

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DG 20-105

IN THE MATTER OF: LIBERTY UTILITIES (EnergyNorth Natural Gas)
CORP. d/b/a LIBERTY UTILITIES

DISTRIBUTION SERVICE RATE CASE

DIRECT TESTIMONY

OF

DONNA H. MULLINAX
CONSULTANT TO STAFF

March 18, 2021

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Introduction and Summary

Q. Please state your full name.

A. My name is Donna Hubler Mullinax.

Q. By whom are you employed and what is your business address?

A. I am employed by Blue Ridge Consulting Services, Inc. My business address is 114 Knightsridge Road, Travelers Rest, SC 29690.

Q. Please summarize your education and professional work experience.

A. I graduated with honors from Clemson University with a Bachelor of Science in Administrative Management and a Master of Science in Management. I am a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), a Certified Financial Planner (CFP), and a Chartered Global Management Account (CGMA) designation holder. I am a member of the South Carolina Association of Certified Public Accountants, the American Institute of Certified Public Accountants, and the Institute of Internal Auditors.

I have over 40 years of professional experience and have been a utility industry consultant for the last 25 years. My consulting assignments include numerous rate cases filed by public utilities and litigation support for various construction claims. Other project experience includes management, financial, and compliance audits; due diligence reviews; prudence reviews; and economic viability and financial studies. I have worked with public service commissions, attorneys general, and public advocates in Arizona, Colorado, Connecticut, Delaware, District of Columbia, Hawaii, Kentucky, Illinois,

1 Maryland, Massachusetts, Michigan, Missouri, Nebraska, New Hampshire, New York,
2 North Dakota, Ohio, Oregon, Pennsylvania, and Utah.

3
4 **Q. Have you included a more detailed description of your qualifications?**

5 A. Yes. A description of my qualifications is included as Attachment DHM-1.

6
7 **Q. Have you previously testified before the New Hampshire Public Utilities**
8 **Commission?**

9 A. Yes. I have testified before this Commission in Docket Nos. DE 16-383, DE 16-384, DG
10 17-048, DE 19-057, and DE 19-064. In addition, Blue Ridge has provided analysis and
11 reported on our findings in Docket Nos. DG 17-070, DW 18-047, DW 18-054, and DW
12 18-056.

13
14 **Q. On whose behalf are you testifying?**

15 A. I am testifying on behalf of the Staff of the New Hampshire Public Utilities Commission
16 (“Commission”).

17
18 **Q. What is the purpose of your testimony in this proceeding?**

19 A. The purpose of my testimony is to address the revenue requirements proposed by Liberty
20 Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities (“EnergyNorth” or
21 “Company”) and to present the effect of Staff’s recommended ratemaking adjustments on
22 the Company’s revenue requirements.

Q. Please summarize your recommendations.

A. The following table summarizes Staff's recommendations regarding revenue requirements.

Table 1: Summary of Staff's Recommended Adjustments and the Effect on Rate Base, Operating Income, and Revenue Deficiency (Sufficiency)

Staffs Recommended Rate of Return		6.67%	
Revenue Conversion Factor		1.37137	
	<u>Rate Base</u>	<u>Operating Income</u>	<u>Revenue Deficiency</u>
Adjustment 1	Normalize M&S Reflected in Rate Base	\$ (849,232)	(77,679)
Adjustment 2	Cash Working Capital	(72,407)	\$ (6,623)
Adjustment 3	Modify Amortization of Non-Protected EADIT	-	\$ 533,216 (731,234)
Adjustment 4	Payroll Expense - 2020 Increase		68,201 (93,528)
Adjustment 5	Normalize CSR 2019 Ratification Bonus Over Term of Contract		10,500 (14,399)
Adjustment 6	Long-Term Incentive Compensation		183,978 (252,301)
Adjustment 7	Payroll Tax		297,051 (407,365)
Adjustment 8	Sharing of D&O Liability Insurance		10,410 (14,275)
Adjustment 9	Property Tax-Remove Doubled State of NH TRUE UP		168,225 (230,698)
Adjustment 10	Remove Additional Keene Production Costs		3,874 (5,313)
Adjustment 11	Modify Presentation of Pelham Risk Sharing		(47,092) 64,580
Adjustment 12	Remove Amortization of Depreciation Reserve Imbalance		1,119,705 (1,535,526)
Adjustment 13	Capitalized Fleet Depreciation	(445,959)	(325,180) 405,149
Adjustment 14	Not Used		-
Adjustment 15	Interest Synchronization		26,043 (35,714)
	Impact of Staffs Recommended Cost of Capital		(3,797,586)
	Pelham Risk Sharing		(95,837)
	iNATGAS		(301,742)
	Keene Risk Sharing		(43,742)
	<u>\$ (1,367,598)</u>	<u>\$ 2,048,930</u>	<u>\$ (7,173,832)</u>

Q. What revenue increase does Staff recommend?

A. Staff recommends a *decrease* of \$2,240,114 for the EnergyNorth Distribution base rates, which includes adjustments for Pelham Risk Sharing, iNATGAS, and Keene Risk Sharing supported by Staff witness Stephen P. Frink. The following table shows the Company's updated revenue requirement request and Staff's recommendation.

Table 2: Staff's Recommended Revenue Deficiency (Sufficiency)

Company's Updated Revenue Deficiency (2/25/21)	\$ 4,933,718
Staff's Recommended Adjustment	(7,173,832)
Staff's Recommended Revenue Deficiency (Sufficiency)	<u>\$ (2,240,114)</u>

1 **Q. Are you presenting any exhibits in connection with your direct testimony in this**
2 **proceeding?**

3 A. Yes. Besides my qualifications already mentioned as Attachment DHM-1, Attachment
4 DHM-2 includes Staff's revenue requirement schedules, and Attachments DHM-3
5 through DHM-23 are copies of selected documents that are referenced in my testimony.
6

7 **Q. How are Staff's revenue requirement schedules organized?**

8 A. Staff's revenue requirement schedules, included in Attachment DHM-2, are organized
9 into summary schedules and adjustment schedules. The schedules consist of Schedules 1,
10 1.1, 1.2, 2, 2.1, 3, 3.1 through 3.15, and Schedule 4, 4.1, and 4.2.
11

12 **Q. What is shown on Schedule 1?**

13 A. Schedule 1 is a summary comparison of the Company's and Staff's computations of the
14 revenue requirement and the revenue deficiency. The schedule summarizes the impact of
15 all Staff's recommended adjustments and reflects the revenue requirement needed for the
16 Company to have the opportunity to earn Staff's recommended rate of return on Staff's
17 proposed rate base.
18

19 **Q. What is shown on Schedule 1.1?**

20 A. Schedule 1.1 provides additional detail by major rate base and operating income
21 categories and shows how Staff's recommended adjustments are applied to the
22 Company's updated filings to obtain Staff's recommended revenue requirement and
23 revenue deficiency.

1 **Q. What is shown on Schedule 1.2?**

2 A. Schedule 1.2 presents the calculation of the revenue conversion factor. The revenue
3 conversion factor grosses up the Income Deficiency amount for income taxes to obtain
4 the Revenue Deficiency amount. The conversion is needed to reflect that more than one
5 dollar in gross revenue is needed for each dollar of net operating income because of the
6 imposition of taxes on those earnings.

7
8 **Q. What is shown on Schedules 2 and 2.1?**

9 A. Schedule 2 summarizes the capital structure and cost of capital proposed by the Company
10 and the capital structure and cost of capital recommended by Staff witness J. Randall
11 Woolridge. Schedule 2.1 isolates the impact on the revenue deficiency for the difference
12 between the Company's proposed capital structure and cost of capital and those
13 recommended by Staff.

14
15 **Q. What is shown on Schedule 3 and Schedules 3.1 through 3.15?**

16 A. Schedule 3 summarizes Staff's adjustments to rate base and operating income (i.e.,
17 revenues less expenses). Schedules 3.1 through 3.15 provide further support and
18 calculations for the adjustments Staff is recommending.

19
20 **Q. What is shown on Schedules 4, 4.1, and 4.2?**

21 A. Schedule 4 summaries Staff's adjustments to the Company's proposed Step Increase.
22 Schedule 4.1 and 4.2 are supporting workpapers.

1 **Revenue Requirements**

2 ***EnergyNorth's Requested Revenue Increase***

3 **Q. What revenue increase has been requested by the Company?**

4 A. The Company's Application requested an increase in annual operating revenues of
5 \$13,497,250. To provide time for the review of the Company's request, the Company
6 also requested, and the Commission approved, a temporary increase in distribution rates
7 of \$6.5 million. The Company also requested a step increase of \$5.68 million annually to
8 begin recovering the revenue requirement associated with capital projects completed and
9 in service during the twelve-month period ending December 31, 2020.¹

10 On March 1, 2021, the Company filed corrected and updated rate schedules that
11 revised its revenue requirement schedules to reflect new or updated information that
12 became available and to include any changes that were identified during the discovery
13 process. The Company's updated request is for an increase in base rates of \$4,933,718,²
14 or a \$8,563,532 reduction from the Company's original request of \$13,497,250. The
15 Company's requested Step Increase changed from \$5,680,641 to \$5,646,985.³

16
17 ***Changes Made in EnergyNorth's Revenue Requirement Filings***

18 **Q. What changes has the Company made to its revenue requirement filings following**
19 **discovery?**

20 A. The Company made a number of revisions to its revenue requirement schedules that are
21 summarized below:

¹ Liberty Application (July 31, 2020) page 1 and 2. Order No. 26,412 (September 30, 2020), page 1.

² Notice of Intent to File Rate Schedules (March 1, 2021), correction and updated schedules.

³ Notice of Intent to File Rate Schedules (March 1, 2021), correction and updated schedules.

Table 3: Company's Corrections and Updates to Original Revenue Requirement⁴

**Liberty Utilities (EnergyNorth)
Track Changes
Rate Year Ending December 31, 2020**

Ref	Version	Rev Req	Increase	Change from prior	Step Increase Total	Change from prior	NOTES
a	July 31, 2020, Application		13,497,250		5,680,641		Application
1	September 10, 2020 Model, as corrected	101,306,034	6,451,180	(7,046,070)	5,680,641	-	Staff Request TS 3-7
2	Exclude GSE Related Costs	101,304,648	6,449,795	(1,386)	5,680,641	-	Audit Issue #2
3	Include Short Term EDIT	101,283,022	6,428,168	(21,626)	5,680,641	-	Audit Issue #5
4	Include Account 482.1 in Revenues	101,283,039	6,418,586	17	5,680,641	-	Audit Issue #6
5	Correct Pembroke Property Tax	100,572,920	5,708,467	(710,119)	5,647,754	(32,887)	Audit Issue #7
6	Calculate Property Tax on Second Half Only	100,895,826	6,031,373	322,906	5,647,754	-	Audit Issue #7
7	Nashua Education Tax Removal	100,904,084	6,039,631	8,258	5,646,985	(769)	Audit Issue #8
8	Non-Utility Plant Property Tax Removal	100,900,553	6,036,100	(3,531)	5,646,985	-	Audit Issue #9
9	Remove NHPUIC Penalty Expenses	100,815,142	5,950,688	(85,412)	5,646,985	-	Audit Issue #10, Staff Request 3-69 (k)
10	Include EDIT Gross-up in Rate Base	99,849,659	4,985,205	(965,483)	5,646,985	-	Staff Request 2-49
11	Exclude Lobbying Expense	99,846,644	4,982,191	(3,015)	5,646,985	-	Staff Request 3-69 (a) & (k)
12	Correct Keene Cost Adjustment	99,849,477	4,985,023	2,833	5,646,985	-	Staff Request 1-6 (a)
13	Remove Charitable Contributions from ADIT/EDIT	99,834,462	4,970,008	(15,015)	5,646,985	-	Staff Request TS 3-22
14	CBIZ, E&Y and KPMG Adjustment	99,828,113	4,963,660	(6,349)	5,646,985	-	Staff Request TS 3-23
15	Remove Non-Recoverable Advertising Expenses	99,787,005	4,922,551	(41,109)	5,646,985	-	Staff Request TS 3-21
16	CNG Station Revenue Requirement Adjustment	99,786,984	4,933,718	(20)	5,646,985	-	Staff Request TS 3-6
17	Update Increase Related to Indirect Expenses in COG	99,786,984	4,933,718	-	5,646,985	-	Increase assigned to COG changed to \$2,033,855

The Company's corrections and updates resulted in a requested increase in base rates of \$4,933,718, or a reduction from the Company's original request of \$8,563,532.

Establishment of Current Distribution Revenue Requirement

Q. When was the Company's current distribution revenue requirement established?

A. Order No. 26,122 (April 27, 2018) established EnergyNorth's current rates based on a test year of the 12 months ended December 31, 2016, with rates effective May 1, 2018 in Docket No. 17-048. OCA and the Company had signed a settlement agreement addressing all contested issues in that case. In opposing the adoption of that settlement, Staff stated that, in its view, the settlement would not result in just and reasonable rates. The Commission's ultimate decision resulted in current rates reflecting an increase in Distribution revenues of \$8,060,117 (the Company's revised requested revenue deficiency was \$14.5 million) and a step increase effective the same date estimated to be \$4,729,953 for certain non-revenue-producing investments made during 2017, offset by a

⁴ Liberty Combined Revenue Requirement Model – 2019 TY Corrections FTI v4, Tab Track (Attachment DHM-4).

1 \$2,394,065 reduction due to tax reform. The Order also approved, for the first time in
2 New Hampshire, a decoupling mechanism, which allows rate adjustments for weather,
3 energy efficiency, economic effects, and other variables and allows Liberty to earn
4 distribution revenues on a per customer basis, thus eliminating substantial revenue risks.⁵

5
6 **Test Year**

7 **Q. What test year is being used in this case?**

8 A. The Company has based its request for a revenue increase on a historical test year of the
9 12 months ended December 31, 2019.⁶ Staff's calculations use the same historical test
10 year.

11
12 **Q. Did the Company make adjustments to its historical test year?**

13 A. Yes, the Company stated that the revenue requirement was computed by starting with the
14 Company's financial results for the calendar year ended December 31, 2019, then
15 excluding revenues and expenses related to the Cost of Gas and the Local Delivery
16 Adjustment Clause (LDAC), and adjusting for known and measurable changes. The
17 resulting Test Year net operating income reflects normalized revenues at current rates,
18 expense, and net operating income for ratemaking purposes.⁷

19
20 **Q. Did the Commission's Audit Staff audit the Company's historical test year results?**

21 A. Yes. Staff's audit recommended several adjustments. The Company adopted several of
22 the recommendations in its corrected and updated revenue requirements. The Company

⁵ DG 17-048, Order No. 26,122 (April 27, 2018), pages 1–4.

⁶ Direct Testimony of David Simek and Kenneth Sosnick 4:9–10 (Bates II-110).

⁷ Direct Testimony of David Simek and Kenneth Sosnick, 5:18–6:4 (Bates II-111–II-112).

1 did not agree with some of the audit recommendations that affect the revenue
2 requirements, which are discussed later. The audit report is included as Attachment
3 DHM-3.

4
5 **Adjustments to Rate Base**

6 **Q. What rate base had the Company proposed?**

7 A. The Company originally requested a rate base of \$356,411,727.⁸ The Company revised
8 its requested rate base to \$346,149,831.⁹

9
10 **Q. The Company's revised rate base is significantly lower than the rate base proposed**
11 **in the original application. Please explain the reason for the \$10.3 million reduction**
12 **in rate base.**

13 A. The most significant portion of the reduction in the Company's proposed rate base is the
14 Company's correction to Excess Accumulated Deferred Income Taxes (EADIT)
15 following discovery, increasing EADIT by \$10,491,365. EADIT is a reduction to rate
16 base. The correction reflects the proper recording of the EADIT balance grossed-up for
17 taxes, including the short-term EADIT, and removing charitable contributions that are not
18 recovered in rates.

19
20 **Q. Is Staff proposing any adjustments to the Company's proposed rate base?**

21 A. Yes. Staff proposes adjustments to the following rate base items.

- 22
 - Materials and Supplies (M&S)

⁸ Attachment DBS/KAS-1, Schedule RR-1 (Bates II-132).

⁹ Attachment DBS/KAS-1, Schedule RR-1 (Bates II-132R).

- Cash Working Capital

Material & Supplies

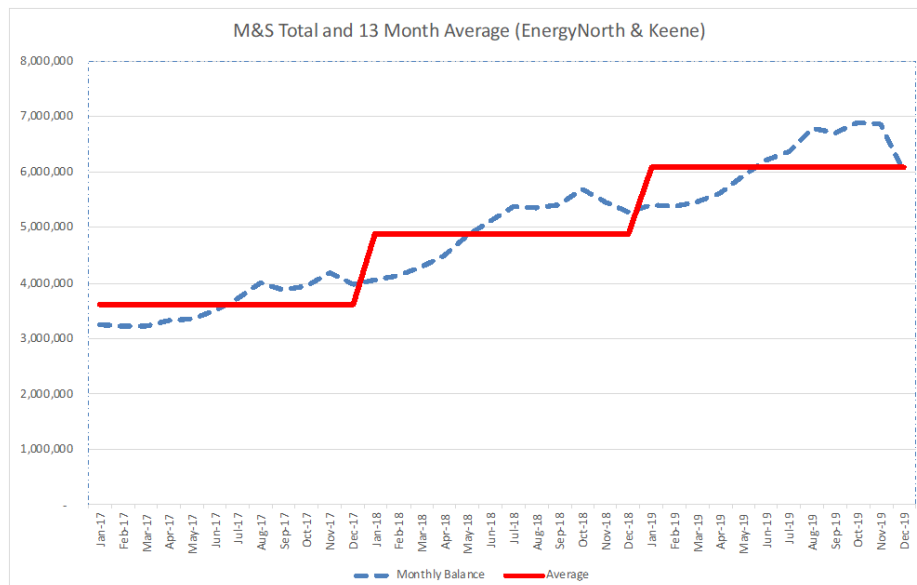
Q. Please explain Staff’s recommended adjustment to Materials and Supplies.

A. The Company’s rate base includes \$5.936 million in Materials and Supplies (“M&S”) based on the average of five quarterly balances.¹⁰ Staff requested the monthly M&S balances for 2016 through 2019 and found a significant increase in the M&S amounts over the last few years as shown in the following table and graph.

Table 4: EnergyNorth and Keene 13-Month Average M&S 2017–2019

	2017	2018	2019
EnergyNorth	3,484,106	4,792,587	5,910,148
% Increase		37.6%	23.3%
Keene	118,226	91,898	156,927
% Increase		-22.3%	70.8%

Figure 1: M&S Total and Average (EnergyNorth and Keene)



¹⁰ Attachment DBS/KAS-1, Schedule RR-EN-5 (Bates II-151R).

1 **Q. What was the Company’s explanation for the increases in the M&S balances?**

2 A. The Company provided the reasons for the M&S balance increases:

3 During 2017, the Company was informed that one of the suppliers
4 of regulators was moving to Mexico. The Company made
5 additional purchases in order to avoid any potential delays in the
6 delivery of meter sets and assemblies arising from the supplier’s
7 move. The Company also increased its inventories to
8 accommodate for the expected increase in main replacement
9 associated with the CIBS program.

10 During 2019, the Company added an additional contractor to
11 provide sufficient resources to meet the increased pipeline
12 replacement. To meet that requirement, the Company purchased
13 additional materials to support the new contractor.

14
15
16 **Q. Does the Company expect the reasons for the increases to continue such that an**
17 **M&S balance comparable to 2019 is expected during the rate effective period?**

18 A. No. The Company stated that pipeline replacement is leveling off and the Company
19 expects to see some improvements in materials planning as a result of moving toward an
20 integrated system under SAP.

21
22 **Q. What is Staff’s recommendation?**

23 A. Since the higher levels of M&S are not expected to continue during the rate effective
24 period **(the 12 months beginning August 1, 2021)**, Staff recommends that the amount
25 reflected in rate base be adjusted downward. Staff recommends reflecting an M&S
26 balance of \$5,086,928 (year-end average for years 2017 through 2019) in rate base. As
27 shown on Schedule 3.1, rate base is *reduced* by \$849,232.

1 ***Cash Working Capital***

2 **Q. Please explain Staff's recommended Cash Working Capital adjustment.**

3 A. Cash Working Capital was developed through the preparation of a lead-lag study. The
4 lead-lag study shows a net lag of 25.72 days.¹¹ The lead-lag is applied to each component
5 of the cost of service to quantify the cash working capital requirement associated with
6 that cost-of-service item. Staff's adjustment to Cash Working Capital updates the revenue
7 and expense components of the Company's lead-lag study to reflect Staff's adjustments
8 that are discussed within this testimony. As shown on Schedule 3.2, Staff's adjustment to
9 Working Capital *reduces* Rate Base by \$72,407.

10
11 ***Staff's Recommended Rate Base***

12 **Q. What is the impact of Staff's recommended adjustments to the Company's**
13 **requested rate base?**

14 A. The Company's updated requested rate base was \$346,149,831.¹² Staff's recommended
15 adjustments *reduce* the rate base to \$344,782,233.

16
17 **Adjustments to Net Operating Income**

18 **Q. What net operating income has the Company proposed?**

19 A. The Company's revised net operating income at current rates is \$22,259,725.¹³

20
21 **Q. Is Staff proposing any adjustments to the Company's proposed net operating**
22 **income?**

¹¹ Attachment DBS/KAS-1, Schedule RR-EN-5-2 (Bates II-153R). The net lag in EnergyNorth's last base rate case, DG 17-048 was 26.53 days (Attachment DBS/DSD-2, Schedule RR-EN-5-2, Bates 072),

¹² Attachment DBS/KAS-1, Schedule RR-1 (Bates II-132R).

¹³ Attachment DBS/KAS-1, Schedule RR-1 (Bates II-132R).

1 A. Yes. Staff is recommending adjustments to net operating income components:

- 2 • Modify Amortization of Non-Protected EADIT
- 3 • Add 2020 Increase to Payroll Expense
- 4 • Normalize CSR 2019 Ratification Bonus Over Term of Contract
- 5 • Adjust Long-Term Incentive Compensation
- 6 • Adjust Payroll Tax
- 7 • Incorporate Sharing of D&O Liability Insurance
- 8 • Remove Doubled State of NH TRUE UP of Property Tax
- 9 • Remove Additional Keene Production Costs
- 10 • Modify Presentation of Pelham Risk Sharing
- 11 • Remove Amortization of Depreciation Reserve Imbalance
- 12 • Capitalize Fleet Depreciation
- 13 • Interest Synchronization

14 Staff also has recommendations regarding advertising expenses included in the
15 Company's rate request.

16
17 ***Non-Protected Excess Accumulated Deferred Income Taxes (EADIT) Amortization***

18 **Q. Please explain Excess Accumulated Deferred Income Taxes.**

19 A. Provisions in the tax law permit companies to reduce taxable income by accelerating
20 certain expense deductions (e.g., depreciation and repair allowances) on their tax returns;
21 the impact reduces taxes payable in earlier periods when the accelerated expense for tax
22 purposes exceeds the actual book expense for financial reporting. The difference between
23 book tax expense and cash taxes remitted to the government is accounted for using the

1 Accumulated Deferred Income Tax (ADIT) balance. Because utilities typically recover
2 book tax expense in rates, which again does not reflect accelerated deductions (through a
3 ratemaking convention referred to as “tax normalization” or “inter-period tax
4 allocation”), the ADIT liability is included as an offset in rate base to recognize
5 customer-supplied capital.

6 The 2017 Tax Cuts and Jobs Act (TCJA) reduced the federal corporate income
7 tax rate from 35 percent to 21 percent. The tax rate change reduced the valuation of
8 future income tax liabilities owed to the federal government. The revaluation created an
9 excess ADIT balance, which represents deferred income taxes collected from customers
10 in the past that the utilities are not expected to remit to the government in the future. The
11 excess ADIT must be returned to customers.

12
13 **Q. What is the issue in this proceeding?**

14 A. Staff identified several concerns regarding the amount of EADIT due to customers. The
15 Company corrected the balance in its Update and Corrections filing. Staff and the
16 Company agree that the total EADIT due to customers is \$37,855,214. The remaining
17 issue is determining the amortization period over which the EADIT balance should be
18 returned to customers. The Company proposes to return the \$37,855,214 of EADIT to
19 customers over 28.93 years.

