the tariff, since the conversion in October 2022. The PUC has not ruled on the Company’s proposed changes to the accounts.

The Company is not able to unilaterally change the accounts that are in the tariff, specifically account 174.

Regardless of the proposed changes in the DG 23-067 rate case, the Company should be using the PUC approved cost of gas accounts for EnergyNorth.

### **Company Response**

The change to COG, Working Capital and Bad Debt Gas Accounts was required to be compliant with the FERC Uniform System of Accounts. The working capital accounts are in 142 accounts, which is Customer Accounts Receivable, while the Bad Debt winter and COGS accounts are in 174, which is Misc Current and Accrued Assets. The Bad Debt summer, Energy Eff and Rate case Recovery are in 175, which is Derivative Instrument Assets.

As noted above, Liberty proposed to remove all of the account number references from the tariff in its pending rate case proceeding and will seek to resolve this issue in that proceeding.

Through review of the FERC Uniform System of Accounts, the Company notes 182.3 is the appropriate FERC account.

### **Audit Response**

Audit restates that the Company should still use the existing PUC approved accounts in the Tariff and wait for a Commission Order to change the EnergyNorth cost of gas accounts.

### Audit Issue #3 Deferred Gas Cost Expense Accounts

#### Background

Audit reviewed the November 2023-April 2024 deferred winter gas costs and had a question regarding a variance.

#### Audit Issue

Audit tried to verify the \$35,707,548 winter 2023-2024 deferred gas costs to the offsetting 521040-11804000-10168 account and there is a \$14,819 difference. The Company indicated that the difference is: *“The \$14,819, is made up of timing of accruals and reclasses between profit centers of EnergyNorth and Keene. There are also a few transactions that are mapped to the above accounts that are not part of the deferral and should not be included in the deferral. The total variance between these two profit centers and accounts listed above is under \$1,000. The variance shown on the provided to Audit Staff, does not impact the deferral because these amounts were not included in the deferral amount, thus the variance.”*

The Company should not have mapping issues and deferred gas costs to different profit centers.

Account Number	Account Description	Period	Debit	Credit	Total
521010-11804000-10168	SAP Natural Gas City Gate Purchases	11/1/23-4/30/2024	\$ 11,631		\$ 11,631
410630-11483000-10168	SAP- Sales for Resale AMA Credits	11/1/23-4/30/2024		\$ (4,382,530)	\$ (4,382,530)
521020-11804000-10168	SAP Natural Gas City Gate Purchases	11/1/23-4/30/2024	\$ 54,512,992	\$ (26,013,859)	\$ 28,499,133
521070-11804000-10168	SAP Natural Gas City Gate Purchases	11/1/23-4/30/2024	\$ 296,332	\$ (421,994)	\$ (125,662)
521030-11804101-10168	Natural Gas Demand Charges - Transportation	11/1/23-4/30/2024	\$ 21,637,389	\$ (10,181,470)	\$ 11,455,919
521060-11804003-10168	SAP Natural Gas Capacity Release	11/1/23-4/30/2024	\$ 2,364,592	\$ (5,945,395)	\$ (3,580,803)
521040-11804000-10168	SAP Natural Gas Imbalances - Cashout	11/1/23-4/30/2024	\$ 105,778	\$ (111,742)	\$ (5,964)
521050-11804000-10168	SAP Natural Gas Imbalances-Cashout Invoices	11/1/23-4/30/2024	\$ 37,334	\$ (74,408)	\$ (37,074)
521190-118082000-10168	SAP Natural Gas Delivered to Storage	11/1/23-4/30/2024	\$ 3,322,683	\$ (584,227)	\$ 2,738,456
521180-118081000-10168	SAP Gas Withdrawn from Storage	11/1/23-4/30/2024	\$ 1,204,844	\$ (55,583)	\$ 1,149,261
	Rounding	11/1/23-4/30/2024			\$ -
	Total	11/1/23-4/30/2024	\$ 83,493,575	\$ (47,771,208)	\$ 35,722,367
521040-11804000-10168	SAP Natural Gas Deferral Account	11/1/23-4/30/2024	\$ -	\$ (35,707,548)	\$ (35,707,548)
	Difference				\$ 14,819
	Broker Revenues		\$ -		\$ 206,870
	Capacity Release Credits				\$ 2,159,873
	Total GL Accounts Above		\$ 166,975,519	\$ (131,249,964)	\$ 206,870
	Total Gas Costs Summary Page 1A				\$ 38,089,110

#### Audit Recommendation

The Company should make any adjustments to the gas costs that were mapped to the incorrect profit centers. The Company going forward should be using the correctly mapped expense accounts for the winter season.