20
21 **Q. How did the Company decide that the EADIT should be returned over 28.93 years?**

22 A. There are three classes of EADIT, which are based on the nature of underlying assets
23 being depreciated: (1) Protected Property, (2) Non-Protected Property, and (3) Non-

1 Protected Non-Property. To simplify an arcane topic, I will not discuss in detail the
2 differences between each class, except to mention that state commissions do not have
3 latitude to decide the treatment of the Protected Property class. The internal revenue code
4 (IRC) requires utilities to handle the Protected Property class in accordance with specific
5 prescribed methods, either the Average Rate Assumption Method (ARAM) if data is
6 available or, if a utility does not have sufficient data to calculate weighted average
7 remaining life using the ARAM, the Reverse South Georgia Method (RSGM).
8 EnergyNorth used RSGM and determined that its Protected EADIT should be returned to
9 customers over 28.93 years. The Company proposes to also return the Non-Protected
10 Property and Non-Protected Non-Property over 28.93 years. Under the Company's
11 proposal, the total EADIT of \$37,855,214 due to customers would be returned to
12 customers (amortized) over 28.93 years, which results in a reduction to the revenue
13 requirement in this case of \$1,308,216.

14
15 **Q. Although the IRC prescribes the Protected Property EADIT amortization, does the**
16 **Commission have discretion over the amortization of the Non-Protected Property**
17 **and Non-Protected Non-Property?**

18 A. Yes. While the IRC prescribes Protected Property EADIT amortization, the Commission
19 can determine the amortization of the Non-Protected Property and Non-Protected Non-
20 Property. Staff recommends that the Non-Protected Property and Non-Protected Non-
21 Property be recovered over five years. The following table compares the results of the
22 Company's proposal and Staff's recommendation.

Table 5: Protected and Unprotected EADIT Amortization

	<u>Protected Property</u>	<u>Unprotected Property</u>	<u>Unprotected Non-Property</u>	<u>Total</u>
EADIT Balance	\$ (33,434,927)	\$ (644,443)	\$ (3,775,845)	\$ (37,855,214)
Company Proposed:				
Recovery	28.93	28.93	28.93	
Amortization	<u>\$ (1,155,718)</u>	<u>\$ (22,276)</u>	<u>\$ (130,517)</u>	\$ (1,308,511)
Staff's Recommendation:				
Recovery	28.93	5.00	5.00	
Amortization	<u>\$ (1,155,718)</u>	<u>\$ (128,889)</u>	<u>\$ (755,169)</u>	\$ (2,039,776)
Difference				<u>\$ (731,265)</u>

Q. Why does Staff recommend recovery of the non-protected items over five years?

A. First, the Non-Protected Non-Property related balance is predominantly attributable to book-tax differences derived from regulatory assets on the Company's balance sheet. Unlike utility plant, regulatory assets are characteristically short-lived.

Second, while use of the average remaining life of the plant balances is not unreasonable for the Non-Protected Property class, all of the EADIT balances were originally supposed to begin amortizing in 2018 with the rate effective date of last general rate case; at the Company's request, the amortization was delayed so that it could investigate whether it had the data to implement the ARAM. Given the circumstances, it is equitable to flow back the benefits of the Non-Protected Property class more expeditiously to customers.

Q. How was this issue addressed in the recent Granite State Electric (Liberty's sister electric utility) rate case (Docket No.19-064)?

A. In the Granite State Electric rate case, the Company proposed to recover the entire EADIT balance of \$5.6 million over 20.87 years, which would result in an amortization

1 of \$(196,018) reflected in rates.¹⁴ That case concluded when the Commission approved a
2 comprehensive settlement that contained a total revenue requirement increase but did not
3 specifically address the amortization of EADIT. Thus, Staff disagrees with Liberty's
4 position in this case its EADIT amortization proposal in DE 19-064 was "approved" by
5 the Commission."¹⁵
6

7 **Q. Is EADIT an important issue in this proceeding?**

8 A. Yes, the EADIT for EnergyNorth is significantly larger than it was for Granite State
9 Electric. The EnergyNorth balance is \$37.9 million in this proceeding, while the amount
10 in the Granite State Electric case was \$5.6 million.
11

12 **Q. Please summarize Staff's recommendation.**

13 A. The amount to be returned to customers should increase from \$1.3 million to \$2.04
14 million. As shown on Schedule 3.3, Staff's recommended adjustment *increases* Total
15 Amortization Due to customers by \$731,265, which *increases* Operating Income by
16 \$533,216.
17

18 ***Payroll Expense***

19 **Q. Please describe the Pro Forma Payroll adjustment proposed by the Company.**

20 A. In general terms, the Company bases its pro forma payroll upon the test year labor

¹⁴ Docket No. 19-064 Attachment PEG/DBS-1 Schedule RR-5 (CU) and Schedule RR-3-05 (CU) (Attachment DHM-5).

¹⁵ Liberty response to Staff 3-40 (Attachment DHM-6).

1 expense charged to EnergyNorth, adjusted for a three-year average level of vacancies¹⁶
2 and multiplied by an estimated increase of 3.0 percent.¹⁷
3

4 **Q. Does Staff agree with the Company's approach to calculate the pro forma payroll?**

5 A. Yes, assuming the Company expects no significant changes to headcount during the rate
6 effective period, the Company's calculation methodology is reasonable. However, Staff
7 believes that the Company's estimated payroll increase of 3.0 percent should be updated
8 to reflect the actual increase in 2020.
9

10 **Q. Please elaborate.**

11 A. At the time the Company prepared its payroll adjustment, the Company knew the
12 contractual increases for its union employees (which ranged from 2.5% to 2.8%) but did
13 not know the non-union actual 2020 merit increase, which could not be provided until
14 late February 2021. The actual non-union merit increase for 2020 is 2.0 percent.¹⁸ Thus,
15 the 3.0 percent used by the Company is higher than the actual increase.
16

17 **Q. How did Staff determine the actual payroll increase for 2020?**

18 A. The Company provided a list of positions and the union membership. I used this
19 information and the contractual union wage increases and actual merit increase to
20 develop a pro-rata percentage increase to apply to the test year labor expense charged to

¹⁶ Liberty response to Staff TS 3-15 Vacancy workpaper, Summary Non-Confidential Tab only (Attachment DHM-8).

¹⁷ The payroll adjustment also makes an adjustment to recognize that the first two months in 2019 did not contain the 2019 annual wage increase and, also, recognizes that the 2020 wage increase does not go into effect until March 2002. Liberty response to Staff 2-8b (Attachment DHM-9).

¹⁸ Liberty revised response to Staff TS 3-16 (Attachment DHM-7).

EnergyNorth, adjusted for vacancies. The pro-rata actual 2020 increase is 2.47 percent as shown in the following table.

Table 6: Pro-Rated 2020 Salary Increase—Union and Non-Union

Description	2019 FTE	2020 Increase	Prorated Increase	Source
Liberty - New Hampshire - IBEW 326	17	2.70%	0.12%	Staff 3-65
Liberty - New Hampshire - IBEW 486	19	2.70%	0.13%	Staff 3-65
Liberty - New Hampshire - USW 12012_03	106	2.80%	0.77%	Staff 2-30
Liberty - New Hampshire - USW 12012_09	46	2.50%	0.30%	Staff 2-30
Liberty - New Hampshire - USW 12012_10	6	10.00%	0.16%	Staff 2-30
Liberty - New Hampshire - UWUA 369	3	2.80%	0.02%	Staff 3-65
Non Union	187	2.00%	0.97%	Staff TS 3-16
Liberty - New Hampshire - USW 12012_11	1		0.00%	
Totals	385		2.47%	

Source: Staff 2-23, Attachment Staff 2.23.xlsx

While using actual wages and salaries instead of headcount to develop the actual increase may result in a different pro-rata amount, Staff's approach should provide a reasonable proxy for the increase that should be reflected during the rate effective period. What is certain is that the 3.0 percent used by the Company is too high and should be adjusted downward.

Q. What is the effect of Staff's recommended adjustments to Payroll Expense?

A. As shown on Schedule 3.4, Staff's recommended adjustment *reduces* Payroll Expenses by \$93,531, which *increases* Operating Income by \$68,201.

Customer Service Representative (CSR) Ratification Bonus

Q. Please explain the CSR Ratification Bonus.

A. The Company provided the amount of the Customer Service Group 2019 wages that the Company is seeking to recover in this proceeding. Included within the 2019 CSR wages

1 was \$18,000 for a Ratification Bonus.¹⁹ The Company explained the Ratification Bonus:

2 The ratification bonus is a component of compensation paid to members of a
3 collective bargaining unit and acts as an incentive during contract negotiations
4 to increase the likelihood that the union membership will accept the proposed
5 agreement between union representatives and the Company. The ratification
6 bonus is a total payment by the Company that is distributed to all members of
7 the collective bargaining unit. These **onetime** ratification bonuses are paid as
8 part of collective bargaining negotiations in lieu of agreeing to higher wage
9 increases that will be compounded with every subsequent wage increase going
10 forward. As such, the ratification bonus is a cost-effective way of reducing
11 total costs over the contract period. [Emphasis added.]²⁰
12

13 **Q. What does Staff recommend regarding any Ratification Bonuses that the Company**
14 **has included in its rate request?**

15 A. Staff recommends that all ratification bonuses, which reflect one-time payments, be
16 normalized over the term of the contracts. The CSRs are represented by Local 12012-09,
17 which recently ratified a five-year contract.²¹ Thus, Staff recommends that this one-time
18 \$18,000 payment of the Ratification Bonus included in the Company's rate request be
19 spread over five years.
20

21 **Q. Are there other ratification bonuses for other unions included in the Company's**
22 **rate request?**

23 A. Staff found information on the CSR's ratification bonus late in the proceeding. Due to the
24 late identification of this item, Staff did not verify whether ratification bonuses were paid
25 to the other unions in 2019 and, if there are, the amounts included in this rate case.
26 However, we did review the current contracts, and USW 12012-03 (106 FTEs) and USW
27 12012-10 (6 FTEs) appear to have ratified contracts during the test year. Thus, the

¹⁹ Liberty response to OCA 4-10 (Attachment DHM-10).

²⁰ Liberty response to Staff TS 3-17 (Attachment DHM-11).

²¹ Liberty response to Staff 2-31, Attachment Staff 2-31.b.2 (Attachment DHM-12).

1 Company's rate request likely reflects additional ratification bonuses. Staff recommends
2 that the Company remove any ratification bonuses included in test year expenses and
3 amortize those costs over the term of the contract(s).

4
5 **Q. What is the effect of Staff's recommended adjustments to normalize the one**
6 **Ratification Bonus that Staff identified?**

7 A. As shown on Schedule 3.5, Staff's recommended adjustment *decreases* payroll expense
8 by \$14,400 and *increases* Operating Income by \$10,500. As discussed earlier, the actual
9 amount is likely much higher as the recommended adjustment represents only one union.

10
11 ***Long-Term Incentive Compensation***

12 **Q. Please describe the Incentive Compensation Plans reflected in the Company's test**
13 **year.**

14 A. The Company sponsors three incentive programs. The first two, the Short Term Incentive
15 Plan (STIP) and Shared Bonus Pool, award annual cash bonuses for the achievement of
16 Balanced Scorecard objectives and individual performance. The STIP covers employees
17 in manager level and higher positions, while the Shared Bonus Pool provides for non-
18 management employees in union and non-union positions. The two plans weigh
19 achievement of the Balanced Scorecard more highly than individual performance at
20 between 80% and 90%, depending on position level.

21 The third program is the Performance and Restricted Share Unit Plan, also known
22 as the Long Term Incentive Plan (LTIP). The LTIP compensates executive employees for
23 the achievement of corporate objectives in the form of performance and restricted share

units tied to the value of the Company's stock at the end of the year preceding the award.
Conferred share units vest over a three-year performance period.²²

Q. Is Staff recommending an adjustment to the Company's incentive compensation plans in this proceeding?

A. Staff is not recommending a change to the amount requested by the Company for STIP and Shared Bonus Pool. The awards under these plans are based on the Company's performance measured against a scorecard and employee's achievement of individual performance objectives.²³ Staff reviewed the scorecards provided by the Company that drive the awards under the STIP/Shared Bonus Pool and found that they appropriately balance the interests of ratepayers, employees, and shareholders.

However, Staff is recommending an adjustment to exclude from rates the awards under the Company's LTIP.

Q. Please explain why it is appropriate to remove from customer rates the awards made under the LTIP.

A. The Company's LTIP is, in the words of the parent company, Algonquin Power & Utilities Corp., "intended to induce and reward behavior that creates long-term value for Shareholders by aligning the interests of executives with long-term Shareholder interests." The LTIP compensation is in the form of performance and restricted share units tied to the value of the Company's stock. The realization of the common stock value

²² Puc 1604.01(a) Copies of all officer and executive plans (Bates I-121–I-151).

²³ Puc 1604.01(a)15(b) page 1 (Bates I-127).

1 is dependent on “the achievement of performance-vesting criteria and share price
2 growth.” The full quote is shown below.

3 The LTIP element of compensation for the NEOs consists of participation in
4 the Stock Option Plan and in the Share Unit Plan as described below. **The**
5 **LTIP is intended to induce and reward behavior that creates long-term**
6 **value for Shareholders by aligning the interests of executives with long-**
7 **term Shareholder interests.** To achieve this, the future value of the LTIP
8 awards to executives is **tied to the value of the Common Shares.** The
9 **realization of such value depends on the achievement of performance-**
10 **vesting criteria and share price growth,** making the LTIP portion of
11 executive compensation truly “at risk” and linked to performance intended to
12 also benefit Shareholders.²⁴ [Emphasis added.]
13

14 Management receives a significant monetary incentive to focus efforts on
15 increasing the value of Performance and Restricted Share Unit Plan awards. The LTIP
16 rewards behavior that promotes the interest of shareholders. Excessive focus on
17 increasing profitability and share price growth can harm customers. Staff recommends
18 that all the costs of the LTIP included in the Company’s rate request be transferred to
19 shareholders.
20

21 **Q. Please explain how excessive focus on share price growth might not be beneficial to**
22 **customers?**

23 A. A utility could take many actions that increase profitability while at the same time do not
24 benefit customers. For example, requests for rate increases can be based on inflated pro
25 forma revenue requirements. Investments included in rate base can be based on decisions
26 to retire and replace assets that are financially driven rather than risk driven. Between rate
27 cases, during periods of slow revenue growth, a company will reduce expenses to
28 maintain profitability. While reducing expenses can and should benefit ratepayers, taken

²⁴ Algonquin Power & Utilities Corp. Notice of Annual Meeting of Common Shareholders to be Held on June 4, 2020, and Management Information Circular, page 63 (Attachment DHM-13).

1 to an extreme, it can harm customers. For example, expenses can be reduced to increase
2 profitability by deferring utility plant maintenance (resulting in safety issues or outages).
3 Further, expenses can be reduced by failing to adequately staff Customer Services, which
4 could lead to difficulties in, for example, accessing customer service to report leaks or
5 outages. Customer services would also have long wait times for other inquiries or
6 complaints if the Company were understaffed in order to reduce costs and drive up
7 profitability. Staff is not claiming in this case that Liberty took of any of these actions
8 during the test year but Staff raises these potential areas of concern to stress the
9 importance of utilities establishing incentive compensation programs that balance
10 behaviors that benefit customers, employees, and shareholders. Liberty's LTIP does not
11 exhibit that necessary balance.

12
13 **Q. What is Staff's recommended adjustment?**

14 A. The Company included \$252,311 of LTIP costs in its rate request.²⁵ Staff recommends
15 removing these costs. Staff's adjustment *increases* Operating Income by \$183,978, as
16 shown on Schedule 3.6.

17
18 ***Payroll Taxes***

19 **Q. Please explain Staff's adjustment to Payroll Taxes.**

20 A. Staff's adjustment has two parts. First, Staff corrected the Company's pro forma payroll
21 tax rate to reflect the statutory rate that the Company pays. The Company derived its
22 11.11 percent pro forma payroll tax rate by dividing the Unadjusted Test Year Labor

²⁵ Liberty response to Staff 2-22 (Attachment DHM-22).

1 Expense by the Unadjusted Test Year Payroll Tax Expense. This calculation resulted in
2 an overstated payroll tax.

3
4 **Q. Did Liberty make a similar error in its Granite State rate case (Docket No. 19-064)?**

5 A. Yes. Liberty used the same methodology in its Granite State case that resulted in a 10.5
6 percent rate. Liberty corrected it in its Corrections and Update filing in Docket No. 19-
7 064. The Company apparently overlooked the correction when it filed testimony in this
8 docket.

9
10 **Q. What payroll tax rate should the Company use?**

11 A. The statutory payroll rate is 15.3 percent for wages up to \$137,700 for the 2020 calendar
12 year, with the obligation for these taxes equally divided between employers and
13 employees at 7.65 percent (6.2 percent for Social Security and 1.45 percent for
14 Medicare). There are other payroll-related taxes, such as Federal and State
15 Unemployment taxes, that should also be included in the overall rate. To account for
16 these other items, Staff used Liberty's corrected combined payroll tax of 8.91 percent
17 used in the Granite State rate case (Docket No. 19-064).²⁶ Staff's adjustment modifies the
18 payroll rate of 11.11 percent used by the Company to 8.91 percent.

19
20 **Q. What is the second part of Staff's Payroll Tax Adjustment?**

21 A. In the second part, Staff reflects the impact to payroll taxes corresponding to Staff's
22 modification of the Company's payroll-related adjustments, which includes both Payroll
23 Expense and the CSR Ratification Bonus discussed earlier.

²⁶ Docket No. DE 19-064, Technical Statement of Philip E. Greene and David B. Simek, page 3 of 7 (Attachment DHM-14).

1
2 **Q. What is the total effect of Staff's adjustments to Payroll Taxes?**

3 A. Staff's adjustments *reduce* payroll taxes by \$407,382, which *increase* Operating Income
4 by \$297,051 as shown on Schedule 3.7.
5

6 ***Sharing of Directors and Officers ("D&O") Liability Insurance***

7 **Q. Please explain Staff's recommended adjustment regarding the sharing of Directors
8 and Officers (D&O) Liability Insurance.**

9 A. The Company carries D&O Liability insurance and has reflected \$28,553 in O&M
10 expense in its rate request. An additional \$13,486 has been capitalized.²⁷ Staff's
11 adjustment removes one-half of the D&O Liability Insurance expense. The 50% removal
12 reflects a sharing of this insurance between shareholders and ratepayers. As shown on
13 Schedule 3.8, Staff's adjustment *increases* Operating Income by \$10,410.
14

15 **Q. Why should the cost of D&O Liability Insurance Expense be shared between
16 shareholders and ratepayers?**

17 A. The Company stated that the D&O Liability insurance covers

18 Directors and Officers and all persons who were, now are, or shall
19 be Directors or Officers of the company and of any Subsidiary, and
20 all persons serving in a functionally equivalent role for the Parent
21 Company or Subsidiary operating or incorporated outside of
22 Canada are covered under this policy.²⁸
23

24 The Company provided the D&O Liability Insurance policy, which described its
25 coverage:

²⁷ Liberty response to Staff 2-46 (Attachment DHM-15).

²⁸ Liberty response to Staff 2-46 (Attachment DHM-15).

1 I. INSURING AGREEMENT

2
3 (A) The INSURER shall pay on behalf of the DIRECTORS and
4 OFFICERS all ULTIMATE NET LOSS for which the INSURED
5 ORGANIZATION has not provided indemnification and which
6 arises from a CLAIM first made against the DIRECTORS or
7 OFFICERS during the POLICY PERIOD or during the
8 DISCOVERY PERIOD, if purchased, for a WRONGFUL ACT
9 which takes place before or during the POLICY PERIOD and is
10 actually or allegedly caused, committed or attempted by the
11 DIRECTORS or OFFICERS while acting in their respective
12 capacities as DIRECTORS or OFFICERS.
13

14 (B) The INSURER shall pay on behalf of the INSURED
15 ORGANIZATION all ULTIMATE NET LOSS for which the
16 INSURED ORGANIZATION has, to the extent required or
17 permitted by applicable law, granted indemnification to the
18 DIRECTORS and OFFICERS and which arises from a CLAIM
19 first made against the DIRECTORS or OFFICERS during the
20 POLICY PERIOD or during the DISCOVERY PERIOD, if
21 purchased, for a WRONGFUL ACT which takes place before or
22 during the POLICY PERIOD and is actually or allegedly caused,
23 committed or attempted by such DIRECTORS or OFFICERS
24 while acting in their respective capacities as DIRECTORS or
25 OFFICERS.
26

27 (C) The INSURER shall pay on behalf of the INSURED
28 ORGANIZATION all ULTIMATE NET LOSS which arises from
29 a SECURITIES CLAIM first made against the INSURED
30 ORGANIZATION during the POLICY PERIOD or during the
31 DISCOVERY PERIOD, if purchased, for a WRONGFUL ACT
32 which takes place before or during the POLICY PERIOD.
33

34 II. DERIVATIVE INVESTIGATION COST COVERAGE

35
36 The INSURER shall pay all INVESTIGATIVE EXPENSE
37 incurred by an independent committee of the board of directors or
38 equivalent governing body of the INSURED ORGANIZATION in
39 response to a SHAREHOLDER DERIVATIVE DEMAND,
40 provided the SHAREHOLDER DERIVATIVE DEMAND is first
41 made during the POLICY PERIOD or the DISCOVERY PERIOD,
42 if purchased, and the alleged WRONGFUL ACT giving rise to the
43 SHAREHOLDER DERIVATIVE DEMAND takes place before or
44 during the POLICY PERIOD.²⁹
45

²⁹ Liberty response to Staff 2-46, Attachment Staff 2-46 (Attachment DHM-15).

1 As shown by the policy coverage above, D&O Liability Insurance protects the
2 Company and the personal assets of officers and directors from the costs of lawsuits that
3 may be initiated for alleged wrongful acts in managing the Company.

4 When required to be utilized, shareholders benefit from payouts under the policy
5 that would offset costs (that is, damage awards or expenses due to actual or alleged
6 wrongful acts) that would likely not be recoverable from ratepayers. On the other hand,
7 ratepayers benefit because having the insurance enables the directors and officers to make
8 decisions without fear of personal liability. Considering the shared benefits, it is
9 reasonable for shareholders and ratepayers to share the cost of D&O Liability Insurance.

10
11 **Q. Did Liberty seek recovery of D&O Liability Insurance expense in the recent Granite**
12 **State Electric base rate case?**

13 A. Liberty stated during discovery in the recent Granite State Electric rate case (Docket No.
14 DE 19-064) that no amount for D&O liability insurance was included in the base year
15 and forecasted period.³⁰ Staff relied upon Liberty's response and did not suggest an
16 adjustment in DE 19-064. In the current proceeding, the Company stated that Liberty's
17 response in DE 19-064 was inaccurate and that D&O insurance was included in the rate
18 request.³¹

19
20
21
22

³⁰ Docket No. DE 19-064 Liberty response to Staff 3-23 (Attachment DHM-16).

³¹ Liberty response to Staff TS 3-20 (Attachment DHM-17).

1 *Advertising*

2 **Q. Please explain Staff's concern regarding the recovery of Advertising expenses.**

3 A. During discovery, Staff found several campaign/advertisements that did not comply with
4 Commission rules which restricts recovery of certain types of advertising.³² When asked
5 about how the Company records and tracks advertising expenses that are eligible for
6 recovery from ratepayers and those that are not, the Company explained its process. In
7 general, the Company uses separate job codes to separately track the recoverable costs
8 (Account 909) from uncoverable costs (Account 913).

- 9 • Account 909 is for informational and instructional advertising expenses, "which
10 primarily convey information as to what the utility urges or suggests customers
11 should do in utilizing gas service to protect health and safety, to encourage
12 environmental protection, to utilize their gas equipment safely and economically,
13 or to conserve natural gas."
14
- 15 • Account 913 is for "expenses incurred in advertising designed to promote or
16 retain the use of utility service, except advertising the sale of merchandise by the
17 utility."
18

19 However, when preparing its revenue requirement, the Company included both the
20 recoverable (Account 909) and unrecoverable (Account 913) costs. The Company agreed
21 that the promotional-related advertising costs should not have been included. In addition
22 to the specific charges questioned by Staff,³³ the Company reviewed all its advertising-
23 related invoices greater than \$1,000 and identified and removed \$40,910 of non-

³² Puc 510 Utility Advertising.

³³ Staff questioned several EE related advertisements. The Company stated that the response to Staff 3-68 incorrectly noted the expenses as EE costs. However, one Staff questioned charge was related to EE and the Company stated that those EE advertising costs should have been forwarded to the Energy Efficiency department for processing through the LDAC surcharge. The charge was recorded to Account 913 and removed in the Corrections and Update filing.

1 recoverable advertising expenses (Account 909—\$14,426 and (Account 913—\$26,484)³⁴
2 in its Corrections and Update filing.³⁵
3

4 **Q. Does Staff agree with the Company correction?**

5 A. Yes; however, a concern remains that there may be additional costs that should have been
6 removed. When asked to confirm that the advertising for which recovery was sought was
7 in compliance with Commission rules, the Company stated that due to the number of
8 invoices, it reviewed only invoices over \$1,000.³⁶ Therefore, other non-recoverable
9 advertising expenses, which had not been reviewed and identified by the Company, could
10 still remain in the Company's rate request. The following table summarizes what was in
11 the Company's initial request for recovery and what was removed in the Corrections and
12 Update filing.
13

³⁴ Staff Audit Issue #12 identified \$3,000 booked to account 913 related to a Best of NH event sponsorship. Since the Company removed the expenses booked to Account 913, this finding was addressed in the Company's Correction and Update filing.

³⁵ Liberty response to Staff TS 3-21 (Attachment DHM-18).

³⁶ Liberty response to Staff TS 3-21 (Attachment DHM-18).

Table 7: Advertising Expenses

Advertising Accounts	2019
Account 909	
Labour Expense :	
8840-2-9865-69-5010-9090 Info & Insr Advertising - Labor	\$ 21,409
Other Expense:	
8840-2-9865-69-5390-9090 Info & Insr Advertising Expense	71,881
8843-2-0000-69-5390-9090 Informational & instructional advertising expenses	2,566
Total Account 919	\$ 95,856
Removed in the Corrections and Update Filing	(14,426)
Remaining balance	\$ 81,429
Account 913	
Other Expense:	
8840-2-0000-69-5390-9130 Advertising Expenses	\$ (27)
8840-2-9865-69-5390-9130 Advertising Expenses	26,514
Total Account 913	\$ 26,487
Removed in the Corrections and Update Filing	(26,484)
Remaining balance	\$ 3

Staff understands that there are legitimate advertising expenses in the Company's rate request. However, an after-the-fact review of only the larger invoices does not provide a level of comfort that all non-recoverable advertising expenses have been removed. Within the \$81,429 included in Account 909 that remains in the rate request, there could be additional charges that should be removed. However, Staff is not recommending an adjustment at this time but does recommend that the Company modify its process to ensure that in future filings, non-recoverable advertising expenses are clearly identified and excluded.

Q. What steps is the Company taking to ensure that the non-recoverable advertising expenses are not reflected in future base rate requests?

A. The Company stated that both Accounts 909 and 913 are above the line for FERC accounting purposes. As a result, both accounts were included in the determination of the

1 revenue requirement when the financial schedules were pulled together for the rate case.
2 The Company is “having internal discussions regarding potentially establishing new job
3 codes for NHPUC unrecoverable advertising costs that would post to account 426
4 (below-the-line) to more clearly recognize the incongruity between FERC accounting
5 rules and the prohibitions on certain advertising cost recovery contained in the
6 Commission’s administrative rules and assure exclusion of the costs going forward.”³⁷
7

8 **Q. Does Staff have a recommendation?**

9 A. Yes. Staff recommends that the Company report on the process change it makes to ensure
10 that non-recoverable costs are not included in future rate case filings.
11

12 ***Property Taxes***

13 **Q. Please explain Staff’s recommended adjustment regarding Property Taxes.**

14 A. Staff adjustment removes the doubling of the State of NH True Up and reduces property
15 taxes by \$230,708.
16

17 **Q. Please explain why the State of NH True Up should not be doubled when**
18 **determining the pro forma property taxes.**

19 A. State of NH Property Taxes are paid in two installments. The first installment is only an
20 estimate because it is based on the prior year’s notice of valuation. The second
21 installment, however, is based on the current year’s notice of valuation. Any difference
22 between the estimate and the actual valuation for the first installment is trued up. In this
23 instance, the true-up is the difference between the estimated taxes paid during 2019

³⁷ Liberty response to Staff TS 3-21 (Attachment DHM-18).

(using the 2018 December notice of valuation) and the December 2019 notice of valuation. The Company calculates its pro forma property taxes by using the second installment amount calculated based on current-year valuation and multiplying it by two. However, since the Company used the *total* property tax from the second installment in its derivation of the pro forma property tax amount (which included not only the second installment based on current-year valuation but also the State of NH True Up for the first installment), the State of NH True Up was also multiplied by two. It is not appropriate to double the true up as if it relates to the full year (rather than just the first half). As shown on Schedule 3.9, Staff's adjustment *reduces* Property Taxes by \$230,708, and *increases* Operating Income by \$168,225.

Additional Keene Production Cost

Q. Please explain Staff's adjustment regarding Additional Keene Production Costs.

A. As discussed in the testimony of Staff witness Stephen P. Frink, the Company removed \$211,561 related to Keene production costs. An additional \$5,313 was identified and removed. As shown on Schedule 3.10, Staff's adjustment *increases* Operating Income by \$3,874.

Pelham Risk Sharing

Q. Please explain Staff's adjustment regarding Pelham Risk Sharing

A. As discussed in the testimony of Staff witness Stephen P. Frink, the Company increased revenue by \$64,583 to reflect Pelham Risk Sharing on Schedule RR-EN-3-1, Bates II-138. Staff removes this revenue increase to modify the presentation of the Pelham Risk

1 Sharing. Staff also increases the amount to allocate more Pelham-related shortfall to
2 Liberty. As shown on Schedule 3.11, Staff's removal of this \$64,583 revenue adjustment
3 *reduces* Operating Income by \$47,092. Staff also allocates a \$95,837 shortfall to Liberty,
4 which is reflected as a revenue requirement *reduction* after the determination of the
5 revenue deficiency (sufficiency) on Schedule 1.1.

6
7 ***Depreciation Reserve Imbalance***

8 **Q. What is Staff's adjustment regarding the amortization of the Depreciation Reserve**
9 **Imbalance?**

10 A. Discussion of Staff's adjustment for the amortization of the depreciation reserve
11 imbalance is in the testimony of Stephen P. Frink. The adjustment is shown on Schedule
12 3.12. The adjustment *decreases* Depreciation Expense by \$1,535,588 and *increases*
13 Operating Income by \$1,119,705.

14
15 ***Capitalization of Fleet Depreciation***

16 **Q. Please explain Staff's concern regarding the Capitalization of Fleet Depreciation.**

17 A. The concern regarding the Company's practice of capitalizing fleet depreciation was
18 identified in the recent Granite State Electric rate case audit (DE 19-064), Staff Audit
19 Issue #3:

20 **DE 19-064 Audit Issue #3**
21 **Capitalizing Fleet Depreciation**

22 **Background**

23 Audit reviewed the 2018 overhead burden calculations. The
24 Capitalized Fleet overhead represents the capitalized monthly fleet,
25 allocated on a pro-rata basis. The capitalization is the monthly
26 depreciation expense of grouped asset 8830-3920, multiplied by the
27

quarterly fleet depreciation rate capitalized by CWIP job through the BRD

Audit Issue

In 2018, the Company began capitalizing a portion of depreciation expense associated with fleet assets through inclusion of the result within the BRD burden applied to capital jobs. Audit understands that the income statement overall is impacted.

However, the capitalized portion of the depreciation expense is credited to account 8830-XXX-xx-XXXX-922X rather than 8830-2-0000-80-8610-4030 Depreciation Expense.

As a result, the depreciation expense is overstated and the Accumulated Depreciation understated.

Audit Recommendation

The Company should not be capitalizing a portion of the depreciation expense, and should quantify the impact and adjust the filing.

Company Response

The transportation (fleet) overhead and the vehicle depreciation capitalization on construction vehicles are two distinct transactions which appear to have been combined in the above write-up of the Audit Issue.

Transportation (fleet) overhead includes costs that are accumulated in the transportation clearing account. Fleet charges such as maintenance and fuel charges are spread from a clearing account proportionately based on labor dollars. The entry for the fleet overhead allocation is credited to capitalized credits, account 922, and cleared to the qualifying jobs.

The capitalization of depreciation on construction vehicles to account 107 balance is appropriate under the guidance set forth by US GAAP standard ASC 360. The entry to capture the capitalization of vehicle depreciation used in construction activities is a debit to CWIP, account 107 and a credit to depreciation expense account 403. Thus, the depreciation expense is not overstated and the Accumulated Depreciation is not understated.

Audit Comment

As acknowledged by Liberty in response to Audit Issue #7, the Company must comply with FERC for regulatory purposes.³⁸

³⁸ DE 19-064 Granite State Electric Staff Audit Report (January 16, 2020), page 121 (Attachment DHM-19).

1
2 **Q. Why did the issue come up again?**

3 A. The recent Granite State Electric 2019 Storm Fund Report (DG 06-107) Audit report
4 identified Repeat Audit Issue #1:

5 **DE 06-107 Repeat Audit Issue #1**
6 **Capitalizing Fleet Depreciation**
7

8 **Background**

9 The Capitalized Fleet overhead represents the capitalized monthly fleet,
10 allocated on a pro-rata basis. The capitalization is the monthly
11 depreciation expense of grouped asset 8830-3920, multiplied by the
12 quarterly fleet depreciation rate capitalized by CWIP job through the
13 BRD. The Company now includes the Capitalized Fleet overhead within
14 the BRD burden allocation. The Capitalized fleet represents the
15 capitalized monthly fleet, allocated on a pro-rata basis. The capitalization
16 is the monthly depreciation expense of grouped asset 8830-3920,
17 multiplied by the quarterly fleet depreciation rate capitalized by CWIP
18 job through the BRD.
19

20 **Audit Issue**

21 An **Audit Issue** included within the DE 19-064 rate case audit report
22 indicated that the Company began capitalizing a portion of depreciation
23 expense associated with fleet assets through inclusion of the result within
24 the BRD burden applied to capital jobs.
25

26 The Capitalized fleet represents the capitalized monthly fleet, allocated on
27 a pro-rata basis. The capitalization is the monthly depreciation expense of
28 grouped asset 8830-3920, multiplied by the quarterly fleet depreciation
29 rate capitalized by CWIP job through the BRD. The BRD applies to
30 capitalized jobs, thus not to the Storm deferral account.
31

32 *“The transportation (fleet) overhead and the vehicle depreciation*
33 *capitalization on construction vehicles are two distinct transactions*
34 *which appear to have been combined in the above write-up of the Audit*
35 *Issue.”*
36

37 *Transportation (fleet) overhead includes costs that are accumulated in*
38 *the transportation clearing account. Fleet charges such as maintenance*
39 *and fuel charges are spread from a clearing account proportionately*
40 *based on labor dollars. The entry for the fleet overhead allocation is*
41 *credited to capitalized credits, account 922, and cleared to the qualifying*
42 *jobs.*
43

1 *The capitalization of depreciation on construction vehicles to account*
2 *107 balance is appropriate under the guidance set forth by US GAAP*
3 *standard ASC 360. The entry to capture the capitalization of vehicle*
4 *depreciation used in construction activities is a debit to CWIP, account*
5 *107 and a credit to depreciation expense account 403. Thus, the*
6 *depreciation expense is not overstated and the Accumulated Depreciation*
7 *is not understated.*

8
9 The Company has stated in the current audit response that this is still
10 being done.

11 **Audit Recommendation**

12 The Company should not be capitalizing a portion of the depreciation
13 expense, and should quantify the impact and adjust the filing. As
14 acknowledged by Liberty in response to the previous Audit Issue, the
15 Company must comply with FERC for regulatory purposes.

16 **Company Response**

17 The Company repeats its prior response and, with regard to compliance
18 with the FERC Chart of Accounts, the Company asserts that it is in
19 compliance and supplements that prior response as follows:

20 The FERC Chart of Accounts specifically provides for the capitalization
21 of depreciation expense in item 3 “Components of Construction Cost” of
22 the Electric Plant Instructions:

23 (5) Special machine service includes the cost of labor
24 (optional), materials and supplies, *depreciation*, and other
25 expenses incurred in the maintenance, operation and use of
26 special machines, such as steam shovels, pile drivers,
27 derricks, ditchers, scrapers, material unloaders, and other
28 labor saving machines; also expenditures for rental,
29 maintenance and operation of machines of others. It does not
30 include the cost of small tools and other individual items of
31 small value or short life which are included in the cost of
32 materials and supplies. (See item 3, above.) When a particular
33 construction job requires the use for an extended period of
34 time of special machines, transportation or other equipment,
35 the net book cost thereof, less the appraised or salvage value
36 at time of release from the job, shall be included in the cost of
37 construction. (Emphasis added)

38 The Audit Staff’s implication that Liberty apparently agreed with this
39 recommendation in response to the DE 19-064 Audit Report and that it
40 would comply with the FERC accounting guidance did not relate to the
41 subject of this Audit Issue. The Company maintains that it has been and
42 continues to be in compliance with the FERC Chart of Accounts.

Audit Comment

Because the FERC information above relates to the maintenance, operation and use of special machines, or the extended use of cars, trucks or trailers (transportation equipment), Audit reiterates the issue that inclusion of a portion of the depreciation expense for fleet assets in the BRD burden rate, for capitalization on a pro rata basis, should not be done in the manner outlined.³⁹

Based upon the Company's response to the Storm Fund audit report, the issue is still unresolved.

Q. Please summarize Staff's concern.

A. Staff is concerned that Liberty is accumulating its fleet costs in an account that gets spread to various O&M accounts and Capital projects through a burden allocation. The burden includes depreciation on vehicles, so that some fleet depreciation ends up in capital. Depreciation is an expense item, and the Company should not be using it to grow rate base on which a return is applied.

Q. Does Staff have an estimate of the amount of vehicle depreciation that may have been included in Capital projects that are reflected in rate base in this proceeding?

A. Audit Staff provided the following information from the EnergyNorth and Keene detailed general ledger that shows that the Company capitalized \$437,863 for EnergyNorth and \$8,096 for Keene. These amounts are likely reflected in rate base in this proceeding.

³⁹ DG 06-107 Liberty Utilities (Granite State Electric) Corp 2019 Storm Fund Report, FINAL Audit Report (September 30, 2020), page s 15–16 (Attachment DHM-20).

Table 8: Fleet Depreciation Capitalized 2017–2019

	12/31/17	12/31/18	12/31/19
Total debits to ENG CWIP-107 through “Cap Depr to 401X-BRD”	\$ -	\$ 350,083	\$ 437,863
Total debits to Keene CWIP-107 through “Cap Depr to 401X-BRD”	-	1,115	8,096
	<u>\$ -</u>	<u>\$ 351,198</u>	<u>\$ 445,959</u>

Audit Staff also found that during 2019, monthly credits for “capitalized depreciation” were posted to the depreciation expense accounts. Thus, it appears that depreciation expense may not be overstated.

Q. What does Staff recommend?

A. Staff recommends that the Company remove the fleet depreciation that it has capitalized through its burdens. Depreciation should be recovered as an expense. As shown on Schedule 3.13, Staff’s adjustment *reduces* Rate Base by \$445,959. The adjustment *increases* depreciation expense by \$445,959, which *reduces* Operating Income by \$325,180.

Interest Synchronization

Q. Please explain Staff’s recommended adjustment to Interest Synchronization.

A. The interest synchronization adjustment synchronizes the rate base and cost of capital with the tax calculation using Staff’s recommended weighted cost of debt. The adjustment *increases* net operating income by \$26,043 and is shown on Schedule 3.15.

Staff’s Recommended Net Operating Income

Q. What is the impact of Staff’s recommended adjustments to the Company’s operating income?

1 A. The Company updated net operating income is \$22,259,725.⁴⁰ Staff's recommended
2 adjustments *increase* operating income to \$24,308,656.

3 **Property Tax Recovery Mechanism**

4 **Q. Please explain why the Company is proposing a Property Tax Recovery Mechanism.**

5 A. HB 700 (codified as RSA 72:8-d and -e) establishes a new methodology for valuing
6 utility distribution assets for property tax purposes and requires the Commission to
7 establish a rate recovery mechanism for a for any public utility owning property that
8 meets the definition of "utility company assets." The mechanism will "adjust annually to
9 recover all property taxes paid by each such utility on such utility company assets" or "be
10 established in an alternative manner acceptable to both the utility and the public utility
11 commission." The Company has provided a proposal to capture the changes in property
12 taxes that will occur under RSA 72:8-d for the Commission's consideration.

13
14 **Q. Please summarize the Company's proposed Property Tax Recovery Mechanism.**

15 A. The Company proposes a full property tax recovery mechanism that compares the most
16 recent municipal and state property tax bills to the amount currently collected in
17 distribution rates each year.⁴¹ The Company proposes to include property taxes levied on
18 both "utility company assets" as that term is defined in the statute, and on assets that are
19 not covered by the statute, which for purposes of this testimony I will refer to as non-

⁴⁰ Attachment DBS/KAS-1, Schedule RR-1 (Bates II-132R).

⁴¹ Direct Testimony of Steven E. Mullen, 13:19–21 (Bates II-207).

1 “utility company assets.”⁴² Liberty’s proposal does away with this distinction and covers
2 all property taxes Liberty pays.⁴³

3 A deferral account would be established to track the increases and decreases that
4 may occur as the property tax year progresses and to capture the recoveries and timing
5 differences between tax billing periods, the start of recovery, and collection.⁴⁴

6 The Company proposes that the adjustment for the first property tax year of April
7 1, 2020, through March 31, 2021, take effect coincident with the August 1, 2021,
8 implementation date of permanent rates at the conclusion of this proceeding. Thereafter,
9 the effective date for subsequent property tax years would occur earlier in the calendar
10 year.⁴⁵

11
12 **Q. What is your concern regarding the Company’s proposed mechanism?**

13 A. The statute states that the “Commission shall by order establish a rate recovery
14 mechanism for any public utility owning property that meets the definition of *utility*
15 *company assets*.”⁴⁶ (Emphasis added.) The Company has expanded the proposed
16 mechanism to include both “utility company assets” and non-“utility company assets” in
17 its recovery mechanism.

18
19 **Q. Does the statute define “utility company assets”?**

20 A. The statute specifically defines “utility company assets”:

⁴² An example of an asset that is used in the utility business, but is not a “utility company asset” as defined in the statute is an office building.

⁴³ Direct Testimony of Steven E. Mullen, 14:1–4 (Bates II-208).

⁴⁴ Direct Testimony of Steven E. Mullen, 15:6–10 (Bates II-209).

⁴⁵ Direct Testimony of Steven E. Mullen, 15:11–21 (Bates II-209).

⁴⁶ N.H. Rev. Stat. §72:8-e.

1 (b) “Utility company assets” means the following property not exempt under
2 RSA72:23:

3
4 (2) For a gas company providing gas service to retail customers: distribution
5 pipes, fittings, meters, pressure reducing stations, buildings, contributions in aid
6 of construction (CIAC), construction works in progress (CWIP) and land rights
7 including use of the public rights of way, easements on private land owned by
8 third parties and land owned in fee by the gas company.⁴⁷
9

10 **Q. Does the statute address non-“utility company assets” that are not required to be**
11 **covered by the mechanism?**

12 A. The statute also states that::

13 (c) "Utility company assets" shall not include:

14
15 (3) Gas transmission pipeline facilities regulated by FERC and associated
16 land rights, whether in fee or easement.

17 ...

18 (5) Fee-owned land, office buildings, garages, and warehouses.
19

20 **Q. Does the Company provide examples of non-“utility company assets” that it**
21 **proposes to include in its proposed Property Tax Recovery Mechanism?**

22 A. The Company stated that examples of assets that are not encompassed in the definition of
23 “utility company assets” include transmission plant, production plant, and general plant,
24 such as office buildings.⁴⁸
25

26 **Q. Did the Company provide a list of the non-“utility company assets”?**

27 A. Yes. The Company identified property taxes of \$23,607 related to non-“utility company
28 assets.”⁴⁹ This represents 0.2 percent of the total property taxes reflected in the
29 Company’s rate request.

⁴⁷ N.H. Rev. Stat. §72:8-d.

⁴⁸ Direct Testimony of Steven E. Mullen, 15:1–5 (Bates II-209).

Table 9: Property Taxes for Non-“Utility Company Assets”

Line	Municipality	Parcel	Tax Year 2019	
			Total Due	
51	Concord	109/1/3	1,188	Non-Utility Company Asset
52	Concord	109/1/3	1,188	Non-Utility Company Asset
59	Concord	109/2/4	1,932	Non-Utility Company Asset
60	Concord	109/2/4	1,932	Non-Utility Company Asset
69	Concord	202Z/21	545	Non-Utility Company Asset
70	Concord	202Z/21	545	Non-Utility Company Asset
81	Keene	116039000000000	16,276	Non-Utility Company Asset
			<u>23,607</u>	

Q. What is Staff’s recommendation regarding inclusion of the non-“utility company assets” in the Property Tax Recovery Mechanism?

A. Staff opposes inclusion of non-“utility company assets” in the Property Tax Recovery Mechanism. Staff recognizes that these are a minor component in the Company’s proposal at this time (~ 0.2 percent). However, the statute excludes non-“utility company assets”, and they should not be included in the Property Tax Recovery Mechanism.

Q. Does Staff have any other concerns regarding the Company’s request of items to include in the Property Tax Recovery Mechanism?

A. Yes. The Company proposes to include State of NH property taxes in the Property Tax Recovery Mechanism. The statute specifically addresses locally assessed assets and does not address assets taxed by the State of NH. Staff recommends that the State of NH property taxes be excluded.

⁴⁹ Liberty response to Staff TS 3-24 (Attachment DHM-23).

Q. Did the Company provide a list of the State of NH property taxes?

A. Yes. The Company identified \$2.67 million of State of NH property taxes. This amount represents 21.4% percent of the total property taxes reflected in the Company's rate request.

Table 10: State of NH Property Taxes

Line	Municipality	Parcel	Tax Year 2019	
			Total Due	
77	State of NH	TRUE UP	230,708	State Taxes
78	State of NH	NH DRA 1-2	1,210,134	State Taxes
79	State of NH	NH DRA 3-4	1,210,134	State Taxes
84	State of NH	NH DRA 1-2	7,716	State Taxes
85	State of NH	NH DRA 3-4	7,716	State Taxes
			<u>2,666,407</u>	

Q. What is Staff's recommendation regarding inclusion of State of NH property taxes in the Property Tax Recovery Mechanism?

A. Staff opposes inclusion of State of NH property taxes in the Property Tax Recovery Mechanism. The statute was written to address locally assessed property taxes and not State of NH property taxes.

Q. Has the Commission approved other property tax recovery mechanisms for other utilities?

A. Yes. In the recent Eversource Distribution rate case (DE 19-057), the Commission approved a settlement that included a provision to implement an annual regulatory reconciliation adjustment (RRA) mechanism that included, among other things, recovery or refund of property tax expenses, as compared to the amounts in base rates.⁵⁰ Specifically, the agreement stated

⁵⁰ Docket No. DE 19-057, Order No. 26,433, page 14.

Section 9: Annual Regulatory Reconciliation Adjustment Mechanism

(c) Property tax expenses, as compared to the amount in base rates. Consistent with RSA 72:8-e, property tax over- or under-recoveries as compared to the amount in base distribution rates shall be adjusted annually through the RRA. The amount included in base distribution rates for property tax expense shall be \$45,186,407 based on property tax expense as of December 2019, normalized to exclude any credits related to property tax settlement proceeds for tax years preceding the test year. On an annual basis, actual property tax expense for the prior calendar year shall be compared against the amount in base rates and any variances will be reconciled through the RRA mechanism. Annual actual property tax expense shall be normalized to adjust for any credits received due to abatement settlement proceeds received for tax years preceding the test year. The RRA shall recover any over- or under- recoveries beginning in calendar year 2020.⁵¹

Q. How much property tax has Liberty reflected in its filing in this proceeding that would be the “currently collected in distribution rates,” or base from which future property taxes would be compared?

A. The Company’s updated filing reflects a pro forma property tax amount of \$12,454,039,⁵² which reflects the most recent property tax bills reached for each parcel of land on which it is taxed. Staff’s recommended base excluding the non-utility company assets and State of NH property taxes⁵³ is \$9,764,026.

Table 11: Property Tax Recovery Mechanism Base

Company Property Tax Included in Rate Request	\$ 12,454,039
Non-Utility Company Asset Taxes	(23,607)
State of NH Taxes	(2,666,407)
Property Tax Recovery Mechanism Base	<u>\$ 9,764,026</u>

⁵¹ Docket No. DE 19-057 Public Service Company of New Hampshire d/b/a Eversource Energy Settlement Agreement on Permanent Distribution Rates, October 9, 2020, page 16.

⁵² Attachment DBS/KAS-1, Schedule RR-EN-3-7 (Bates II-146R).