**Company Response**

The difference is identified as items not included in the following monthly deferrals:

Nov-23	(2,980.55)
Feb-24	11,201.15
Mar-24	4,235.73
Apr-24	<u>2,313.12</u>
Total	14,769.45

These differences are the result of mislabeled transactions that were made to offset the cash out portion on TGP invoices. As a result, the deferrals were overstated by the net of \$14,769.45. A correcting journal entry will be processed and provided to staff.

**Audit Response**

Audit concurs with the Company regarding the TGP invoice overstatement on the winter deferral account. Audit notes the Company should provide the adjusting entry within 30 days issuance of the final audit report.



**Audit Issue #4**  
**Filing Schedule 2A and 2B**

**Background**

The filing schedule 2A and 2B indicates the Company spent \$35,707,548 in gas costs for winter 2023-2024.

**Audit Issue**

The confidential version of the filing schedule 2A and 2B, breaks out the commodity and demand details that summed to \$35,707,548 for winter 2023-2024. However, the monthly accrual files by vendor reflected a different allocation between demand and commodity costs. The variance for commodities is \$522,786 and for demand costs is (\$522,786), therefore netting to zero.

Month	Per Filing Pages 2A/2B			Per Deferral Account File			Commodity Difference	Demand Difference
	Commodity	Demand	Total	Commodity	Demand	Total		
Nov-23	\$ 2,706,716	\$ 2,885,151	\$ 5,591,867	\$ 2,785,834	\$ 2,806,033	\$ 5,591,867	\$ 79,118	\$ (79,118)
Dec-23	\$ 3,405,212	\$ 1,290,600	\$ 4,695,812	\$ 3,628,969	\$ 1,066,843	\$ 4,695,812	\$ 223,757	\$ (223,757)
Jan-24	\$ 11,364,315	\$ 1,792,092	\$ 13,156,407	\$ 11,328,811	\$ 1,827,596	\$ 13,156,407	\$ (35,504)	\$ 35,504
Feb-24	\$ 5,630,210	\$ 1,907,870	\$ 7,538,080	\$ 5,745,411	\$ 1,792,670	\$ 7,538,081	\$ 115,201	\$ (115,200)
Mar-24	\$ 1,436,775	\$ 1,110,084	\$ 2,546,859	\$ 1,581,832	\$ 965,027	\$ 2,546,859	\$ 145,057	\$ (145,057)
Apr-24	\$ 683,756	\$ 1,494,766	\$ 2,178,522	\$ 678,913	\$ 1,499,609	\$ 2,178,522	\$ (4,843)	\$ 4,843
Total	\$ 25,226,984	\$ 10,480,564	\$ 35,707,548	\$ 25,749,770	\$ 9,957,778	\$ 35,707,548	\$ 522,786	\$ (522,786)

**Audit Recommendation**

While Audit understands that the differences did not affect the \$35,707,548 November 2023-April 2024 deferred winter gas costs, the Company should make any adjustments to filing schedule 2A and 2B so the Commodity and Demand costs are accurately reflected.

**Company Response**

Please see the updated proposed filing Schedules 2A and 2B, which have been updated so that the Commodity and Demand costs reflect the amounts per the deferral account file.

**Audit Response**

Audit concurs with the Company and the Company should file the proposed Revised Filing Schedules 2A and 2B with the Commission.

## **Audit Issue # 5** **Filing Schedule 3 Billed Revenue**

### **Background**

The Company on filing schedule 3 needs to make some presentation changes to more accurately and clearly reflect winter 2023-2024 billed revenue.

### **Audit Issue**

The Company on line 27 billed winter gas winter 2023-2024 billed revenue summed to \$47,570,595. The Company on line 27 included the (\$627,121) Gas Assistance Program Revenues rather than being broken out on its own line item.

The Company did not include a breakout of the (\$370,823) winter 2023-2024 Accrued Transportation Net Revenues. The Company on line 33 billed bad debt reflects a credit balance and line 34 billed working capital does not reflect a credit balance. The bad debt and working capital should have a similar presentation because the total billings on line 36 of the filing are affected.

### **Audit Recommendation**

The Company should adjust filing schedule 3 to more accurately reflect the billed revenue presentation for winter 2023-2024 so that the filing presentation is consistent.

### **Company Response**

Please see updated proposed filing Schedule 3. This schedule has been updated to breakout the Gas Assistance Program billings and the Accrued Transportation Net revenues on their own lines (see lines 28-29).

The Company notes that the bad debt billed reflects a credit balance because the bad debt rate charged during the 2023-24 season was (\$0.0024), while the working capital billed reflects a debit balance because the working capital rate charged was \$0.0025. This presentation is accurate and results in the correct total billings on line 38 of the updated proposed filing Schedule 3.

### **Audit Response**

Audit concurs with the Company regarding the proposed Revised Filing Schedule 3 and notes the Company should file proposed filing schedule with the Commission.