⁵³ Because Staff is recommending excluding State of NH taxes from the base to be used in the Property Tax Recovery Mechanism, Staff’s adjustment to remove the doubled the State of NH True up will not affect Staff’s recommended base.

1 **Q. Please summarize Staff’s recommendation regarding the Property Tax Recovery**
2 **Mechanism proposed by the Company?**

3 A. Staff recommends accepting the Company’s Property Tax Recovery Mechanism with
4 modifications. Staff recommends that only locally assessed “utility company assets” be
5 included in the Property Tax Recovery Mechanism. Non-“utility company assets” and
6 State of NH property taxes should be excluded and collected through standard rate-
7 making processes.

8 Staff recommends accepting the Company’s proposal to establish a deferral
9 account to track the increases and decreases that may occur as the property tax year
10 progresses and to capture the recoveries and timing differences between tax billing
11 periods, the start of recovery, and collection.

12 Staff recommends accepting the adjustment for the first property tax year of April
13 1, 2020, through March 31, 2021, to take effect coincident with the August 1, 2021,
14 implementation date of permanent rates at the conclusion of this proceeding. Thereafter,
15 the effective date for subsequent property tax years would occur earlier in the calendar
16 year.

17
18 **Step Adjustment**

19 **Q. Does Staff have any comments regarding the Step Increase?**

20 A. Yes. As discussed by Staff witness Stephen Frink, Staff supports the Company’s 2021
21 Step Increase with the following caveats and adjustments:

- 1 1) The amounts presented by the Company represent budgeted amounts, not actual. Staff
2 supports the inclusion of only actual amounts related to 2021 non-revenue producing
3 plant additions that have been examined and verified by the NHPUC Audit Staff.
- 4 2) The Step Adjustment revenue requirement calculation should reflect the Commission-
5 approved rate of return in this proceeding.
- 6 3) The Step Adjustment should reflect a \$44,000 reduction to reflect Staff's position
7 regarding the Keene Risk Sharing.

8 The Company revised its Step Increase revenue requirement of \$5,646,985.⁵⁴ At this
9 time, subject to adjustment as discussed in items 1-3 above, Staff recommends a Step
10 Increase of \$5,157,187. Staff's recommended Step Increase is provided in Schedule 4.

11

12 **Conclusions**

13 **Q. In conclusion, what is Staff's recommended increase to base revenue?**

14 A. Staff is recommending a *decrease* to Distribution base rates of \$2,240,114.

15

16 **Q. Does this conclude your testimony?**

17 A. Yes.

18

⁵⁴ Notice of Intent to File Rate Schedules (March 1, 2021), correction and updated schedules.

Professional Experience and Qualifications of Donna H. Mullinax

Summary

Mrs. Mullinax has over forty-two years of financial, management and consulting experience. She is President of Blue Ridge Consulting Services, Inc. Prior to becoming President, she held the position of Vice President and Chief Financial Officer for Blue Ridge and her former employer. She has served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management. She has performed numerous financial, compliance and management audits. She has supported, as well as, provided expert witness testimony in both regulatory and civil proceedings. Mrs. Mullinax has designed and implemented accounting and business systems and developed policy and procedure manuals to support those systems.

Key Qualifications and Selected Professional Experience

Financial, Administration, and Human Resource Management

As Chief Financial Officer and Vice President she was responsible for all aspects of financial, administration, and human resources. Her responsibilities included accounting, cash management, budgeting, tax planning and preparation, fixed assets, human resources, and employee benefits. Records under her control have been subject to an IRS compliance audit with no findings.

Project Management

Mrs. Mullinax has successfully managed numerous projects controlling cost, schedule, and scope. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction contract claims and regulatory proceedings. She has worked with diverse team members and reconciled various viewpoints while maintaining effective working relationships among cross-functional teams.

Financial, Compliance, and Management Auditing

Mrs. Mullinax is a skilled auditor. She has performed numerous financial, compliance, and management audits for governmental entities, businesses, and public utilities. As a CPA and CIA, she is knowledgeable about sound internal control processes and procedures and has made numerous recommendations for modifications to provide reasonable assurance regarding the achievement of objectives related to effectiveness and efficiency of operations; reliability of financial records, and compliance with laws and regulations.

She has also conducted detailed base rates revenue requirements and rider compliance audits. She has analyzed financial information and budget projections, performed risk identification, and evaluated performance against industry benchmarks. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

- ❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska
 - Application NG-107 Deferred Accounting Order to Record and Preserve Costs Related to the COVID-19 Pandemic, April 2020–August 2020

Project Manager. Led the review of the Company's request for an accounting order

- Application NG-0095 Effects of Tax Cuts and Jobs Act of 2017 Nebraska Gas Utility Company, LLC and Black Hills Gas Distribution, LLC, March 2018–May 2018

Project Manager. Led the review of the Company's proposed refund to ratepayers related to the tax-rate change.

- Application NG-0078.7 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2019–December 2019.
- Application NG-0078.6 System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2018–December 2018.
- Application NG-0078.5 Extension of the System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, June 2018–December 2018.
- Application NG-0078.4, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska, October 2017–December 2017.
- Application NG-0078.3, System Safety and Integrity Rider (SSIR) of Black Hills Distribution, LLC-Nebraska (formerly SourceGas Distribution LLC), October 2016–December 2016.
- Application NG-0078.2, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, October 2015– January 2016
- Application NG-0078.1, System Safety and Integrity Rider (SSIR) of SourceGas Distribution, LLC, November 2014– February 2015

Project Manager and Lead Auditor. Led the review of the Company's applications for a system safety and integrity rider for compliance to the Commission directives. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed plant to be placed in service and the verification of planned versus actual plant placed in service for the prior year. Summarized the transactional testing results and calculated the impact to the customer charge.

- Application NG-0072.1, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC May 2014–August 2014.
- Application No. NG-0074, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of Black Hills/Nebraska Gas Utility Company, LLC, d/b/a Black Hills Energy, July–November 2013.
- Application No. NG-0072, Infrastructure System Replacement Cost Recovery Charge (ISR Rider) of SourceGas Distribution, LLC March 2013–May 2013.

Project Manager and Lead Auditor. Led the review of the Company's applications for an infrastructure system replacement cost recovery charge for compliance to the Nebraska Natural Gas Regulation Act. The reviews included a detailed mathematical verification and validation of support for the revenue requirements model and reviews of plant work order supporting the requested recovery of utility plant in service. Summarized the transactional testing results and calculated the impact to the customer charge.

❖ On behalf of the Staff of the Public Utilities Commission of Ohio (PUCO)

Gas Plant in Service and Capital Spending Prudence Audits

Columbia Gas of Ohio

- Case No. 17-2202-GA-ALT, May 2018–October 2018
- Case No. 19-0438-GA-RDR, April 2019–August 2019

- Case No. 20-49-GA-RDR, February 2020–June 2020
- Case No. 21-23-GA-RDR, February 2021–present

Dominion Energy Ohio

- Case No. 19-468-GA-ALT, October 2019–August 2020

Duke Energy Ohio

- Case No. 19-664-GA-RDR, March 2020–August 2020

Vectren Energy Delivery of Ohio

- Case Nos. 20-0099-GA-RDR and 20-0101-GA-RDR, March 2020–September 2020
- Case No. 21-620-GA-RDR, February 2021–present

Project Manager and Lead Auditor. Led the review to determine if the company has accurately determined and account for its plant in service balance. Also reviewed the necessity, reasonableness, and prudence of the Company's capital expenditures and associated assets

Electric Distribution Infrastructure Rider Compliance Audits

First Energy

- Case No. 11-5428-EL-RDR, November 2011–April 2012
- Case No. 12-2885-EL-RDR, December 2012–July 2013
- Case No. 13-2100-EL-RDR, December 2013–April 2014
- Case No. 14-1929-EL-RDR, December 2014–May 2015
- Case No. 15-1739-EL-RDR, January 2016–July 2016
- Case No. 16-2041-EL-RDR, January 2017–November 2017
- Case No. 17-2009-EL-RDR, December 2017–May 2018
- Case No. 18-1542-EL-RDR, December 2018–April 2019
- Case No. 19-1887-EL-RDR, January 2020–August 2020
- Case No. 20-1629-EL-RDR, December 2020–present

AEP-Ohio

- Case No. 13-0419-EL-RDR, March–August 2013
- Case No. 16-0021-EL-RDR, March–August 2016
- Case No. 17-0038-EL-RDR, April–November 2017
- Case No. 18-0230-EL-RDR, April 2018–August 2018
- Case No. 20-0169-EL-RDR, May 2020–present

Dayton Power & Light

- Case No. 15-1830-EL-AIR: Plant in Service Balance Audit of Dayton Power and Light Company, April 2017–August 2018.
- Case No. 19-439-EL-RDR, April 2019–October 2019

Project Manager and Lead Auditor. Led the review to ensure the accuracy and reasonableness of the Companies' compliance with its Commission-approved infrastructure cost recovery rider filings. The reviews included a detailed mathematical verification and validation of the support of the riders' revenue requirements model, development of sensitivity analysis that supported the PPS sampling techniques used to isolate specific plant work order for further testing. Summarized the transactional testing results and calculated the impact to the rider's revenue requirements. Detailed variance analyses of historical data with investigations into any significant changes..

- Case No. 08-0072-GA-AIR Columbia Gas of Ohio, April–August 2008

- Case No. 07-0829-GA-AIR Dominion East Ohio, November 2007–July 2008
- Case No. 07-0589-GA-AIR Duke Energy Ohio, November 2007–February 2008
Lead Auditor and assistant project manager. Performed a comprehensive rate case audit of companies' gas rate filings to validate the filings, provided conclusions and recommendations concerning the reliability of the information, and supported Staff in its evaluation of the reasonableness of the filing.
- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
 - Docket No. DE 16-822 Public Service of New Hampshire d/b/a Eversource Energy. Project Manager and Lead Auditor. Led the review of the Company's revised cash working capital study in its 2017 Energy Service rate calculations. February 2017–May 31, 2017.
- ❖ On behalf of the Massachusetts Department of Public Utilities, Case No. D.P.U. 08-110, regarding the Petition and Complaint of the Massachusetts Attorney General for an Audit of New England Gas Company (NEGC), February–August 2010. Lead Auditor and Assistant Project Manager. Conducted a management audit on how NEGC manages its accounting and financial reporting functions and whether sufficient controls are in place to ensure that the information included in the company's filings can be reasonably relied upon for setting rates – areas reviewed included general accounting, financial reporting, and internal controls; plant accounting; income tax; accounts receivable; accounts payable; cash management; payroll; cost allocations; and capital structure.
- ❖ On behalf of the Staff of the Connecticut Public Utilities Regulatory Authority (PURA)
 - Management Audit of Yankee Gas Services Company. June 2014–April 3, 2015. Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management and financial operations. Lead auditor for scope areas of accounting and financial reporting, internal audit practices, and capital/O&M budgeting.
 - Diagnostic Management Audit of Connecticut Light and Power Company, July 2008–June 2009, Lead Auditor and Assistant Project Manager. Performed an in-depth investigation and assessment of the company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's executive management, system operations, financial operations, marketing operations, human resources, customer service, external relations, and support services. In addition, supported an in-depth review of the development and implementation process of the company's new customer information system.
- ❖ Before the Oregon Public Utilities Commission (ORPUC), Docket No. UP 205: Examination of NW Natural's Rate Base and Affiliated Interests Issues, Co-sponsored between NW Natural, ORPUC Staff, Northwest Industrial Gas Users, Citizens Utility Board, August 2005–January 2006, Lead Auditor and Assistant Project Manager. Examined NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules, and regulations of the ORPUC and with Company policies.

Partial List of Reports and Publications

- Compliance Audit of the 2019 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 28, 2020
- Audit of the Capital Expenditure Program for the 2019 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. June 17, 2020
- Audit of the Capital Expenditure Program and Infrastructure Replacement Program for Vectren Energy Delivery of Ohio, Inc, June 17, 2020
- Compliance Audit of the 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, June 5, 2020
- Audit of the Plant in-Service and Used and Useful (Rider AU) for Duke Energy Ohio, Inc., July 6, 2020.
- Plant in Service and Capital Spending Audit of the East Ohio Gas Company d/b/a Dominion Energy Ohio, for the Period Covering April 1, 2007 through December 31, 2018, April 27, 2020.
- Review and Recommendation Regarding Black Hills Nebraska Gas, LLC Application for a Deferred Accounting Order (COVID-19 Pandemic) June 1, 2020
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2020 on Behalf of the Nebraska Public Advocate, December 9, 2019
- Compliance Audit of the Distribution Investment Rider (DIR) for the Period Covering October 1, 2015 through January 21, 2019, of The Dayton Power & Light company, September 11, 2019
- Audit of the Capital Expenditure Program for the 2018 Annual Adjustment to the CEP Rider for Columbia Gas of Ohio, Inc. July 10, 2019
- Compliance Audit of the 2018 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 30, 2019
- Examination of Black Hills Gas Distribution, LLC Application to Adjust System Safety and Integrity Costs in 2019 on Behalf of the Nebraska Public Advocate, December 7, 2018
- Prudence Audit of Plant in Service and Capital Expenditure Program Spending for Columbia Gas of Ohio, September 3, 2018
- Compliance Audit of the 2017 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 23, 2018
- Compliance Audit of the 2017 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 11, 2018
- Examination of Black Hills Gas Distribution, LLC Application to Increase Eligible System Safety and Integrity Costs in 2018 on Behalf of the Nebraska Public Advocate, December 11, 2017
- Audit of Plant in Service for Dayton Power & Light's Application to Increase Rates, September 28, 2107
- Compliance Audit of the 2016 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 9, 2017
- Review of Public Service Company of New Hampshire d/b/a Eversource Energy Cash Working Capital and Lead-lag Methodology, May 31, 2017

- Compliance Audit of the 2016 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, May 1, 2017
- Examination of Black Hills Gas Distribution, LLC Application for Recovery of 2017 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, December 2, 2016
- Compliance Audit of the 2015 Distribution Investment Rider (DIR) Ohio Power Company d/b/a AEP Ohio, August 5, 2016
- Compliance Audit of the 2015 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 22, 2016
- Examination of SourceGas Distribution LLC Application for Recovery of 2015 Eligible System Safety and Integrity Costs on Behalf of the Nebraska Public Advocate, January 8, 2015
- Compliance Audit of the 2014 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 30, 2015
- Management Audit of Yankee Gas Services Company, April 3, 2015
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, June 30, 2014
- Compliance Audit of the 2013 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 9, 2014
- Examination of the Infrastructure System Replacement Cost Recovery Charge of Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, October 4, 2013
- Compliance Audit of the 2012 Distribution Investment Rider (DIR) of Columbus Southern Power and Ohio Power Company d/b/a AEP-Ohio, June 19, 2013
- Examination of the Infrastructure System Replacement Cost Recovery Charge of SourceGas Distribution LLC, May 16, 2013
- Compliance Audit of the 2012 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, March 22, 2013
- Compliance Audit of the Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company, April 12, 2012
- Revenue Requirements Audit of New England Gas Company, May 12, 2011
- Accounting and Financial Reporting Review of New England Gas Company, August 5, 2010
- Management Audit of The Connecticut Light & Power Company, May 29, 2009
- Report of Conclusions and Recommendations on the Financial Audit of the Columbia Gas of Ohio, Inc. in Regards to Case No. 08-0074-GA-AIR, August 13, 2008
- Report of Conclusions and Recommendations on the Financial Audit of the East Ohio Gas Company d/b/a Dominion East Company in Regards to Case No. 07-0829-GA-AIR, April 16, 2008
- Report of Conclusions and Recommendations on the Financial Audit of Duke Energy Ohio, Inc. in Regards to Case No. 07-0589-GA-AIR, December 17, 2007
- Report of Conclusions and Recommendations of NW Natural's Rate Base and Affiliated Interest Issues in Support of Oregon Public Utilities Commission Docket UM1148, December 23, 2005

Regulatory and Civil Litigation

She has provided or supported civil or regulatory testimony in Arizona, Colorado, Connecticut, Delaware, Illinois, Maryland, Michigan, Missouri, New Hampshire, New York, North Carolina, North Dakota, Pennsylvania, South Carolina, Texas, and Utah. She has also served as an advisor to public service commissioners in the District of Columbia and Connecticut. In addition to providing analytical support, she has served as an expert witness and routinely works with other highly specialized expert witnesses. She has developed defensible analyses and testimony in connection with rate cases, audit findings, and other regulatory issues. She has also supported various civil litigations including delay and disruption construction claims and financial fraud. She has supported counsel with interrogatories, depositions, and hearings/trials support.

Regulatory Proceedings

- ❖ Before the New Hampshire Public Utilities Commission on behalf of Staff
 - Docket No. DE 19-064 Liberty Utilities (Granite State Electric) Distribution Service Rate Case, May 2019–August 2020
 - Docket No. DE 19-067 Eversource Energy Distribution Service Rate Case, May 2019–December 2020
 - Docket No. DG 20-105 Liberty Utilities (EnergyNorth Electric), October 2020–present
Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
 - Docket No. DW 18-047 Abenacki Water Company, Inc.
 - Docket No. DW 18-054 Aquarion Water Company of NH, Inc.
 - Docket No. DW 18-056 Lakes Region Water Company, Inc.
Project Manager and Expert Witness. Led the review and reporting of the Company's tax rate change effect compliance filings following passage of the Tax Cut and Jobs Act of 2017 and changes to state taxes. December 2018–August 2019.
 - Docket No. DG 17-0048 – Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities general rate case. June 2017–December 2018.
Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff with Settlement discussions. Also evaluated the Company's calculated Rate Effects on the Federal and State Corporate Tax Reductions provided during Settlement. Testified March 21, 2018.
 - Docket No. DE 16-384 – Unitil Energy Systems, Inc. general rate case. Testimony was filed on November 16, 2016. July 2016– January 2017.
 - Docket No. DE 16-383 – Liberty Utilities (Granite State Electric) Corp general rate case. Testimony was filed on December 16, 2016. July 2016– January 2017.
Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations

for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Supported Staff with Settlement discussions.

- Docket No. DG 17-0070 Northern Utilities, Inc. Rate Effects on the Federal and State Corporate Tax Reductions. January 2018– February 2018.

Project Manager. Led the review of the Company's proposed changes in its revenue requirement to reflect the change in federal and state corporate income tax rates. Supported Staff with Settlement discussions.

- ❖ Before the Kentucky Public Service Commission on behalf of the Office of Attorney General, Louisville/Jefferson County Metro Government, and Lexington-Fayette Urban County Government

- Case No. 2018-00294, Kentucky Utilities, October 2018–May 2019.
- Case No. 2018-00295 Louisville Gas and Electric Company, October 2018–May 2019.

Expert Witness testifying to the Company's revenue requirements. Direct Testimony filed January 16, 2019.

- ❖ Before the Pennsylvania Public Utility Commission on behalf of the Office of Consumer Advocate

- Docket No. R-2018-3000019, The York Water Company, May 2018–November 2018. Expert Witness testifying to the Company's revenue requirements. Direct Testimony filed August 23, 2018. Surrebuttal Testimony filed October 4, 2018.

- ❖ Before the Massachusetts Department of Public Utilities on behalf of the Massachusetts Attorney General Office

- D.P.U. 16-106, Fitchburg Gas and Electric Light Company d/b/a Unitil. January 2017– May 2017. Expert Witness reviewing the Company's Capital Cost Adjustment filing for compliance to the Department's Order.

- ❖ Before the Arizona Corporation Commission (AZCC) on behalf of Staff

- Docket No. E-01933A-19-0028, Tucson Electric Power Company, general rate case January 2019–August 2020. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Testimony was filed on October 21, 2019 and December 16, 2019.
- Docket No. E-01933A-15-0322, Phase I, Tucson Electric Power Company, general rate case January 2016–August 2016. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Testimony was filed on June 3, 2016. Supported Staff during Settlement of revenue requirements. Agreement filed with Commission August 15, 2016.
- Docket No. E-04204A-15-0142, UNS Electric, Inc. general rate case August 2015– January 2017. Project Manager and Expert Witness. Led the review of the Company's

proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments. Direct Testimony was filed on November 6, 2016. Surrebuttal Testimony was filed February 23, 2016.

❖ Before the Connecticut Public Utilities Regulatory Authority

- Docket No. 18-05-10 Yankee Gas Services Company d/b/a Eversource Energy general rate case July 2018– February 2019
- Docket No. 18-05-16 Connecticut Natural Gas Corporation (CNG) general rate case July 2018– February 2019

Project Manager supporting a team of experts assisting Staff in its regulatory oversight of Yankee Gas and CNG with a focus on revenue forecasting, rate mechanisms, and rate design; depreciation; rate base analysis; cash working capital; and environmental remediation. Team developed interrogatories, summarized parties positions, and developed questions for cross examination.

❖ Before the Nebraska Public Service Commission (NEPSC) on behalf of the Public Advocate of Nebraska

- Application NG-0109 Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, June 2020–January 2021. Project Manager and Expert Witness. Led the review of the Company's proposed rate base, net operating income, and revenue requirements and offered recommendations for adjustments. Developed a revenue requirement model analyzing the Company's positions and incorporating recommended adjustments.
- Application NG-0093, Black Hills Energy/Nebraska Gas Utility LLC d/b/a Black Hills Energy, September 2017–March 2018. Project Manager and Expert Witness. Led the evaluation of the Company's request for approval of accounting and regulatory treatment related to a regulatory asset comprised of increased location costs with the ALLO Fiber Optics Project. Testimony filed on December 18, 2017.
- Application NG-0090, Black Hills/Nebraska Gas Utility, LLC d/b/a Black Hills Energy, December 2016–August 2017. Project Manager and Expert Witness. Led the evaluation of the Company's Farm Tap Safety Proposal. Testimony filed on March 17, 2017. Supported the Public Advocate during Settlement discussions.
- Application NG-0088, SourceGas Distribution LLC, December 2015–March 2016. Project Manager and Expert Witness. Led the evaluation of the company's request for regulatory asset treatment related to net buyout costs of gas-supply-related contracts. Testimony filed on February 24, 2016. Supported the Public Advocate during Settlement discussions
- Application NG-0084, Black Hills Holdings, Inc. acquisition of SourceGas Holdings, LLC, October 2015–December 2015. Project Manager and Expert Witness. Led the analysis of the impact of the proposed acquisition on whether it would be consistent with the public interest and not adversely affect the utility's ability to service its ratepayers. Testimony was filed on November 6, 2015.

- Application NG-0078, SourceGas Distribution, LLC May 2014–November 2014. Project Manager, Lead Auditor, and Expert Witness. Led the review of the Companies' applications to replace its infrastructure system replacement (ISR) cost recovery charge with a prospective System Safety and Integrity Rider (SSIR). The SSIR was subject to a detailed mathematical verification and validation of support for the revenue requirements model and reviews of proposed projects supporting the requested recovery of utility plant in service. Testimony on the analysis was filed in August 2014.
- ❖ On behalf of the Commissioners and Staff of the District of Columbia Public Service Commission (DCPSC)
 - Formal Case No. 1162 Washington Gas Light Company (WGL) base gas rates case, July 2020–present
 - Formal Case No. 1156 Potomac Electric Power Company (Pepco) base electric rate case, December 2019–present
 - Formal Case No. 1151 Washington Gas Light Company's Application for Approval of Reduction of Distribution Rates to Reflect the Tax Cuts and Jobs Act of 2017 March 2018–July 2018
 - Formal Case No. 1150/FC1151 Pepco base electric rate case, March 2018–November 2018. (includes rate impact associated with Tax-Change Effect)
 - Formal Case No. 1139 Pepco base electric rates case, October 2016–November 2017.
 - Formal Case No. 1137 Washington Gas Light Company (WGL) base gas rates case, May 2016–March 2017.
 - Formal Case No. 1103 Potomac Electric Power Company (Pepco) base electric rate case, June 2013–August 2014. Project Manager.
 - Formal Case No. 1093 Washington Gas Light Company (WGL) base gas rates case, July 2011–July 2013. Project Manager.
 - Formal Case No. 1087 Pepco base electric rates case, September 2011–December 2012
 - Formal Case No. 1076 Pepco base electric rates case, July 2009–December 2009
 - Formal Case No. 1053 Pepco base electric rates case, February 2007–June 2008

Lead Consultant advising Commissioners and Staff of the Office of Technical and Regulatory Analysis regarding Companies' proposed rate base, net operating income and revenue requirements. Assessed the companies' and Intervenor's positions on various issues and provided defensible recommendations for the Commissioners' consideration. Developed "what if" revenue requirement model used during Commission deliberations to analyze the impact of various adjustments. Supported the drafting of the Commission's Order and supplied the revenue requirement schedules to support the final decision. Supported the Commissioners' legal team in addressing motions for reconsideration.

 - Formal Case No. 1032 Pepco base electric rates case, January–March 2005.

Senior Technical Consultant and Assistant Project Manager. Reviewed and evaluated Company's compliance filings for class cost of service and revenue requirements for distribution service pursuant to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.

- Formal Case No. 1016 WGL natural gas base rates case, June–December 2003. Senior Technical Consultant and Project Manager. Analyzed and recommended adjustments regarding the company’s proposed increase to base rates – advised the Commission on party positions during deliberations Review and evaluation of company’s depreciation study filed with the Commission.
- ❖ Before the Missouri Public Service Commission, Case No. HR-2011-0241, on behalf of the City of Kansas City: Veolia Energy Company 2011 and 2012 electric base rates case, July–September 2011. Senior Technical Consultant. Analyzed Company’s proposed net operating income, rate base, and revenue requirements. Supported testifying witness with drafted testimony and development of a model to calculate an alternative revenue requirement incorporating recommended adjustments.
- ❖ Before the North Dakota Public Service Commission, Case No. PU-10-657/PU-11-55: Northern States Power Company (NSP) 2011 and 2012 electric base rates case, April–November 2011. On behalf of the Commission Staff, Lead Consultant and Assistant Project Manager. Led the analysis of NSP’s rate increase filings and supported adjustments for the Commission’s consideration. Developed a model to calculate the appropriate revenue requirements and exhibits to support Staff recommended adjustments.
- ❖ Before the Connecticut Public Utilities Regulatory Authority (PURA), Docket 10-02-13: Aquarion Water Company base rates case, on behalf of the PURA, April–August 2010. Senior Technical Consultant and Assistant Project Manager. Reviewed the expense component of the company’s revenue requirement and recommended adjustments for Staff consideration.
- ❖ Before the of the Delaware Public Service Commission on behalf of Staff
 - Docket No. 09-414: Delmarva Power & Light Company (DPL) electric base rates case, September 2009–May 2010. Expert Witness and Assistant Project Manager. Analyzed the company’s rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
 - Docket No. 06-284: DPL’s gas base rates case, October 2006–March 2007. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company’s filings, checked the mathematical accuracy of the Company’s revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Michigan Public Service Commission (MIPSC) on behalf of the Michigan Attorney General
 - Case No. U-15506: Consumers Energy Company base gas rates case, May–November 2008. Expert Witness and Assistant Project Manager. Analyzed the company’s rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – proceeding was settled through negotiations.
 - Case No U-15244 Detroit Edison electric base rates case, September 2007–October 2008.
 - Case No. U-15245 Consumers Energy Company base gas rates case, July 2007–April 2008.

Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.

- Case No. U-14547 Consumers Energy Company base gas rates case, December 2005–April 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for Commission consideration related to the rate base and revenue requirements.
- ❖ Before the Maryland Public Service Commission (MDPSC)
 - Case No. 9092 Pepco electric base rates case, on behalf of the Staff of the MDPSC, December 2006–June 2007. Expert Witness and Assistant Project manager. Analyzed Company's rate increases filings and provided direct and rebuttal testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements.
 - Case No. 9062 Chesapeake Utilities Corporation gas base rates case, on Behalf of the Maryland Office of People's Counsel, May 2006–August 2006. Expert Witness and Assistant Project Manager. Analyzed Company's rate increase filings and provided testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements – participated in settlement negotiations that were ultimately accepted by all parties.
- ❖ Before the Illinois Commerce Commission, Case No. 05-0597, on behalf of the Illinois Citizens Utility Board, Cook County State Attorney's Office and City of Chicago, November 2005–May 2006. Senior Technical Consultant and Assistant Project Manager. Analyzed the Company's filings, checked the mathematical accuracy of the Company's revenue requirements calculations, and provided analytical support to testifying witness.
- ❖ Before the Hawaii Public Utilities Commission (HPUC), Docket No. 05-0075: Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated Resource Planning and Demand Side Management Framework, On behalf of the Staff of the HPUC, June–November 2005. Senior Technical Consultant and Assistant Project Manager. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.
- ❖ Before the Public Utilities Commission of the State of Colorado (COPUC), Docket No. 04A-050E: Review of the Electric Commodity Trading Operations of Public Service Company of Colorado (PSCo), On behalf of the COPUC Staff, March–September 2004. Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo's electric commodity trading operations and submitted testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion of the significance of the findings.
- ❖ Before the New York Public Service Commission, Case No. 00-E-0612: Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generation Facility, On behalf of Consolidated Edison Company of New York, Inc., October 2000–September 2003. Project Manager. Supervised cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.

Civil Litigation

- ❖ ADF Construction vs. Kismet, On Behalf of ADF Construction, December 2003–February 2004. Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages.
- ❖ On behalf of New Carolina Construction, July 2002–January 2003
 - New Carolina Construction vs. Atlantic Coast
 - New Carolina Construction vs. Acousti

Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ State of Nevada Bureau of Consumer Protection, September–December 2003. Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.
- ❖ Oakwood Homes, On behalf of Oakwood Homes, February 1999–May 2000. Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.
- ❖ McMillan Carter, On behalf of McMillan Carter, June–September 2002. Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.
- ❖ Fluor Daniel Inc. vs. Solutia, Inc., On behalf of Fluor Daniel, May 2000–August 2001. Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas – worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.
- ❖ First National Bank of South Carolina vs. Pappas, On Behalf of First National Bank of South Carolina, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.
- ❖ First Union vs. Pappas, On Behalf of First Union, 1991–1992. Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

Testimony proffered

Before the Arizona Corporation Commission

- UNS Electric, Inc. – Docket No. E-04204A-15-0142
- Tucson Electric Power Company–Docket No. E-01933A-15-0239
- Tucson Electric Power Company–Docket No. E-01933A-19-0028

Before the Colorado Public Utilities Commission

- Public Service Company of Colorado–Docket No. 04A-050E

Before the Delaware Public Service Commission

- Delmarva Power & Light Company–Docket No. 09-414

Before the Kentucky Public Service Commission

- Kentucky Utilities Company–Case No. 2018-00294
- Louisville Gas and Electric Company–Case No. 2018-00295

Before the Maryland Public Service Commission

- Chesapeake Utilities Corporation–Case No. 9062
- Potomac Electric Power Company–Case No. 9092

Before the Michigan Public Service Commission

- Consumers Energy Company–Case No. U-14547
- Consumers Energy Company–Case No. U-15506

Before the Pennsylvania Public Service Commission

- The York Water Company - Docket No. R-018-3000019

Before the Public Service Commission of Nebraska

- SourceGas Distribution LLC –Docket No. NG-0078
- Black Hills Utility Holdings, Inc. and Source Gas Holdings Inc.–Docket No. NG-0084
- SourceGas Distribution LLC–Docket No. NG-0088
- Black Hills Energy–Docket No. NG-0090
- Black Hills Energy–Docket No. NG-109

Before the New Hampshire Public Utilities Commission

- Unitil Energy Systems, Inc.–Docket No. DE 16-384
- Liberty Utilities (Granite State Electric) Corp.–Docket No. DE 16-383
- Liberty Utilities (EnergyNorth Natural Gas) Corp.–Docket No. DG 17-0048
- Liberty Utilities (Granite State Electric)–Docket No. DE 19-064
- Eversource Energy–Docket No. DE 19-067

System Implementation

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

Professional Experience

Blue Ridge Consulting Services, Inc.: 2004 - Present

President

Vice President and Chief Financial Officer

Senior Technical Consultant / Expert Witness

Hawks, Giffels & Pullin, Inc.: 1993 - 2004

Vice President and Chief Financial Officer

Executive Consultant

Controller

Cherry, Bekaert & Holland, CPAs: 1991 - 1993

Accounting Supervisor

Senior Accountant

Staff Accountant

Smith, Kline and French Pharmaceutical Company: 1988 - 1991

Professional Sales Representative

Milliken & Company: 1979 - 1988

Quality Assurance Manager

Technical Cause Analyst

Department Manager

Professional Certification

Certified Public Accountant (CPA), State of South Carolina - 1993

Certified Financial Planner (CFP) - 1994

Certified Internal Auditor (CIA) - 2006

Chartered Global Management Account (CGMA) - 2012

Professional Affiliations

Member of the American Institute of Certified Public Accountants (AICPA)

Member of the South Carolina Association of Certified Public Accountants (SCACPA)

Member of the Institute of Internal Auditors (IIA)

Member of the Western Carolinas Chapter of the Institute of Internal Auditors (WCIIA)

Education

Clemson University, B.S. Administrative Management with honors, 1978

Clemson University, M.S. in Management, 1979

College for Financial Planning, 1994

NARUC Utility Rate School, 32nd Annual Eastern

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 20-105

Liberty Utilities (EnergyNorth)

List of Schedules

Line #	Schedule #	Description
1	Schedule 1	Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency
2	Schedule 1.1	Revenue Requirements and Revenue Deficiency with Staff's Recommended Adjustments
3	Schedule 1.2	Computation of Gross Up for Income Taxes
4	Schedule 2	Rate of Return Calculation
5	Schedule 2.1	Impact of Staff's Recommended Rate of Return on Company's Revenue Deficiency
6	Schedule 3	Ratemaking Adjustments
7	Schedule 3.1	Adjustment 1 Normalize M&S Reflected in Rate Base
8	Schedule 3.2	Adjustment 2 Cash Working Capital
9	Schedule 3.3	Adjustment 3 Modify Amortization of Non-Protected EADIT
10	Schedule 3.4	Adjustment 4 Payroll Expense - 2020 Increase
11	Schedule 3.5	Adjustment 5 Normalize CSR 2019 Ratification Bonus Over Term of Contract
12	Schedule 3.6	Adjustment 6 Long-Term Incentive Compensation
13	Schedule 3.7	Adjustment 7 Payroll Tax
14	Schedule 3.8	Adjustment 8 Sharing of D&O Liability Insurance
15	Schedule 3.9	Adjustment 9 Property Tax-Remove Doubled State of NH TRUE UP
16	Schedule 3.10	Adjustment 10 Remove Additional Keene Production Costs
17	Schedule 3.11	Adjustment 11 Modify Presentation of Pelham Risk Sharing
18	Schedule 3.12	Adjustment 12 Remove Amortization of Depreciation Reserve Imbalance
19	Schedule 3.13	Adjustment 13 Capitalized Fleet Depreciation
20	Schedule 3.14	Adjustment 14 Not Used
21	Schedule 3.15	Adjustment 15 Interest Synchronization
22	Schedule 4	Step Adjustment Adjustment to Step Increase
23	Schedule 4.1	Step Adjustment Adjustment to Step Increase-Company Proposal
24	Schedule 4.2	Step Adjustment Adjustment to Step Increase - Staff Adjustment

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 20-105
Schedule 1

Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019

Summary Comparison of Computation of Revenue Requirement and Revenue Deficiency

Line	Description	EnergyNorth Application (A)	EnergyNorth Correction COG (B)	EnergyNorth 2/25/21 UPDATE (C)	Staff Recommended (D)	Adjustments (E)
1	Rate Base	#####	\$ 356,687,174	\$ 346,149,831	#####	\$ (1,367,598)
2	Rate of Return	7.47%	7.47%	7.47%	6.67%	-0.80%
3	Return Requirement	26,623,956	26,644,532	25,857,392	22,996,975	(2,860,417)
4	Adjusted Net Operating Income	16,781,762	21,940,331	22,259,725	24,308,656	2,048,931
5	Deficiency	9,842,194	4,704,201	3,597,667	(1,311,681)	(4,909,348)
6	Income Tax Effect	3,655,056	1,746,979	1,336,050	(487,112)	(1,823,163)
7	Revenue Deficiency	<u>\$ 13,497,250</u>	<u>\$ 6,451,180</u>	<u>\$ 4,933,718</u>	<u>\$ (1,798,793)</u>	<u>\$ (6,732,511)</u>
8	Pelham Risk Sharing				(95,837)	(95,837)
9	iNATGAS				(301,742)	(301,742)
10	Keene Risk Sharing				(43,742)	(43,742)
11	Revenue Deficiency				<u>\$ (2,240,114)</u>	<u>\$ (7,173,832)</u>
12	Percent of Original Request				-16.60%	

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Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019

Revenue Requirements and Revenue Deficiency with Staff's Recommended Adjustments

Line	Description	EnergyNorth Application (A)	EnergyNorth Correction COG (B)	EnergyNorth 2/25/21 UPDATE (C)	Adjustments (D)	Recommended Total (E)
1	Rate Base					
2	Plant in Service	\$ 641,189,774	\$ 641,189,774	\$ 641,189,774	\$ (445,959)	\$ 640,743,815
3	Accumulated Depreciation & Amortization	(204,751,433)	(204,751,433)	(204,751,433)	-	(204,751,433)
4	Net Plant in Service	\$ 436,438,341	\$ 436,438,341	\$ 436,438,340	\$ (445,959)	\$ 435,992,382
5	Material and Supplies	\$ 5,936,060	\$ 5,936,060	\$ 5,936,060	\$ (849,232)	\$ 5,086,828
6	Customer Deposits	(3,019,271)	(3,019,271)	(3,019,271)	-	(3,019,271)
7	Cash Working Capital	3,004,115	3,279,562	3,257,736	(72,407)	3,185,329
8	Deferred Tax Liability, Net (Balance at 12/31/19)	(58,583,670)	(58,583,670)	(58,607,821)	-	(58,607,821)
9	Excess Accumulated Deferred Income Tax	(27,363,848)	(27,363,848)	(37,855,214)	-	(37,855,214)
10	Total Rate Base	\$ 356,411,727	\$ 356,687,174	\$ 346,149,831	\$ (1,367,598)	\$ 344,782,233
11	Rate of Return	7.47%	7.47%	7.47%		6.67%
12	Return Requirement	\$ 26,623,956	\$ 26,644,532	\$ 25,857,392	\$ (2,860,417)	\$ 22,996,975
13	Revenues					
14	Operating Revenue	\$ 84,591,458	\$ 86,698,260	\$ 86,687,073	\$ (64,583)	\$ 86,622,490
15	Decoupling		4,965,231	4,965,231		4,965,231
16	COG Revenue (credit to Account 846)		1,993,587	1,993,587		1,993,587
17	Other Revenues	1,197,776	1,197,776	1,207,376	-	1,207,376
18	Total Revenues	\$ 85,789,234	\$ 94,854,853	\$ 94,853,266	\$ (64,583)	\$ 94,788,684
19	Expenses					
20	O&M-Gas	\$ (309,759)	\$ 1,683,828	\$ 1,683,147	\$ -	\$ 1,683,147
21	O&M-Distribution	14,369,791	14,369,791	14,367,912	(113,244)	14,254,668
22	Customer Accounting	5,040,811	5,040,811	5,040,811	-	5,040,811
23	Sales and New Business	674,618	674,618	633,708	-	633,708
24	Administration & General	8,189,114	8,189,114	8,098,796	(997,852)	7,100,944
25	Depreciation and Amortization	22,911,910	22,911,910	22,900,526	(1,089,629)	21,810,897
26	Taxes other than Income Taxes	14,815,175	14,815,175	14,434,533	(638,090)	13,796,443
27	Income Taxes	3,315,812	5,229,275	5,434,109	725,302	6,159,411
28	Total Operating Expenses	\$ 69,007,472	\$ 72,914,522	\$ 72,593,541	\$ (2,113,513)	\$ 70,480,028
29	Net Operating Income	\$ 16,781,762	\$ 21,940,331	\$ 22,259,725	\$ 2,048,930	\$ 24,308,656
30	Income Deficiency	\$ 9,842,195	\$ 4,704,201	\$ 3,597,668	\$ (4,909,347)	\$ (1,311,680)
31	Revenue Conversion Factor	1.3714	1.3714	1.3714		1.3714
32	Revenue Deficiency	\$ 13,497,250	\$ 6,451,180	\$ 4,933,718	\$ (6,732,511)	\$ (1,798,793)
33	Pelham Risk Sharing				(95,837)	(95,837)
34	iNATGAS				(301,742)	(301,742)
35	Keene Risk Sharing				(43,742)	(43,742)
36	Revenue Deficiency				\$ (7,173,832)	\$ (2,240,114)
37	Change in Revenue Deficiency from Original Filing			\$ (8,563,533)		
38	Percent of Original Request					-16.60%

Notes and Sources

Column A, lines 1-10: Application Attachment DBS/KAS-1, Schedule RR-EN-5 (Bates II-151)
Column A, lines 13-29: Application Attachment DBS/KAS-2, Schedule RR-EN-2 (Bates II-133)
Column B, lines 1-10: Staff TS 3-7 Attachment DBS/KAS-1, Schedule RR-EN-5
Column B, lines 13-29: Staff TS 3-7 Attachment DBS/KAS-2, Schedule RR-EN-2
Column C, lines 1-10: Corrections and Update 2/25/21 Attachment DBS/KAS-1, Schedule RR-EN-5 (Bates II-151R)
Column C, lines 13-29: Corrections and Update 2/25/21 Attachment DBS/KAS-2, Schedule RR-EN-2 Bates II-133R)

Line 11: Schedule 2

Column D: Schedule 3

Lines 33, 34, 35: See the Testimony of Steven P. Frink

Distribution Revenue	\$ 85,789,234	\$ 94,853,266	\$ 94,788,684
Revenue Deficiency	\$ 13,497,250	\$ 4,933,718	\$ (2,240,114)
% Increase over Test Year Distribution Revenue	15.7%	5.2%	-2.4%

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Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019

Computation of Gross Up for Income Taxes

Line	Description	Company	Adjustment	Adjusted Amount
		(A)	(B)	(C)
1	NH Tax Rate	7.70%		7.70%
2	Federal Statutory Tax rate	21.00%		21.00%
3	Federal Effective Tax rate (1-State rate*Federal rate)	19.38%		19.38%
4	Total Composite Tax rate	27.08%		27.08%
5	Revenue Requirement Gross-Up Factor	72.920%		72.920%
6	Revenue Conversion Factor	1.3714		1.3714

Notes and Sources

Column A - Attachment DBS/KAS-1, Schedule RR-1 9 (Bates II-132R)

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Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019

Rate of Return Calculation

Line	Description	Capital Structure (A)	Cost % (B)	Weighted Cost % (C)
<u>Company Proposed Rate of Return</u>				
1	Common Stock	50.15%	10.51%	5.27%
2	Long-Term Debt	49.85%	4.42%	2.20%
3	Total	<u>100.00%</u>		<u>7.47%</u>
<u>Staff Recommended Rate of Return</u>				
4	Common Stock	49.21%	9.00%	4.43%
5	Long-Term Debt	50.79%	4.42%	2.24%
6	Total	<u>100.00%</u>		<u>6.67%</u>

Notes and Sources

Lines 1-3: Attachment DBS/KAS-1, Schedule RR-EN-4 (Bates II-150R)

Lines 4-7: Testimony of J. Randall Woolridge

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Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019

Impact of Staff's Recommended **Rate of Return** on Company's Revenue Deficiency

Line	Description	Company Proposed (A)	Adjustment (B)	Approved (C)
1	Total Rate Base	\$ 346,149,831		\$ 346,149,831
2	Rate of Return	7.47%	-0.80%	6.67%
3	Return Requirement	\$ 25,857,392	\$ (2,769,199)	\$ 23,088,194
4	Net Operating Income	<u>\$ 22,259,725</u>		<u>\$ 22,259,725</u>
5	Income Deficiency	\$ 3,597,667		\$ 828,469
6	Revenue Conversion Factor	<u>1.37137</u>		<u>1.37137</u>
7	Revenue Deficiency	<u><u>\$ 4,933,718</u></u>	<u><u>\$ (3,797,586)</u></u>	<u><u>\$ 1,136,133</u></u>

Notes and Sources

Column A: Summary Totals from Schedule 1

Line 2: Schedule 2

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Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019
Ratemaking Adjustments

Line	Description	Company 2/25/21 UPDATE (A)	Staff Adjustment 1 (B)	Staff Adjustment 2 (C)	Staff Adjustment 3 (D)	Staff Adjustment 4 (E)	Staff Adjustment 5 (F)	Staff Adjustment 6 (G)	Staff Adjustment 7 (H)	Staff Adjustment 8 (I)	Adjustment Subtotal (J)
	Reference Schedule		Schedule 3.2	Schedule 3.1	Schedule 3.3	Schedule 3.4	Schedule 3.5	Schedule 3.6	Schedule 3.7	Schedule 3.8	
1	Rate Base										
2	Plant in Service	\$ 641,189,774									\$ -
3	Accumulated Depreciation & Amortization	(204,751,433)									-
4	Net Plant in Service	436,438,341	-	-	-	-	-	-	-	-	-
5	Material and Supplies	5,936,060	(849,232)								(849,232)
6	Customer Deposits	(3,019,271)									-
7	Cash Working Capital	3,257,736		(72,407)							(72,407)
8	Deferred Tax Liability, Net (Balance at 12/31/19)	(58,607,821)			-						-
9	Excess Accumulated Deferred Income Tax	(37,855,214)									-
10	Total Rate Base	\$ 346,149,831		\$ (72,407)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (921,638)
11	Rate of Return	7.47%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%
12	Return Requirement	\$ 25,857,392	\$ -	\$ (4,830)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (61,473)
13	Revenues										
14	Operating Revenue	\$ 86,687,073									\$ -
15	Decoupling	4,965,231									-
16	COG Revenue (credit to Account 846)	1,993,587									-
17	Other Revenues	1,207,376									-
18	Total Revenues	\$ 94,853,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Operating Expenses										
20	O&M-Gas	\$ 1,683,147									\$ -
21	O&M-Distribution	14,367,912				\$ (93,531)	\$ (14,400)				(107,931)
22	Customer Accounting	5,040,811									-
23	Sales and New Business	633,708									-
24	Administration & General	8,098,796			(731,265)			(252,311)		(14,277)	(997,852)
25	Depreciation and Amortization	22,900,526									-
26	Taxes other than Income Taxes	14,434,533							(407,382)		(407,382)
27	Income Taxes	5,434,109			198,049	25,330	3,900	68,333	110,331	3,867	409,810
28	Total Operating Expenses	\$ 72,593,541	\$ -	\$ -	\$ (533,216)	\$ (68,201)	\$ (10,500)	\$ (183,978)	\$ (297,051)	\$ (10,410)	\$ (1,103,355)
29	Net Operating Income	\$ 22,259,725	\$ -	\$ -	\$ 533,216	\$ 68,201	\$ 10,500	\$ 183,978	\$ 297,051	\$ 10,410	\$ 1,103,355
30	Income Deficiency	\$ 3,597,667	\$ -	\$ (4,830)	\$ (533,216)	\$ (68,201)	\$ (10,500)	\$ (183,978)	\$ (297,051)	\$ (10,410)	\$ (1,164,828)
31	Revenue Conversion Factor	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137
32	Revenue Deficiency	\$ 4,933,718	\$ -	\$ (6,623)	\$ (731,234)	\$ (93,528)	\$ (14,399)	\$ (252,301)	\$ (407,365)	\$ (14,275)	\$ (1,597,406)
33	Percent of Total		0.0%	0.1%	14.8%	1.9%	0.3%	5.1%	8.3%	0.3%	
	Adjustment 1	Cash Working Capital									
	Adjustment 2	Normalize M&S Reflected in Rate Base									
	Adjustment 3	Modify Amortization of Non-Protected EADIT									
	Adjustment 4	Payroll Expense - 2020 Increase									
	Adjustment 5	Normalize CSR 2019 Ratification Bonus Over Term of Contract									
	Adjustment 6	Long-Term Incentive Compensation									
	Adjustment 7	Payroll Tax									
	Adjustment 8	Sharing of D&O Liability Insurance									

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Liberty Utilities (EnergyNorth)

Twelve Months Ending December 31, 2019
Ratemaking Adjustments

(in thousands)