## **Audit Issue #6 Bad Debt Calculations**

### **Background**

The Company calculates bad debt costs on filing schedule 6. From October 2022-December 2023 the Company was not calculating bad debt costs in the most accurate way possibly because of the transition to SAP.

### **Audit Issue**

Schedule 6 reflects the calculation of the Bad Debt costs totaling \$81,724, using a bad debt rate of 0.0023. The Company is currently using 0.23% on the bad debt collection for the monthly bad debt carrying charges.

Audit asked the Company how the 0.23% bad debt rate was determined that is used by dividing the actual net write offs by the total actual revenue from November 2023-April 2024. The Company responded:

*“The 0.23% Bad Debt rate used on Schedule 6 was pulled from the initial COG filing made in DG 23-076, and that rate was calculated on the Winter 2022-23 COG Reconciliation at the bottom of Schedule 6. We incorrectly omitted the calculation of the new Bad Debt rate that will be used in our upcoming initial COG filing for the 2024-2025 period. Please see bad debt calculations that includes this new Bad Debt rate calculation at the bottom of Schedule 6. This rate is higher than it has been in recent years. This was due to the write-offs in December 2023 and January 2024 being unusually high following disruptions with the collections routines and processes after the Company’s conversion to SAP. The first time the write-off routine was officially run on SAP was December 2023, so it was catching up with a backlog that had been occurring since October 2022.”*

Audit notes the filing schedule 6 pages 3 and 4 that the Company discusses are not in the PDF version of the DG 23-076 reconciliation filing.

Audit reviewed the updated calculations provided by the Company that was determined by dividing the May 2023 - April 2024 \$3,646,794 total write offs by the May 2023 - April 2024 \$183,258,712 total monthly revenue. Audit recalculated the data provided by the Company and it complies with page 18 of the Tariff. Audit is concerned that from October 2022 when the transition to SAP began until December 2023 the Company did not have the most accurate calculations for the bad debt rate.

### **Audit Recommendation**

The Company should verify all the .0023 bad debt calculations are up correct and make any other adjustments filing schedule 6 and to accounts that might be affected since the October 2022 transition to SAP. The Company should file the updated Filing Schedule 6 pages 3 and 4 provided to Audit in the DG 23-076 docket book.

**Company Response**

The Company has verified that the 0.0023 bad debt rate used to calculate the bad debt charges in the reconciliation is correct. This rate is based on May 2022-April 2023 actual revenues and charge offs. Please see updated proposed filing that includes Schedule 6 page 3, which contains the calculation of the new bad debt rate that will be used for the upcoming year. The new bad debt rate is calculated using May 2023-April 2024 actual revenues and charge offs.

**Audit Response**

Audit concurs with the Company regarding the proposed Filing Schedule 6 page 3 and notes the Company should file the proposed filing schedule with the Commission.

**Audit Issue #7**  
**November 2023 Working Capital and Bad Debt Adjustments**

**Background**

The filing schedule 5-page 1 peak working capital line 9 includes a (\$107,042) includes a November 2023 adjustment and filing schedule 5-page 3 peak bad debt includes a \$173,342 November 2023 adjustment.

**Audit Issue**

On Filing Schedule 5-page 1 Peak Working Capital in November 2023 on line 9 the Company included a \$107,042 adjustment. The Company explained, *“The transaction should not have been included in the filing; it was incorrectly coded to the 0L ledger instead of the AI that is used ledger that is used for GAAP reporting. Once the error was caught during the reconciliation process, the correction was made. This was a quarterly entry for GAAP financial statement presentation purposes and is recorded at the end of the quarter then reversed at the beginning of the next month. This entry has no effect on the deferral account balance.”*

On Filing Schedule 5-page 3 Peak Bad Debt Adjustment in November 2023 on line 9 the Company included a \$173,342 adjustment. The Company explained, *“The transaction should not have been included in the filing; it was incorrectly coded to the 0L ledger instead of the AI ledger. Once the error was caught during the reconciliation process, the correction was made. This was a quarterly entry for GAAP financial statement presentation purposes and is recorded at the end of the quarter then reversed at the beginning of the next month. This entry has no effect on the deferral account balance.”*

**Audit Recommendation**

The Company should verify that they are using the correctly coded general ledger in SAP and make any changes to filing schedule 5.

**Company Response**

Please see updated proposed filing Schedule 5 that adjusts the 11/1/2023 beginning balances on line 1 of Pages 1 and 3 and adjusts line 9 of Pages 1 and 3 to reflect no adjustment, as this adjustment should not have been booked to the 0L ledger. The Company has verified that they are using the correctly coded general ledger in SAP since this error occurred and will continue to do so going forward.

**Audit Response**

Audit concurs with the proposed revised filing schedule 5 and notes the Company should file the proposed filing schedule with the Commission.