Line	Description (A)	Carry Forward (B)	Staff Adjustment 9 (C)	Staff Adjustment 10 (D)	Staff Adjustment 11 (E)	Staff Adjustment 12 (F)	Staff Adjustment 13 (G)	Staff Adjustment 14 (G)	Staff Adjustment 15 (H)	Adjustment Subtotal (J)	Approved Totals (K)
	Reference Schedule		Schedule 3.9	Schedule 3.10	Schedule 3.11	Schedule 3.12	Schedule 3.13	Schedule 3.14	Schedule 3.15		
1	Rate Base										
2	Plant in Service	\$ -					\$ (445,959)			\$ (445,959)	\$ 640,743,815
3	Accumulated Depreciation & Amortization	-								-	(204,751,433)
4	Net Plant in Service	-	-	-	-	-	(445,959)	-	-	(445,959)	435,992,382
5	Material and Supplies	(849,232)								(849,232)	5,086,828
6	Customer Deposits	-								-	(3,019,271)
7	Cash Working Capital	(72,407)								(72,407)	3,185,329
	Deferred Tax Liability, Net (Balance at 12/31/19)	-								-	(58,607,821)
8	Excess Accumulated Deferred Income Tax	-								-	(37,855,214)
10	Total Rate Base	\$ (921,638)	\$ -	\$ -	\$ -	\$ -	\$ (445,959)	\$ -	\$ -	\$ (1,367,598)	\$ 344,782,233
11	Rate of Return	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%	6.67%
12	Return Requirement	\$ (61,473)	\$ -	\$ -	\$ -	\$ -	\$ (29,745)	\$ -	\$ -	\$ (2,860,417)	\$ 22,996,975
13	Revenues										
14	Operating Revenue	\$ -			\$ (64,583)					\$ (64,583)	\$ 86,622,490
	Decoupling										4,965,231
	COG Revenue (credit to Account 846)										1,993,587
15	Other Revenues	-								-	1,207,376
16	Total Revenues	\$ -	\$ -	\$ -	\$ (64,583)	\$ -	\$ -	\$ -	\$ -	\$ (64,583)	\$ 94,788,684
17	Operating Expenses										
18	O&M-Gas	\$ -								\$ -	\$ 1,683,147
19	O&M-Distribution	(107,931)		-5313						(113,244)	14,254,668
20	Customer Accounting	-								-	5,040,811
21	Sales and New Business	-								-	633,708
22	Administration & General	(997,852)								(997,852)	7,100,944
23	Depreciation and Amortization	-				(1,535,588)	445,959.22			(1,089,629)	21,810,897
24	Taxes other than Income Taxes	(407,382)	(230,708)							(638,090)	13,796,443
25	Income Taxes	409,810	62,483	1,439	(17,491)	415,883	(120,779)		(26,043)	725,302	6,159,411
27	Total Operating Expenses	\$ (1,103,355)	\$ (168,225)	\$ (3,874)	\$ (17,491)	\$ (1,119,705)	\$ 325,180	\$ -	\$ (26,043)	\$ (2,113,513)	\$ 70,480,029
28	Net Operating Income	\$ 1,103,355	\$ 168,225	\$ 3,874	\$ (47,092)	\$ 1,119,705	\$ (325,180)	\$ -	\$ 26,043	\$ 2,048,930	\$ 24,308,655
29	Income Deficiency	\$ (1,164,828)	\$ (168,225)	\$ (3,874)	\$ 47,092	\$ (1,119,705)	\$ 295,435	\$ -	\$ (26,043)	\$ (4,909,347)	\$ (1,311,680)
30	Revenue Conversion Factor	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137	1.37137
31	Revenue Deficiency	\$ (1,597,406)	\$ (230,698)	\$ (5,313)	\$ 64,580	\$ (1,535,526)	\$ 405,149	\$ -	\$ (35,714)	\$ (6,732,512)	\$ (1,798,793)
32	Percent of Total		4.7%	0.1%	-1.3%	31.1%	-8.2%	0.0%	0.7%		(1,798,793)
	Adjustment 9	Property Tax-Remove Doubled State of NH TRUE UP									
	Adjustment 10	Remove Additional Keene Production Costs									
	Adjustment 11	Modify Presentation of Pelham Risk Sharing									
	Adjustment 12	Remove Amortization of Depreciation Reserve Imbalance									
	Adjustment 13	Capitalized Fleet Depreciation									
	Adjustment 14	Not Used									
	Adjustment 15	Interest Synchronization									

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Liberty Utilities (EnergyNorth)

Adjustment 1

Normalize M&S Reflected in Rate Base

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	<u>RATE BASE</u>			
2	Materials and Supplies	\$ 5,936,060	(849,232)	\$ 5,086,828
3	Total Impact to Rate Base	<u>\$ 5,936,060</u>	<u>\$ (849,232)</u>	<u>\$ 5,086,828</u>

Notes and Sources

Column A: Attachment DBS/KAS-1, Schedule RR-EN-5 (Bates II-151R)

Column C: M&S WP

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Liberty Utilities (EnergyNorth)

Adjustment 2

Cash Working Capital

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Distribution Expenses			
2	O&M-Gas	\$ 1,683,147	\$ -	\$ 1,683,147
3	O&M-Distribution	14,367,912	(113,244)	14,254,668
4	Customer Accounting	5,040,811	-	5,040,811
5	Sales and New Business	633,708	-	633,708
6	Administration & General	8,098,796	(997,852)	7,100,944
7	Total O&M Expense for CWC Calculation	<u>\$ 29,824,374</u>	<u>\$ (1,111,096)</u>	<u>\$ 28,713,278</u>
8	Taxes and Interest Expense			
9	Taxes other than Income Taxes	14,434,533	(638,090)	13,796,443
10	Income Taxes	5,434,109	-	5,434,109
11	Less Deferred Income Taxes	(3,483,997)	-	(3,483,997)
12	Income Taxes (Staff's Adjustments)	-	751,345	751,345
13	Interest Synchronization	-	(29,202)	(29,202)
14	Total Taxes and Interest Expense	<u>\$ 16,384,645</u>	<u>\$ 84,053</u>	<u>\$ 16,468,698</u>
15	Total Distribution Expenses Taxes and Interest	\$ 46,209,019	\$ (1,027,043)	\$ 45,181,976
16	Lead/Lag Days Ratio	7.05%		7.05%
17	Total Cash Working Capital	<u>\$ 3,257,736</u>	<u>\$ (72,407)</u>	<u>\$ 3,185,329</u>
18	Impact to Rate Base	<u><u>\$ 3,257,736</u></u>	<u><u>\$ (72,407)</u></u>	<u><u>\$ 3,185,329</u></u>

Notes and Sources

Column A: Attachment DBS/KAS-2, Schedule RR-EN-5-2 (Bates II-153R) and Schedule RR-EN-2-1 (Bates II-134R)

Interest Synchronization

	w/o Int Sync	w/ Int Sync	Int Sync
Income Taxes	751,345	725,302	(26,043)
		Check	\$ (26,043)

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Liberty Utilities (EnergyNorth)

Adjustment 3

Modify Amortization of Non-Protected EADIT

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Excess Accumulaed Deferred Income Taxes	\$ (37,855,214)	\$ -	\$ (37,855,214)
2	Impact to Rate Base	<u>\$ (37,855,214)</u>	<u>\$ -</u>	<u>\$ (37,855,214)</u>
3	Amortization of EADIT			
4	Protected Property	\$ (33,434,927)		\$ (33,434,927)
5	Amortization Period	28.93	-	28.93
6	Total Amortization Due to Customers	<u>\$ (1,155,718)</u>	\$ -	<u>\$ (1,155,718)</u>
7	Unprotected Property EADIT	\$ (644,443)		\$ (644,443)
8	Amortization Period	28.93	(23.93)	5.00
9	Total Amortization Due to Customers	<u>\$ (22,276)</u>	\$ (106,613)	<u>\$ (128,889)</u>
10	Unprotected Non-Property EADIT	\$ (3,775,845)		\$ (3,775,845)
11	Amortization Period	28.93	(23.93)	5.00
12	Total Amortization Due to Customers	<u>\$ (130,517)</u>	\$ (624,652)	<u>\$ (755,169)</u>
13	Total Amortization Due to Customers	\$ (1,308,511)	<u>\$ (731,265)</u>	\$ (2,039,776)
14	NH Income Tax	7.70%		7.70%
15	Effect on NH income tax expense	<u>\$ 100,755</u>	<u>\$ 56,308</u>	<u>\$ 157,063</u>
16	Federal Taxable	\$ (1,207,756)		\$ (1,882,713)
17	Federal Income Tax Rate	21%		21%
18	Effect on Federal income tax expense	<u>\$ 253,629</u>	<u>\$ 141,741</u>	<u>\$ 395,370</u>
19	Total Taxes	<u>\$ 354,384</u>	<u>\$ 198,049</u>	<u>\$ 552,433</u>
20	Impact to Operating Income	<u>\$ 954,127</u>	<u>\$ 533,216</u>	<u>\$ 1,487,343</u>

Notes and Sources

Column A, Line 1: Attachment DBS/KAS-1, Schedule RR-EN-5 (Bates II-151R)

Column A, Line 13: Attachment DBS/KAS-1, Schedule RR-EN-3-6 (Bates II-144R)

Column C: WP_BRCS_EnergyNorth_EADIT Adjustments_R2

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Liberty Utilities (EnergyNorth)

Adjustment 4

Payroll Expense - 2020 Increase

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Test Year LU NH Labor Charged to EnergyNorth	\$ 14,635,799		\$ 14,635,799
2	Less: vacancy adjustment	(211,691)		(211,691)
3	Net Test Year Labor Charged to EnergyNorth	14,424,108		14,424,108
4	2019 Salary & Wage Increase Annualization- O&M	3.00%	-0.53%	2.47%
5	2019 Payroll Increase Annualization (not in test year, effective March 2019)	71,394		58,781
6	2019 LU NH Labor Charged to EnergyNorth Annualized	<u>\$ 14,495,502</u>		<u>\$ 14,482,889</u>
7	2020 Salary & Wage Increase - O&M	434,865		357,727
8	Adjustment for pro rated increase (effective March 2020)	(72,478)		(59,621)
9	2020 Payroll Increase - O&M	<u>\$ 362,388</u>		<u>\$ 298,106</u>
10	Test year LU Regional Allocated Labor (not included in test year labor)	3,128,482		3,128,482
11	2019 Salary & Wage Increase LU Regional	3.00%	-0.53%	2.47%
12	2019 Salary & Wage Increase Annualization (not in test year)	15,261		12,565
13	2019 Salary & Wages Annualized	<u>\$ 3,143,743</u>		<u>\$ 3,141,047</u>
14	2020 Salary & Wage Increase - O&M	94,312		77,584
15	Adjustment for pro rated increase (effective March 2020)	(15,719)		(12,931)
16	2020 Payroll Increase - O&M	<u>\$ 78,594</u>		<u>\$ 64,653</u>
17	Pro Forma LU NH Labor for 2020 Payroll Increase	\$ 18,080,226	<u>\$ (93,531)</u>	\$ 17,986,695
18	NH Income Tax	7.70%		7.70%
19	Effect on NH income tax expense	<u>\$ (1,392,177)</u>	<u>\$ 7,201</u>	<u>\$ (1,384,976)</u>
20	Federal Taxable	\$ 16,688,049		\$ 16,601,719
21	Federal Income Tax Rate	21%		21%
22	Effect on Federal income tax expense	<u>\$ (3,504,490)</u>	<u>\$ 18,129</u>	<u>\$ (3,486,361)</u>
23	Total Taxes	<u>\$ (4,896,667)</u>	<u>\$ 25,330</u>	<u>\$ (4,871,337)</u>
24	Impact to Operating Income	<u>\$ (13,183,559)</u>	<u>\$ 68,201</u>	<u>\$ (13,115,358)</u>

Notes and Sources

Column A: Attachment DBS/KAS-1, Schedule RR-3-2 (Bates II-139R)

Column C: lines 4 and 11: WP_Payroll Attachment Staff 2-23

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Schedule 3.5

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Liberty Utilities (EnergyNorth)

Adjustment 5

Normalize CSR 2019 Ratification Bonus Over Term of Contract

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	2019 Ratification Bonus	\$ 18,000		\$ 18,000
2	Recovery Period	1.00	4.00	5.00
3	Ratification Bonus Recovery	\$ 18,000	\$ (14,400)	\$ 3,600
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (1,386)	\$ 1,109	\$ (277)
6	Federal Taxable	\$ 16,614		\$ 3,323
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (3,489)	\$ 2,791	\$ (698)
9	Total Taxes	\$ (4,875)	\$ 3,900	\$ (975)
10	Impact to Operating Income	\$ (13,125)	\$ 10,500	\$ (2,625)

Notes and Sources

Column A, Line 1: OCA 4-10 and Staff TS 3-17

Column C, Line 2: Term of Local 12012-09 Union Contract, Staff 2-31, Attachment 2-31.b.2

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Schedule 3.6

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Liberty Utilities (EnergyNorth)

Adjustment 6

Long-Term Incentive Compensation

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Long-Term Incentive Compensation	\$ 252,311	\$ (252,311)	\$ -
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	<u>\$ (19,428)</u>	<u>\$ 19,428</u>	<u>\$ -</u>
4	Federal Taxable	\$ 232,883		\$ -
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	<u>\$ (48,905)</u>	<u>\$ 48,905</u>	<u>\$ -</u>
7	Total Taxes	<u>\$ (68,333)</u>	<u>\$ 68,333</u>	<u>\$ -</u>
8	Impact to Operating Income	<u>\$ (183,978)</u>	<u>\$ 183,978</u>	<u>\$ -</u>

Notes and Sources

Column A, Line 1: Staff 2-22

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Schedule 3.7

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Liberty Utilities (EnergyNorth)

Adjustment 7

Payroll Tax

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	<u>Correction of Payroll Tax Rate</u>			
2	Proforma LU NH Labor Payroll	\$ 18,080,226		\$ 18,080,226
3	Payroll Tax Expense %	11.11%	-2.2%	8.91%
4	Payroll Taxes-Corrected Rate	<u>\$ 2,008,713</u>	<u>\$ (397,765)</u>	<u>\$ 1,610,948</u>
5	<u>Payroll-Related Adjustments</u>			
6	Proforma LU NH Labor Payroll-Increase		(93,531)	\$ (93,531)
7	Ratification Bonus		(14,400)	(14,400)
8	Total Payroll Related Adjustments	<u>\$ -</u>	<u>\$ (107,931)</u>	<u>\$ (107,931)</u>
9	Payroll Tax Expense %			8.91%
10	Payroll Tax for Payroll-Related Adjustments	<u>\$ -</u>	<u>\$ (9,617)</u>	<u>\$ (9,617)</u>
11	Payroll Taxes	<u>\$ 2,008,713</u>	<u>\$ (407,382)</u>	<u>\$ 1,601,331</u>
12	NH Income Tax	<u>7.70%</u>		<u>7.70%</u>
13	Effect on NH income tax expense	<u>\$ (154,671)</u>	<u>\$ 31,368</u>	<u>\$ (123,303)</u>
14	Federal Taxable	\$ 1,854,042		\$ 1,478,028
15	Federal Income Tax Rate	21%		21%
16	Effect on Federal income tax expense	<u>\$ (389,349)</u>	<u>\$ 78,963</u>	<u>\$ (310,386)</u>
17	Total Taxes	<u>\$ (544,020)</u>	<u>\$ 110,331</u>	<u>\$ (433,689)</u>
18	Impact to Operating Income	<u>\$ (1,464,693)</u>	<u>\$ 297,051</u>	<u>\$ (1,167,642)</u>

Notes and Sources

Line 1: Schedule 3.4

Line 6: Schedule 3.4

Line 7: Schedule 3.5

Column A, Line 3: Attachment DBS/KAS-1, Schedule RR-EN-3-3 (Bates II-140R)

Column C, Line 3: Docket No. DE 19-064, Technical Statement of Philip E. Greene and David B. Simek, page 3 of 7

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Schedule 3.8

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Liberty Utilities (EnergyNorth)

Adjustment 8

Sharing of D&O Liability Insurance

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	D&O Liability Insurance Expense	\$ 28,553		\$ 28,553
2	Allocation to Ratepayers	100%	-50%	50%
3	Total	\$ 28,553	\$ (14,277)	\$ 14,277
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (2,199)	\$ 1,100	\$ (1,099)
6	Federal Taxable	\$ 26,354		\$ 13,178
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (5,534)	\$ 2,767	\$ (2,767)
9	Total Taxes	\$ (7,733)	\$ 3,867	\$ (3,866)
10	Impact to Operating Income	\$ (20,820)	\$ 10,410	\$ (10,411)

Notes and Sources

Column A, Line 1: Staff 2-46

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Schedule 3.9

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Liberty Utilities (EnergyNorth)

Adjustment 9

Property Tax-Remove Doubled State of NH TRUE UP

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Property Tax-2nd Installment	\$ 6,227,020		
2	Multiplied by 2	2		
3	Total	\$ 12,454,039	\$ (230,708)	\$ 12,223,331
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (958,961)	\$ 17,765	\$ (941,196)
6	Federal Taxable	\$ 11,495,078		\$ 11,282,135
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (2,413,966)	\$ 44,718	\$ (2,369,248)
9	Total Taxes	\$ (3,372,927)	\$ 62,483	\$ (3,310,444)
10	Impact to Operating Income	\$ (9,081,112)	\$ 168,225	\$ (8,912,887)

Notes and Sources

Column A, Lines 1-3: Attachment DBS/KAS-1, Schedule RR-EN-3-7 (Bates II-145R-II-146R)

Column B, Line 3: Attachment DBS/KAS-1, Schedule RR-EN-3-7, Line 77 State of NH TRUE UP. Amount was doubled.

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Schedule 3.10

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Liberty Utilities (EnergyNorth)

Adjustment 10

Remove Additional Keene Production Costs

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Keene Production Costs	\$ (211,561)	\$ (5,313)	\$ (216,874)
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	<u>\$ 16,290</u>	<u>\$ 409</u>	<u>\$ 16,699</u>
4	Federal Taxable	\$ (195,271)		\$ (200,175)
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	<u>\$ 41,007</u>	<u>\$ 1,030</u>	<u>\$ 42,037</u>
7	Total Taxes	<u>\$ 57,297</u>	<u>\$ 1,439</u>	<u>\$ 58,736</u>
8	Impact to Operating Income	<u>\$ 154,264</u>	<u>\$ 3,874</u>	<u>\$ 158,138</u>

Notes and Sources

Column A, line 1: Attachment DBS/KAS-1, Schedule RR-EN-3-10 (Bates II-149R))

Column B, line 1: See the testimony of Steven P. Frink

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Schedule 3.11

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Liberty Utilities (EnergyNorth)

Adjustment 11

Modify Presentation of Pelham Risk Sharing

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Pelham Risk Sharing Adjustment (Revenue)	\$ 64,583	\$ (64,583)	\$ -
2	NH Income Tax	7.70%		7.70%
3	Effect on NH income tax expense	\$ 4,973	\$ (4,973)	\$ -
4	Federal Taxable	\$ 59,610		\$ -
5	Federal Income Tax Rate	21%		21%
6	Effect on Federal income tax expense	\$ 12,518	\$ (12,518)	\$ -
7	Total Taxes	\$ 17,491	\$ (17,491)	\$ -
8	Impact to Operating Income	\$ 47,092	\$ (47,092)	\$ -

Notes and Sources

Column A, line 1: Attachment DBS/KAS-1, Schedule RR-EN-3-1 (Bates II-138R)

Column B, line 1: See the testimony of Steven P. Frink

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Schedule 3.12

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Liberty Utilities (EnergyNorth)

Adjustment 12

Remove Amortization of Depreciation Reserve Imbalance

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Depreciation Reserve Imbalance	\$ 9,213,530	\$ -	\$ 9,213,530
2	Amortization Period - Years	6	(6)	-
3	Annual Debit to Depreciation Expense	\$ 1,535,588	\$ (1,535,588)	\$ -
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	\$ (118,240)	\$ 118,240	\$ -
6	Federal Taxable	\$ 1,417,348		\$ -
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	\$ (297,643)	\$ 297,643	\$ -
9	Total Taxes	\$ (415,883)	\$ 415,883	\$ -
10	Impact to Operating Income	\$ (1,119,705)	\$ 1,119,705	\$ -

Notes and Sources

Column A, Lines 1-3: Attachment DBS/KAS-1, Schedule RR-3-5 (Bates II-143R)

See the testimony of Steven P. Frink

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Liberty Utilities (EnergyNorth)

Adjustment 13

Capitalized Fleet Depreciation

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	<u>RATE BASE</u>			
2	Plant in Service	\$ -	\$ (445,959)	\$ (445,959)
3	Accumulated Depreciation & Amortization	-	-	-
4	Total Impact to Rate Base	\$ -	\$ (445,959)	\$ (445,959)
5	<u>EXPENSES</u>			
6	Fleet Depreciation Capitalized	\$ -	\$ 445,959	\$ 445,959
7	NH Income Tax	7.70%		7.70%
8	Effect on NH income tax expense	\$ -	\$ (34,339)	\$ (34,339)
9	Federal Taxable	\$ -		\$ 411,620
10	Federal Income Tax Rate	21%		21%
11	Effect on Federal income tax expense	\$ -	\$ (86,440)	\$ (86,440)
12	Total Taxes	\$ -	\$ (120,779)	\$ (120,779)
13	Impact to Operating Income	\$ -	\$ (325,180)	\$ (325,180)

Notes and Sources

Line 2 and Line 6: Provided by Staff Audit Staff from General Ledger

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Liberty Utilities (EnergyNorth)

Adjustment 14

Not Used

Line	Description	Company Proposed	Adjustment	Adjusted Amount
		(A)	(B)	(C)

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Liberty Utilities (EnergyNorth)

Adjustment 15

Interest Synchronization

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Rate Base	\$ 346,149,831	(1,367,598)	344,782,233
2	Interest Component of Rate of Return	2.20%		2.24%
3	Interest Attributable to Rate Base	7,626,962		7,723,122
4	NH Income Tax	7.70%		7.70%
5	Effect on NH income tax expense	<u>\$ (587,276)</u>	<u>\$ (7,404)</u>	<u>\$ (594,680)</u>
6	Federal Taxable	\$ 7,039,686		\$ 7,128,442
7	Federal Income Tax Rate	21%		21%
8	Effect on Federal income tax expense	<u>\$ (1,478,334)</u>	<u>\$ (18,639)</u>	<u>\$ (1,496,973)</u>
9	Total Taxes	<u>\$ (2,065,610)</u>	<u>\$ (26,043)</u>	<u>\$ (2,091,653)</u>
10	Impact to Operating Income	<u>\$ 2,065,610</u>	<u>\$ 26,043</u>	<u>\$ 2,091,653</u>

Notes and Sources

Column A, Lines 2-3: Attachment DBS/DSD-2, Schedule RR-EN-3-8 (Bates II-147R)

Column B, Lines 1: Schedule 1.1

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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Liberty Utilities (EnergyNorth)

Step Adjustment

Adjustment to Step Increase

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)
1	Step Increase - Application	\$ 5,680,641		
2	Step Increase - Corrections and Update	5,646,985		
3				
4	<u>Rate Base</u>			
5	Capital Spending	\$ 37,628,371	\$ -	\$ 37,628,371
6	Accumulated Depreciation	(1,651,726)	-	(1,651,726)
7	Deferred Tax Calculation	(128,366)	-	(128,366)
8	Total Rate Base	<u>\$ 35,848,279</u>	<u>\$ -</u>	<u>\$ 35,848,279</u>
9	<u>Revenue Requirements</u>			
10	Return on Rate Base	\$ 3,380,493	\$ (401,501)	\$ 2,978,992
11	Depreciation Expense	1,651,726	-	1,651,726
12	Property Tax .	564,248	-	564,248
13	Insurance	50,518	-	50,518
14	Annual Revenue Requirements	<u>\$ 5,646,985</u>	<u>\$ (401,501)</u>	<u>\$ 5,245,484</u>
15	Keene Risk Sharing			<u>\$ (88,297)</u>
16	Step Increase	<u>\$ 5,646,985</u>	<u>\$ (489,798)</u>	<u>\$ 5,157,187</u>

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Liberty Utilities (EnergyNorth)

Step Adjustment

Adjustment to Step Increase-Company Proposal

Line	Description	Misc. Intangible Plant - 3 yr	Misc. Intangible Plant - 5 yr	LNG Plant	Mains	Station Equipment	Mains	Meas. & Reg. Station Equip.	Services	Meters
	<i>FERC Account</i>	<i>303</i>	<i>303</i>	<i>320</i>	<i>367</i>	<i>369</i>	<i>376</i>	<i>378</i>	<i>380</i>	<i>381</i>
Capital Spending		\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
<u>Deferred Tax Calculation</u>										
Tax Method		MACRS15	MACRS15	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20
Tax Depreciation Rate		5.00%	5.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Bonus Depreciation @ 0.00%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Basis		\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
MACRS Depreciation		\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
Tax Depreciation - Federal		\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
Tax Depreciation - State		\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
Book Depreciation Rate		33.00%	20.00%	2.86%	1.92%	2.86%	1.92%	2.86%	3.55%	3.13%
Book Depreciation		\$ 126,225	\$ 167,891	\$ 2,860	\$ 500,110	\$ 10,010	\$ 9,600	\$ 3,718	\$ 46,612	\$ 58,844
Tax over (under) Book - Federal		\$ (107,100)	\$ (125,919)	\$ 890	\$ 476,668	\$ 3,115	\$ 9,150	\$ 1,157	\$ 2,626	\$ 11,656
Tax over (under) Book - State		(107,100)	(125,919)	890	476,668	3,115	9,150	1,157	2,626	11,656
Deferred Taxes - Federal @ 19.38%		(20,759)	(24,407)	173	92,392	604	1,774	224	509	2,259
Deferred Taxes - State @ 7.70%		(8,247)	(9,696)	69	36,703	240	705	89	202	898
Deferred Tax Balance @ 0.00%		\$ (29,006)	\$ (34,103)	\$ 241	\$ 129,096	\$ 844	\$ 2,478	\$ 313	\$ 711	\$ 3,157
<u>Rate Base Calculation</u>										
Plant in Service		\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
Accumulated Depreciation		(126,225)	(167,891)	(2,860)	(500,110)	(10,010)	(9,600)	(3,718)	(46,612)	(58,844)
Deferred Tax Balance		29,006	34,103	(241)	(129,096)	(844)	(2,478)	(313)	(711)	(3,157)
Rate Base		\$ 285,281	\$ 705,668	\$ 96,899	\$ 25,418,207	\$ 339,146	\$ 487,922	\$ 125,969	\$ 1,265,677	\$ 1,817,999
<u>Revenue Requirement Calculation</u>										
Return on Rate Base @ 9.43%		\$ 26,902	\$ 66,545	\$ 9,138	\$ 2,396,937	\$ 31,982	\$ 46,011	\$ 11,879	\$ 119,353	\$ 171,437
Depreciation Expense		126,225	167,891	2,860	500,110	10,010	9,600	3,718	46,612	58,844
Property Tax @ 2.02%				2,020	526,076	7,069	10,098	2,626		
Insurance @ 0.14%				139	36,144	486	694	180	1,822	2,609
Annual Revenue Requirement		\$ 153,127	\$ 234,436	\$ 14,156	\$ 3,459,267	\$ 49,546	\$ 66,403	\$ 18,403	\$ 167,787	\$ 232,890

Rate of Return Calculation		Portion	After-Tax Cost	Pre-Tax WACC	Tax
Equity		50.2%	10.51%	7.23%	27.08%
Debt		49.9%	4.420%	2.20%	
		100.0%		9.43%	

Description	Amount	Reference
Property taxes (Account 408-P)	\$ 12,124,916	RR-StepWP2
Property insurance (Account 924)		RR-EN-2-1 \$ 51,523
Injuries and Damage (Casualty Insurance) (Account 925)		RR-EN-2-1 814,179
	<u>\$ 12,124,916</u>	<u>\$ 865,702</u>
Plant at Cost	\$ 600,336,257	RR-Step-EN-WP2 \$ 623,879,626
As % of Plant Cost	2.02%	0.14%

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Structures and Improvements	Office Equipment	Vehicles	Tools	Communication Equipment	Miscellaneous Equipment	Total	
<i>390</i>	<i>391</i>	<i>392</i>	<i>394</i>	<i>397</i>	<i>398</i>		
\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371	
MACRS39 1.28%	MACRS7 14.29%	MACRS5 20.00%	MACRS7 14.29%	MACRS7 14.29%	MACRS8 14.29%		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371	
\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698	
\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698	
\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698	
\$ 23,166	\$ 106,920	\$ 572,200	\$ 16,569	\$ 6,000	\$ 1,001	\$ 1,651,726	
\$ (12,781)	\$ 182,366	\$ -	\$ 28,431	\$ 2,571	\$ 1,142	\$ 473,972	
(12,781)	182,366	-	28,431	2,571	1,142	473,972	
(2,477)	35,348	-	5,511	498	221	91,870	19.38%
(984)	14,042	-	2,189	198	88	36,496	7.70%
\$ (3,462)	\$ 49,390	\$ -	\$ 7,700	\$ 696	\$ 309	\$ 127,360	
\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371	
(23,166)	(106,920)	(572,200)	(16,569)	(6,000)	(1,001)	(1,651,726)	
3,462	(49,390)	0	(7,700)	(696)	(309)	(128,366)	
\$ 790,296	\$ 1,868,690	\$ 2,288,800	\$ 290,731	\$ 53,304	\$ 13,690	\$ 35,848,279	
\$ 74,525	\$ 176,217	\$ 215,834	\$ 27,416	\$ 5,027	\$ 1,291	\$ 3,380,493	
23,166	106,920	572,200	16,569	6,000	1,001	1,651,726	
16,359						564,248	
1,124	2,810	3,970	437	83	21	50,518	
\$ 115,174	\$ 285,947	\$ 792,004	\$ 44,422	\$ 11,110	\$ 2,312	\$ 5,646,985	

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Liberty Utilities (EnergyNorth)

Step Adjustment

Adjustment to Step Increase - Staff Adjustment

Line	Description	Misc. Intangible Plant - 3 yr	Misc. Intangible Plant - 5 yr	LNG Plant	Mains	Station Equipment	Mains	Meas. & Reg. Station Equip.	Services	Meters
	<i>FERC Account</i>	<i>303</i>	<i>303</i>	<i>320</i>	<i>367</i>	<i>369</i>	<i>376</i>	<i>378</i>	<i>380</i>	<i>381</i>
Capital Spending		\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
<u>Deferred Tax Calculation</u>										
Tax Method		MACRS15	MACRS15	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20	MACRS20
Tax Depreciation Rate		5.00%	5.00%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Bonus Depreciation @ 0.00%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Basis		\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
MACRS Depreciation		\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
Tax Depreciation - Federal		\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
Tax Depreciation - State		\$ 19,125	\$ 41,973	\$ 3,750	\$ 976,778	\$ 13,125	\$ 18,750	\$ 4,875	\$ 49,238	\$ 70,500
Book Depreciation Rate		33.00%	20.00%	2.86%	1.92%	2.86%	1.92%	2.86%	3.55%	3.13%
Book Depreciation		\$ 126,225	\$ 167,891	\$ 2,860	\$ 500,110	\$ 10,010	\$ 9,600	\$ 3,718	\$ 46,612	\$ 58,844
Tax over (under) Book - Federal		\$ (107,100)	\$ (125,919)	\$ 890	\$ 476,668	\$ 3,115	\$ 9,150	\$ 1,157	\$ 2,626	\$ 11,656
Tax over (under) Book - State		(107,100)	(125,919)	890	476,668	3,115	9,150	1,157	2,626	11,656
Deferred Taxes - Federal @ 19.38%		(20,759)	(24,407)	173	92,392	604	1,774	224	509	2,259
Deferred Taxes - State @ 7.70%		(8,247)	(9,696)	69	36,703	240	705	89	202	898
Deferred Tax Balance @ 0.00%		\$ (29,006)	\$ (34,103)	\$ 241	\$ 129,096	\$ 844	\$ 2,478	\$ 313	\$ 711	\$ 3,157
<u>Rate Base Calculation</u>										
Plant in Service		\$ 382,500	\$ 839,457	\$ 100,000	\$ 26,047,414	\$ 350,000	\$ 500,000	\$ 130,000	\$ 1,313,000	\$ 1,880,000
Accumulated Depreciation		(126,225)	(167,891)	(2,860)	(500,110)	(10,010)	(9,600)	(3,718)	(46,612)	(58,844)
Deferred Tax Balance		29,006	34,103	(241)	(129,096)	(844)	(2,478)	(313)	(711)	(3,157)
Rate Base		\$ 285,281	\$ 705,668	\$ 96,899	\$ 25,418,207	\$ 339,146	\$ 487,922	\$ 125,969	\$ 1,265,677	\$ 1,817,999
<u>Revenue Requirement Calculation</u>										
Return on Rate Base @ 8.31%		\$ 23,707	\$ 58,641	\$ 8,052	\$ 2,112,253	\$ 28,183	\$ 40,546	\$ 10,468	\$ 105,178	\$ 151,076
Depreciation Expense		126,225	167,891	2,860	500,110	10,010	9,600	3,718	46,612	58,844
Property Tax @ 2.02%				2,020	526,076	7,069	10,098	2,626		
Insurance @ 0.14%				139	36,144	486	694	180	1,822	2,609
Annual Revenue Requirement		\$ 149,932	\$ 226,532	\$ 13,071	\$ 3,174,583	\$ 45,748	\$ 60,939	\$ 16,992	\$ 153,611	\$ 212,528

Rate of Return Calculation			
	Portion	After-Tax Cost	Pre-Tax WACC
Equity	49.21%	9.00%	6.07%
Debt	50.79%	4.42%	2.24%
	100.0%		8.31%

Description	Amount	Reference
Property taxes (Account 408-P)	\$ 12,124,916	RR-StepWP2
Property insurance (Account 924)		RR-EN-2-1 \$ 51,523
Injuries and Damage (Casualty Insurance) (Account 925)		RR-EN-2-1 814,179
	<u>\$ 12,124,916</u>	<u>\$ 865,702</u>
Plant at Cost	\$ 600,336,257	RR-Step-EN-WP2 \$ 623,879,626
As % of Plant Cost	2.02%	0.14%

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Structures and Improvements	Office Equipment	Vehicles	Tools	Communication Equipment	Miscellaneous Equipment	Total	
390	391	392	394	397	398		
\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371	
MACRS39 1.28%	MACRS7 14.29%	MACRS5 20.00%	MACRS7 14.29%	MACRS7 14.29%	MACRS8 14.29%		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371	
\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698	
\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698	
\$ 10,385	\$ 289,286	\$ 572,200	\$ 45,000	\$ 8,571	\$ 2,143	\$ 2,125,698	
\$ 23,166	\$ 106,920	\$ 572,200	\$ 16,569	\$ 6,000	\$ 1,001	\$ 1,651,726	
\$ (12,781)	\$ 182,366	\$ -	\$ 28,431	\$ 2,571	\$ 1,142	\$ 473,972	
(12,781)	182,366	-	28,431	2,571	1,142	473,972	
(2,477)	35,348	-	5,511	498	221	91,870	19.38%
(984)	14,042	-	2,189	198	88	36,496	7.70%
\$ (3,462)	\$ 49,390	\$ -	\$ 7,700	\$ 696	\$ 309	\$ 127,360	
\$ 810,000	\$ 2,025,000	\$ 2,861,000	\$ 315,000	\$ 60,000	\$ 15,000	\$ 37,628,371	
(23,166)	(106,920)	(572,200)	(16,569)	(6,000)	(1,001)	(1,651,726)	
3,462	(49,390)	0	(7,700)	(696)	(309)	(128,366)	
\$ 790,296	\$ 1,868,690	\$ 2,288,800	\$ 290,731	\$ 53,304	\$ 13,690	\$ 35,848,279	
\$ 65,674	\$ 155,288	\$ 190,199	\$ 24,160	\$ 4,430	\$ 1,138	\$ 2,978,992	
23,166	106,920	572,200	16,569	6,000	1,001	1,651,726	
16,359						564,248	
1,124	2,810	3,970	437	83	21	50,518	
\$ 106,323	\$ 265,018	\$ 766,369	\$ 41,166	\$ 10,513	\$ 2,159	\$ 5,245,484	

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: December 17, 2020
AT (OFFICE): NHPUC

FROM: The NH Public Utilities Commission Audit Staff

SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp.
d/b/a Liberty Utilities
Final Audit Report DG 20-105

TO: Stephen Frink, Director Gas/Water
Jayson Laflamme, Asst. Director Gas/Water
Al-Azad Iqbal, Utility Analyst IV

INTRODUCTION

On July 1, 2020 Liberty Utilities (Liberty, the Company) filed with the Commission a notice of intent to file for an increase in rates. On July 31, 2020, the Company filed a petition for a permanent rate increase of \$13,497,250 and a request for a temporary rate increase of \$6,500,000 to be effective October 1, 2020. The filing is based on a twelve month test year ending December 31, 2019. Commission Order 26,122, issued April 27, 2018 in Docket DG 17-048, consolidated the Keene Division with Liberty's other operating areas for distribution rate purposes. The Keene cost of gas recovery mechanism is still separate from EnergyNorth. As a result, Audit has conducted a financial audit of the books and records for the 2019 test year of EnergyNorth and Keene, with this report resulting.

The prior EnergyNorth rate case and related audit was docketed as DG 17-048 with a test year ended December 31, 2016. The final audit report was issued on August 22, 2017.

CORPORATE STRUCTURE

Liberty Utilities (EnergyNorth Natural Gas) Corp. is a wholly owned subsidiary of Liberty Energy Utilities (New Hampshire) Corp., which is a wholly owned subsidiary of Liberty Utilities Co. Liberty Utilities Co. is wholly owned by Liberty Utilities (America) Holdco Inc. which is wholly owned by Liberty Utilities (America) Holdings LLC. That is wholly owned by Liberty Utilities (America) Co., which is wholly owned by Liberty Utilities (Canada) Corp. (LUC) which is wholly owned by Algonquin Power & Utilities Corp. based in Canada. Algonquin is traded on the Toronto Stock Exchange and the New York Stock Exchange under the symbols AQN, AQN.PR.A and AQN.PR.D.

Employees of GSE, ENG, and Keene are direct employees of Liberty Utilities Service Corp., which is the corporation for which all American employees work. Liberty Utilities Service Corp. is also wholly owned by Liberty Utilities Co., as are the allocated entities described below.

ALLOCATIONS

Audit requested and was provided with the Cost Allocation Manual (CAM) that was in place during the test year. The CAM became effective January 1, 2017.

The company identification relating to the New Hampshire utilities was included within the spreadsheet for the Cost Allocation Manual calculation for April 2018:

Liberty Utilities Citrix

New Hampshire Database

8810 Liberty Energy Utilities (New Hampshire) Corp.	NH
8811 Liberty Energy Utilities (New Hampshire) Corp - Consolidation	NH
8820	
8830 Liberty Utilities (Granite State Electric) Corp	GS
8831 Pre Acquisition Granite State Electric Company	GS
8832 Liberty Utilities (Granite State Electric) Corp - Consolidation	GS
8840 Liberty Utilities (Energy North Natural Gas) Corp	EN
8841 Pre Acquisition Energy North Natural Gas Inc	EN
8842 Liberty Utilities (Energy North Natural Gas) Corp - consolidation	EN
8843 NH Gas Co	EN
8844 NH gas consolidation co	EN

Algonquin Power & Utilities Corp (APUC)

The CAM outlines that costs incurred at the APUC level are directly charged if possible. Costs at the APUC level include strategic management, access to capital, financial control costs, and administration.

Allocation methodologies applied to the specified indirect costs are allocated at noted percentages based on the information identified:

APUC Indirect Cost Allocation Methodology

	Number of <u>Employees</u>	Net <u>Plant</u>	Operations <u>& Maintenance</u>	<u>Revenue</u>
Legal	33.3%	33.3%	33.3%	
Tax		33.3%	33.3%	33.3%
Audit		33.3%	33.3%	33.3%
Investor Relations		33.3%	33.3%	33.3%
Director Fees and Insurance		33.3%	33.3%	33.3%
Licenses, Fees and Permits		33.3%	33.3%	33.3%
Escrow and Transfer Agent Fees		33.3%	33.3%	33.3%
Other Professional Services		33.3%	33.3%	33.3%

	Oakville <u>Employees</u>	Square Footage <u>by Oakville Employees</u>
Office Administration	50%	50%

Liberty Utilities (Canada) Corp. (LUC)

Costs at the LUC level include strategy, policies, procedures such as finance and capitalization policies, human resources (at the payroll/benefits policy level), regulatory affairs, pipeline safety, information technology, and customer service strategy. Costs at this level provide standardization across the Liberty Utilities' regulated companies, and are allocated based on a four factor allocation. The factors are net plant 20%, customer count 40%, expenses 20%, and labor 20%. During the test year, the (rounded) factors were:

	<u>4/18 - 3/19</u>	<u>4/19 - 9/19</u>	<u>10/19</u>	<u>11/19 - 3/20</u>
Liberty Water	7.53%	7.68%	7.53%	7.35%
Calpeco	6.64%	6.59%	6.44%	6.29%
Granite State	5.29%	5.25%	5.13%	5.01%
EnergyNorth	10.71%	11.22%	10.97%	10.71%
Midstates Gas	7.28%	7.18%	7.03%	6.86%
Midstates Water	0.31%	0.40%	0.39%	0.38%
Arkansas	0.70%	1.68%	1.65%	1.60%
Woodson Hensley	0.05%	0.05%	0.05%	0.05%
Georgia	6.78%	5.79%	5.67%	5.53%
New England Gas	6.56%	6.38%	6.24%	6.09%
Whitehall Water	0.21%	0.29%	0.28%	0.27%
Whitehall Sewer	0.22%	0.22%	0.21%	0.21%
Parkwater	5.74%	5.73%	5.61%	5.47%
Empire	41.98%	41.57%	40.60%	39.66%
New Brunswick			2.22%	2.17%
St. Lawrence Gas				2.27%
Tinker Transmission				0.10%
	100%	100%	100%	100%

Liberty Utilities Regional

Costs at the LU Regional level are allocated based on a four factor allocation. The factors are net plant 25%, customer count 25%, expenses 25%, and labor 25%. During the test year, the (rounded) factors were:

	<u>4/18 - 3/19</u>	<u>4/19 - 9/19</u>	<u>10/19</u>	<u>11/19 - 3/20</u>
Liberty Water	6.80%	6.94%	6.79%	6.62%
Calpeco	6.65%	6.59%	6.43%	6.28%
Granite State	5.16%	5.11%	4.99%	4.87%
EnergyNorth	10.45%	11.03%	10.76%	10.51%
Midstates Gas	6.39%	6.29%	6.15%	6.00%
Midstates Water	0.31%	0.38%	0.37%	0.36%
Arkansas	1.50%	1.49%	1.46%	1.42%
Woodson Hensley	0.04%	0.04%	0.04%	0.04%
Georgia	5.13%	5.19%	5.07%	4.96%
New England Gas	6.38%	6.15%	6.00%	5.86%
Whitehall Water	0.20%	0.29%	0.29%	0.28%
Whitehall Sewer	0.21%	0.21%	0.21%	0.20%
Parkwater	5.54%	5.55%	5.42%	5.30%
Empire	45.24%	44.75%	43.64%	42.66%
New Brunswick			2.40%	2.34%
St. Lawrence Gas				2.17%
Tinker Transmission				0.12%
	100%	100%	100%	100%

Burdens

Capitalized burden spreads (based on the Liberty Utilities Service Co, New Hampshire employees' payroll and common expenses) are calculated monthly based on the burden reflected in five specific Wennsoft jobs and spread across all open CWIP jobs which have dollars within the cost element to which the burden allocation job is mapped. The Company stated that the number of burden jobs was consolidated down to 5 in Q4 2016. The process of allocating these burdens remains unchanged.

Burdens are allocated monthly to eligible capital jobs using the cost element charges. The exception is the burden 8840-MKTG. This is spread equally to eligible jobs using the job type.

The Company provided the summary below which represents, for the test year only, the total capitalized burdens, by Wennsoft Job. As noted above the burden is calculated and cleared to the appropriate CWIP jobs on a monthly basis. There is a one month lag. Keene does not share the burdens with Energy North. There is one burden for Keene and it is allocated in the same manner.

Energy North

Job #	Job Description	CE Spread	Amount 12/31/19
8840 - BRD	Capital Burdens	Allocate to CE 1 - Labor	\$ 575,584
8849 - STO	Capital Stores Clearing	Allocate to CE 2 - Inventory	\$ (74,477)
8849 - LAB	Capital Labor	Allocate to CE 1,2,4,5 Labor, Inv, Vouchers, Outside Svs.	\$ 726,512
8840 - LU	LU Oakville Overheads	Allocate to CE 1,2,4,5 Labor, Inv, Vouchers, Outside Svs.	\$ 264,386
8840 - MKTG	Capital Sales/Engineering	Spread equally to Job Type SNEW and NS	\$ 4,636
			\$ 1,496,641

Keene

Job #	Job Description	CE Spread	Amount 12/31/19
8843 - BRD	Capital Burdens	Allocate to CE 1 - Labor	\$ 764

Management and Structure

Liberty provides the Commission with a quarterly organizational chart, in compliance with the Commission Order 25,370 issued in the EnergyNorth docket DG11-040. The Company has had the same President, Susan Fleck, since the DG 17-048 rate case.

Internal and External Audits

The Director of Internal Audit indicated in Staff Data Request 2-1 an Internal Audit of Capital Projects Management was done in 2017 and 2018. The report was issued in July 2019. The objective of the Audit was to assess the project management policies, tools, and methodologies LU New Hampshire used to organize and monitor the progress of a project to determine if they contain the proper phases and strategies to achieve successful project outcomes.

External Audits

ENG financials are part of the consolidated APUC financial statements, and thus does not have a stand-alone audit component. Audit was provided with links to the Algonquin Power & Utilities Corp. 2019 audited financial statements:

<http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00014832>

<https://sec.report/Document/0001174169-20-000018/>

Activity since DG 17-048 Rate Case

Since the prior DG 17-048 rate case, as of November 2018 EnergyNorth and Keene implemented decoupling as well as lower federal corporate tax rates due to the Tax Cuts and Jobs Act passed in 2017. Keene has been part of EnergyNorth for distribution rates since May 1, 2018. Keene now has an LDAC calculation, which also means customers are eligible for the low income/energy efficiency programs. Keene has used the Cogsdale billing system since May 1,

2018. Keene is part of EnergyNorth for distribution rates but still maintains a separate cost of gas recovery mechanism.

Review of the Filing Schedules to the General Ledger

Audit requested and was provided with a summary trial balance for the test year ended 12/31/2019 for both ENG and Keene, as well as with the monthly detailed general ledger activity for the entire test year. Audit was able to verify the general ledgers to the Puc 1604.01 portions of the filing, as well as to the company's 2019 annual report. The following account number issues were identified as not complying with the chart of accounts. **Audit Issue # 1**

EnergyNorth 8840, Keene 8843

8840-2-0000-10-1910- 1141 Goodwill	\$28,151,896 dr
8843-2-0000-10-1910- 1141 Goodwill	\$ 67,207 dr
Annual Report page 9 account 116	
8840-2-0000-10-1545-4554 Interco Invstmnt APIC NH Gas	\$ 3,047,227 dr
Annual Report page 9 account 123	
8843-2-0000-30-3045-4554 Interco APIC NH Gas Keene	\$ (3,047,227) cr
Annual Report page 10 account 219	
8840-2-0000-10-1163- 1755 Deferred Reserve EE	\$ 139,499 dr
8840-2-0000-10-1163- 1756 Lost Revenue EE Mechanism	\$ 12,563 dr
8840-2-0000-10-1163- 1757 Deferred NHDAS Special Contract	\$ 1,437,250 dr
8843-2-0000-10-1163- 1755 Deferred Reserve EE	\$ 0
8843-2-0000-10-1163- 1756 Deferred RLIAPP	\$ (1,647) cr
Annual Report page 9 account 174	1,587,665 dr
8840-2-0000-20-2170-2603 I/C Interest Payable – LU CO.	\$ 2,937,095 cr
8840-2-0000-20-2810-2079 Due to Liberty Utilities Canada	\$ 251,259 cr
8840-2-0000-20-2810-2596 Due to APUC	\$ 229,583 cr
8840-2-0000-20-2810-2603 Due to LU Co.	\$123,669,594 cr
8840-2-0000-20-2810-2606 Due to Liberty Energy NH	\$ (29,436,497) dr
8843-2-0000-20-2810-2606 Due to Liberty Energy NH	\$ 9,187,490 cr
8843-2-0000-20-2810-2607 Due to EnergyNorth	\$ (462) dr
8840-2-0000-20-2810-2626 Due to Liberty Utilities America Co.	\$ 78,316 cr
8840-2-0000-20-2810-2635 Due to Cogsdale NH	\$ 1,350,685 cr
8843-2-0000-20-2810-2635 Due to Cogsdale-NH-Keene	\$ (1,161,971) dr
8840-2-0000-20-2810-2639 Due from Liberty Utilities (Central)	\$ 1,793,986 cr
8840-2-0000-20-2810-2655 Due from/to Keene	\$ 462 cr
Annual Report page 10, Account 234	\$108,899,542 cr

Leases

Liberty Utilities Service Corp. 15 Buttrick Road, Londonderry, NH

On May 1, 2014 a lease between Liberty Energy Utilities (New Hampshire) Corp and Liberty Utilities (EnergyNorth Natural Gas) Corp became effective. The lease shall remain in effect until either the tenant or landlord provide a written notice of termination. The Tenant shall pay the “Tenant’s Proportionate Share”, or 73%, of the expenses.

The Base Rent shall increase yearly on January 1 based upon increases in the Consumer Price Index. The lease notes, *“The Base Rent for each subsequent year shall be determined by multiplying the Base Rent being paid by Tenant at the beginning of the previous year by a fraction, the numerator of which is the ‘Consumer Price Index Boston-Brockton-Nashua, MA-NH-ME-CT (1982-84 = 100)’ , published by the Bureau of Labor Statistics for the United States Department of Labor (the ‘CPI’) for January 1 of the then-current year, and the denominator of which is the CPI for January 1 of the previous year”*.

EnergyNorth provided Audit with a spreadsheet of the yearly lease calculations. The total lease for 2019 was \$208,364 with 73%, or \$152,100, being charged to EnergyNorth. The monthly lease payment amount in 2019 was \$12,675.

Audit reviewed the general ledger and notes twelve monthly payments in the amounts of \$12,675 each posted to account 8840-2-0000-69-6125-9310, Rental Expense – Intercompany.

Building, 9 Madden Road Derry, NH – Units 4 & 4A

On March 1, 2018, a three year lease for Units 4 & 4A located at 9 Madden Road in Derry, NH was signed. Per the lease agreement, the monthly base rent amount is scheduled to increase every twelve months. As the lease began in March 2018 the first two months’ rent for 2019 are at the year one rate of \$2,875 a month. Beginning March 2019 and continuing through December the monthly rent amount increases to \$2,960. The rent amounts is allocated 70% ENG and 30% to GSE. The total yearly rent due for 2019, per the lease agreement is \$35,350 with \$24,745 being book to EnergyNorth.

Audit reviewed the general ledger and monthly rent payments for 9 Madden Road are booked to account 8840-2-9825-51-5436-8740, Mains and Services Expense.

Per the general ledger the amount paid in January and February was \$2,012.50. \$2,013 was paid in March and \$2,072 was paid beginning in April through December. In April an additional \$59.50 was paid. This additional payment was due to a rent increase beginning in March; however, the March payment booked to the GL was the old rent amount. The additional payment was to equal the March payment about of \$2,072. In September an additional \$888 was paid. This is the amount that should have been charged to GSE. Audit reviewed the GSE general ledger for the 9 Madden payments and noted no September payments. Audit recommends reallocating the \$888 from ENG to GSE. **Audit Issue # 2**

Concord Training Center, 10 Broken Bridge Road, Concord, NH

EnergyNorth owns a training facility at 10 Broken Bridge Road in Concord, and leases space within it to Granite State Electric (GSE). The Company provided a copy of the lease agreement to Audit which was docketed as DA 16-560 on 5/10/2016. The lease was signed on 5/10/2016, by then Liberty President, David Swain, on behalf of the lessor and lessee.

On August 8, 2018, EnergyNorth filed a First Amended Training Center Lease Agreement with its affiliate, GSE in compliance with Order 26,156 issued April 27, 2018. The Amended Lease noted that rent payments by GSE to ENG for the training center will be based on ENG's *prudently incurred* investment in the training center of \$2,347,000. On February 8, 2019 a Secretary Letter was issued approving the Amended Training Center Lease Agreement.

It was noted in the prior rate case that the GSE lease payments are booked to the ENG general ledger, and that the lease payments reduce ENG's Intercompany Rental Expense account 8840-2-0000-69-6125-9310. ENG charges GSE a proportionate share of its return on the prudently incurred investment. Audit noted twelve credit entries, booked monthly, in the amount of \$5,692 for January through April and \$6,644 for May through December. The Amended Training Center Lease notes that the GSE's proportionate share will be calculated annually. The lease began May 1, 2018 and therefore the new payment amount, as noted above, was calculated for May 2019.

Customer Service Center, 114 North Main Street, Concord, NH – Suite 301

The lease for the Customer Service Center in Concord, NH states that the monthly rental amount is \$4,025 per month for 2019 and payable to the lessor, Ciborowski Family Trust. The space consists of approximately 1,660 square feet with a total of six parking spaces at no additional cost to the ENG. The monthly payments are allocated to the following Liberty Rent Expense accounts:

8810-9868-EASTREG	\$ 1,362.04
8830-2-9823-69-5110-9310	\$ 508.15
8830-2-9860-69-5110-9310	\$ 290.74
8840-2-9823-69-5110-9310	\$ 1,185.67
8840-2-9860-69-5110-9310	\$ 678.40
	<u>\$ 4,025.00</u>

Audit traced the twelve monthly \$1,185.67 and \$678.40 to Energy North's general ledger without issue.

An amendment to the 2016 lease agreement effective November 1, 2019 was to add additional space to the original premises on the third floor. The lease states that the rent for the first two months, of the additional space, beginning November 2019 and ending December 31,

2019 will be rent free as the landlord's contribution to the Tenant's fit-up expense for the additional premises. No issues were noted with the payment of the monthly lease expense.

Building, 116 North Main Street, Concord, NH

The lease for 116 North Main Street in Concord, NH states that the monthly rental amount of \$7,150 for January through November and \$8,225 for December be payable to the lessor, Ciborowski Family Trust. The space consists of approximately 2,150 square feet with a total of six parking spaces for an additional monthly fee approved by Lessee. The Lessee, Liberty, can increase or decrease the number of parking spots at any time. The monthly payments are allocated to the following Liberty Rent Expense accounts for January through November:

8810-9823-LU	\$ 942.89
8810-9860-EASTREG	\$ 1,717.35
8810-9865-NE GAS	\$ 437.76
8830-2-9851-69-6125-9310	\$ 437.76
8830-2-9865-69-5110-9310	\$ 276.12
8840-2-9865-69-5110-9310	\$ 644.29
8830-2-9865-69-5110-9310	\$ 808.16
8840-2-9865-69-5110-9310	\$ 1,885.67
	<u>\$ 7,150.00</u>

The payment allocation for December is as follows:

8810-9823-LU	\$ 1,084.62
8810-9860-EASTREG	\$ 1,975.55
8810-TINKER	\$ 503.57
8810-9865-NE GAS	\$ 503.57
8840-2-9865-69-5110-9310	\$ 1,058.79
8840-2-9865-69-5110-9310	\$ 3,098.90
	<u>\$ 8,225.00</u>

Audit questioned why there was no portion of the December rent allocated to GSE. EnergyNorth noted that in November the use of the space was reevaluated and it was determined the location was being used as a walk-in service center. As Concord is part of the gas territory it was charged to only EnergyNorth.

The following chart shows the month payment date, general ledger account and amount paid:

1/1/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	1,885.45
1/1/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	644.21
2/6/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	1,885.70
2/6/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	644.29
3/6/2019	8840-2-9865-69-5110-9310	Rent Expense	1,885.70
3/6/2019	8840-2-9865-69-5110-9310	Rent Expense	644.29
4/1/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	1,885.70
4/1/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	644.29
5/2/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	1,885.70
5/2/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	644.29
6/5/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	1,885.70
6/5/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	644.29
7/8/2019	8840-2-9865-69-5110-9310	Rent Expense	1,885.70
7/8/2019	8840-2-9865-69-5110-9310	Rent Expense	644.29
8/12/2019	8840-2-9865-69-5110-9310	Rent Expense	1,885.67
8/12/2019	8840-2-9865-69-5110-9310	Rent Expense	644.29
9/5/2019	8840-2-9865-69-5110-9310	Rent Expense	1,885.67
9/5/2019	8840-2-9865-69-5110-9310	Rent Expense	644.29
10/1/2019	8840-2-9865-69-5110-9310	Rent Expense	1,885.67
10/1/2019	8840-2-9865-69-5110-9310	Rent Expense	644.29
11/1/2019	8840-2-9865-69-5110-9310	Rent Expense	1,885.67
11/1/2019	8840-2-9865-69-5110-9310	Rent Expense	644.29
12/2/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	1,885.71
12/2/2019	8840-2-9865-69-5390-9100	Misc Customer Service & Information Expenses	644.29
			<hr/>
			\$ 30,359.44

Audit also questioned why the rent for 116 N Main was charged to account 9100 in January, February, April, May, June and December and account 9310 in March, July, August, September, October and November. EnergyNorth noted that the charges were for customer service rent, account 9310, and it was misclassified to account 9100. **Audit Issue #10**

Test Center; 254 Sheep Davis Road, Unit 4, Concord, NH

254 Sheep Davis Road in Concord, NH is the location of EnergyNorth's Computer-based On-Site Test Center, charged specifically to ENG, as the center is used for the purpose of making Operator Qualification examinations, sponsored by the National Gas Association, available to ENG employees. The lease states a contract term of January 1, 2019 through December 31, 2021 and is for space consisting of approximately 2,500 square feet including daytime parking spots for twenty cars and five oversized vehicles.

The monthly base rent amount is \$1,562.50 which is due for the months of April through December, totaling \$18,750 for the year. No base rent was due in January through March according to the lease agreement. The lease agreement also notes that additional rent is due

monthly starting in April as the first three months of the year are abated. The lease notes that the additional rent amount was to be released in December 2018. Audit reviewed an email from the leasing company which notes that the monthly rent is \$1,562.50 and an additional \$437.04 for Common Area and Maintenance charge (CAM) and \$395.92 for tax, totaling \$2,395.46 due each month.

Audit reviewed the following general ledger activity payable to Sheep Davis Partners:

1/4/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,395.46	JAN 2019 RENT
5/2/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	1,562.50	RENT MAY 2019
6/5/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	1,562.50	RENT JUNE 2019
6/18/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,204.32	PAST DUE MAINT&TAX
7/8/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,395.46	RENT JULY 2019
8/12/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,395.46	RENT AUGUST 2019
8/12/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	1,562.50	RENT AUG 2019
9/5/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,395.46	RENT SEPT 2019
10/1/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,395.46	RENT OCT 19
11/1/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	2,395.46	RENT NOVEMBER 2019
12/16/2019	8840-2-9825-51-5436-8740	Mains & Services Expense	916.24	RENT DEC 2019
			22,180.82	

Audit requested additional information on the payments made to Sheep Davis Partners during the test year and received monthly statements showing the amounts due. The rent paid in January was for April, so no issue is present with regards to the January payment. The 6/18/19 payment of \$2,204.32 is the CAM and tax payments that were not paid with the May and June rents. Also included in the 6/18 payment is electric and fuel expenses for January and February as the name on the account had not been switched to Liberty so it was billed through the property owner. In August two payments were made, one for \$2,395.46 and the other for \$1,562.50. To make up for the double payment, the rent portion of the December payment was withheld and only the CAM and Taxes were paid. The December payment also includes a late charge for August as payments are due by the 10th of the month and the GL shows it was booked on the 12th.

The December rent payment of \$916.24 actually includes a double payment of the late charge. The payment is compromised of the CAM payment \$437.04, the Tax payment of \$395.92 and the late payment charge of \$41.64. This totals \$874.60 which the December account statement, from the Landlord, shows as the outstanding balance. When payment was made, the late payment charge was included again making the payment amount \$916.24. \$41.64 should be removed from the expenses as it was double paid and not due. As the amount is immaterial, Audit is not presenting it as an issue.

Pearl Street, Keene, NH

The Pearl Street property lease was signed on March 16, 2012 between R and M Realty and New Hampshire Gas Corporation. The term of the lease is for the ten year period beginning

March 1, 2012 and terminating on February 28, 2022. An amendment to the lease, effective November 1, 2016, notes an option to extend the lease for an additional five years.

The amendment also notes that the rent amounts for the month of January and February of 2019 is \$4,465.63 and March through December of 2019 is \$4,840.62. The total yearly rent due for 2019 was \$57,337.46. However, the general ledger shows a total of \$57,712. Audit requested additional information from ENG regarding the over payment. ENG provided a spreadsheet which detailed the actual payment dates and amount which summed to \$57,337. The difference comes from the months of December when the invoice is recorded in the GL and when the payment is made. The December 2018 GL transaction is made for the January 2019 rent and the December 2019 GL transaction is for January 2020. As the rent amount changes in March, the GL reflects twelve monthly payments but included the January 2020 amount and not the January 2019 amount. The difference in the GL and lease agreement yearly amounts due is \$375, which is the yearly increase from 2018 to 2019. No issue is present.

All twelve monthly rent payments were debited to the general ledger account number 8843-2-0000-69-5110-9310 Rent.

Audit notes, in reference with the Keene production plant location, that Keene has a supply lease with Iberdrola that is in effect until 2027 with the option to extend for an additional three years.

PLANT

The accounts comprising Total Property, Plant and Equipment shown on the NHPUC Annual Report for December 2019 for both ENG and Keene were traced to the filing page 1604.01(a)(1)(b), schedules RR-EN-3-5, RR-EN-3-6 and RR-EN-5-1.

Bidding

Liberty Utilities purchases goods and services for NH to support divisional activities and most purchase orders and contracts for NH based purchases are supported by the purchasing group located in NH. The corporate policy indicates all purchases of supplies/service that exceed \$1,000,000 will have a competitive bid process performed. In NH, operations and purchasing frequently work to obtain Requests for Proposals (RFP) for expenditures lower than this threshold where a competitive marketplace to provide the goods and services exists.

Formal RFP are issued by the Purchasing department based on the scope of work with input and specifications provided by the requesting department. In general, RFP include a pre-bid meeting with potential suppliers outlining the materials or services required and provide an overall bid schedule for the purchase from RFP issuance date through proposed award date. All questions to the company regarding the RFP are compiled and responses to these bid questions are provided to all potential bidders. Informally, buyers review new sources to determine competitiveness of routine purchases of commonly used goods. Bids are reviewed with the appropriate stakeholders and a selection process is performed on the award based on overall

pricing, supplier availability and capabilities and ability to meet schedule requirements. The Company provided a listing of formal RFP issued in 2017, 2018 and 2019.

ENG Cast Iron/Bare Steel (CIBS)

Order No. 26,374 (June 30, 2020) included: *“In 2019 the Commission made the decision to discontinue annual cost recovery through the CIBS program. Order No. 26,266 (June 28, 2019). In addition, in 2020, in the last CIBS proceeding, the Commission directed the Company to replace or abandon all cast iron and bare steel pipes with a nominal diameter of 10 inches and smaller by the year 2025.”*

According to the Direct Testimony of B. Frost, R. Moonstone and H. Tebbetts, pages 6 and 7 of 24 in this docket DG 20-105:

“As part of the settlement agreement that established the CIBS program, meter set fittings (above-ground piping at customer meter sets) were not included for cost recovery in CIBS dockets. In 2018, the Company incurred costs of \$1,427,488 in fitting work. In 2019, total spending related to CIBS meter fitting was \$1,422,921. Because fitting costs were not recovered through the CIBS program, the Company is requesting recovery of fitting costs in this proceeding.” Project 8840-1913 is Main Replacement Fitting LPP. It is just one project. CIBS is 8840-1911.

Project #	Project Name	Labor	Material	Voucher	Overhead	COR	CIAC	AFUDC	Grand Total
8840-1813	CIBS	\$ 7,196.14	\$ 90.65	\$ 278.23	\$ 74,733.57	\$ -	\$ -	\$ -	\$ 82,298.59
8840-1913	CIBS	\$529,739.62	\$ 22,375.34	\$ 8,070.08	\$ 780,437.27	\$ -	\$ -	\$ -	\$ 1,340,622.31
									\$ 1,422,920.90

EnergyNorth Plant Additions

Audit reviewed ten ENG projects unitized totaling \$5,387,124 which included a review for compliance with the Liberty Utilities Capitalization Procedure. Requirements include the following:

- Inclusion of the project in the capital budget
- Business Case for specific project, prepared by project manager, approved by Director, forwarded to corporate
- Capital expenditure summary form
- Variance report if over budget by 10% (minimum \$50,000) must be documented with an Over-expenditure Spending Request Form, with approval by local director of engineering and state president
- Monthly variance report prepared by Project Manager will be provided to the regional executive team or capital budget committee, then reported to the executive team for update to budget
- Project Close-out report should include final actual costs, budgeted costs, variance analysis and suggested areas for improvement, prepared by the project manager

1. 8830-1746 / W/O #401787-30301, Londonderry 1st Responder Mobile Appl-SHRD, \$150,000

Business Cases and Capital Project Expenditure Application

Audit reviewed the Business Case associated with the First Responder Mobile Application Project. The project was approved on 8/25/2017 for \$150,000 by the project leader and by the Vice President of Operations and the Regional Director of Finance.

This project was for the replacement of radio and phone communications received from community first responders to report utility damage in the Company's service territory. It will utilize smartphone technology which can provide much faster and more accurate information to Liberty's operations and field supervisors.

Bidding

The Company provided the Requests for Proposals for the 3-year period ending 2019. The document did not list any bids or proposals for the software application. However, the Business Case background section states that *'the vendor has a proprietary product that has a U.S patent pending and we have discussed the high degree of satisfaction for this product with neighboring utilities who have already purchased the product with favorable results.'*

The invoice dated 9/17/2017 lists 1, First responder App Base module 1R-001 Software license for Liberty Utilities (NH & MA Gas) for \$150,000. The Company provided the journal entry showing a portion of the cost being allocated to Massachusetts Gas.

There was no AFUDC or overheads related to the purchase.

Budgeted vs. Actual variance Reports

Audit reviewed the 2017 Project variance report provided by the Company. The 2017 budgeted amount was \$50,000 and the actual amount spent in 2017 was \$113,750. In 2018, the Company spent a total of \$36,250 for a total cost of \$150,000 which was the requested capital amount shown the Capital Expenditure Application.

2. 8840-1811 / W/O #401811-37601 – Concord Gas Mains PL-4.00", \$159,454

Business Cases and Capital Project Expenditure Application

Audit reviewed the Business Case associated with the Concord Gas Main project located on 15-30 Westbourne Road in Concord, NH. The blanket project was approved on 12/29/2017 for various work orders totaling \$15,130,000 by the LU President, the Director of Finance, and by the NH President.

This project was for the replacement of mains and services under the LPP (leak prone pipe) Program, which will address physical soundness of the assets and facilities, and includes the replacement of cast iron pipe.

	<u>Unitized</u>
Cost Element 1-Labor	\$ 458
Cost Element 2- Materials	\$ 8,555
Cost Element 4- Vouchers	\$ 175,715
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 56,633
Cost Element 7- Cost of Removal	\$ (24,142)
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ 403
Total <u>Unitized</u> Amount	\$ 217,622
Remaining to be unitized	\$ -

Vouchers

Audit reviewed vendor invoices from Midway Utility Contractors in the amount of \$153,230. Four invoices showed length of main replaced, flagging operations, the rate per hour charged, the dates worked, the work order number and the amount charged to the project. Audit recalculated several line items and invoice totals with no exceptions noted.

Budgeted vs. Actual

The Capital Spending Report showed the 2019 revised budget amount of \$18,198,224 for the total LPP Main Replacement Program. As of year-end 2019, the projects were \$3,625,401 under budget.

Bidding

The Request for Proposals provided by the Company did not list this particular project.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Labor	\$ 764
Management	\$ 53,632
Stores	\$ 2,237
	<u>\$ 56,633</u>

3. **401911-37611- Laconia Gas Main Replacement PL-01.00”, \$270,976**

Business Cases and Capital Project Expenditure Application

Audit reviewed the work order for the replacement of gas main located on 186-261 Union Avenue in Laconia NH. The blanket project was approved on 12/29/2017 for various work orders totaling \$15,130,000 by the LU President, the Director of Finance, and by the NH President.

This project was for the replacement of mains and services under the LPP (leak prone pipe) Program, which will address physical soundness of the assets and facilities and includes the replacement of cast iron.

	<u>Unitized</u>
Cost Element 1-Labor	\$ 1,290
Cost Element 2- Materials	\$ 282
Cost Element 3 - Transfer to 106	\$ (8,076)
Cost Element 4- Vouchers	\$ 196,483
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 112,049
Cost Element 7- Cost of Removal	\$ (31,052)
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ -
Total <u>Unitized</u> Amount	\$ 270,976
Remaining to be unitized	\$ -

Budgeted vs. Actual

The Capital Spending Report showed the 2019 revised budget amount of \$18,198,224 for the total LPP Main Replacement Program. As of year-end 2019, the projects were \$3,625,401 under budget.

Bidding

Although a project was listed on the Request for Proposals for Laconia, that project listed it as Court Street in Laconia, it did not appear to list this particular project.

Vouchers

Audit reviewed vendor invoices from Midway Utility Contractors in the amount of \$187,602 for April and May of 2019. Three invoices showed length of main replaced, flagging operations, the rate per hour charged, the dates worked, the work order number and the amount charged to the project. Audit recalculated several line items and invoices.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Management	\$ 110,971
Stores	\$ 75
allow 4019 brd	\$ 1,003
	<u>\$ 112,049</u>

4. 401746-39001- Concord Structure, \$651,884

Business Cases and Capital Project Expenditure Application

This work order was for the renovation work for the Concord Walk-In Center located at 116 North Main Street in downtown Concord, NH. Audit reviewed the Business Case associated with the Facility Improvements and additions to the Concord office. The project was approved in January and February of 2017 for \$695,000 by the project leader and by the LU NH, the Manager of Engineering and the finance Director.

	<u>Unitized</u>
Cost Element 1-Labor	\$ 25,104
Cost Element 2- Materials	\$ -
Cost Element 4- Vouchers	\$ 548,330
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 74,073
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	<u>\$ 4,378</u>
Total <u>Unitized</u> Amount	\$ 651,884
Remaining to be unitized	\$ -

Budgeted vs. Actual Variance Reports

Audit reviewed the 2017 Capital Spending Report provided by the Company. The budgeted amount totaled \$695,000 and the actual costs were \$634,842. This is a variance of \$60,158.

Vouchers

Audit reviewed vendor invoices from Schroeder Construction Management Inc., in the amount of \$194,773 for 2017. Audit reviewed seven process billings including the retainage payment. Audit recalculated several line items and invoice totals with no exceptions noted.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Labor	\$ 34,535
Management	\$ 39,538
	<u>\$ 74,073</u>

5. 401761-37901 – Pelham Take Station, \$3,420,142

Business Cases and Capital Project Expenditure Application

Audit reviewed the Business Case associated with the Windham/Pelham Managed Expansion project which authorizes two-part installations relating to the planned expansion estimated to total \$4,724,223. Part one is the extension of the existing 2.5 miles of 6-inch gas line in Hudson into Windham. Part two is the installation of a take station to tap with Kinder/Morgan in Pelham.

This project was authorized in 2017 and approved by the Regional Director of Finance, President and Vice President, the Senior VP, the Corporate President and the CEO in the months of March and July, 2017.

	<u>Unitized</u>
Cost Element 1-Labor	\$ 64,275
Cost Element 2- Materials	\$ 21,728
Cost Element 4- Vouchers	\$ 2,732,724
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 556,625
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ 44,791
Total <u>Unitized</u> Amount	<u>\$ 3,420,142</u>
Remaining to be unitized	\$ -

Budgeted vs. Actual

Audit reviewed the 2017, 2018 and 2019 Capital Spending Reports. The 2017 report budgeted \$4,724,223 and shows the project over budget by \$938,564. The 2018 report shows the project over budget by \$1,319,654 and the 2019 report shows the total over run to be \$88,130.

Vouchers

Audit reviewed vendor invoices from Tennessee Gas Pipeline Company for interconnection costs of \$1,214,026, and three invoices from Mulcare Pipeline Solutions totaling \$49,475 for facilities equipment for the Take Station. Audit recalculated line items and invoice totals with no exceptions noted.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Fleet	\$ 597
Labor	\$ 93,435
Management	\$ 459,773
Stores	\$ 2,820
	<u>\$ 556,625</u>

6. 8840-1723 / 401723-37612 – Elm St., Nashua Gas Main PL-06.00”, \$469,857

Business Cases and Capital Project Expenditure Application

Audit reviewed the business case provided by the Company for EN Main Replacement City/State Construction Blanket. The total expected project total was \$4,500,000 per the authorization application and commencing in early 2017. The project was signed off by the Regional Director of Finance, President and Vice President, the Senior VP, the Corporate President and the CEO in the months of March and July, 2017.

	<u>Unitized</u>
Cost Element 1-Labor	\$ -
Cost Element 2- Materials	\$ 11,133
Cost Element 4- Vouchers	\$ 318,250
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 179,170
Cost Element 7- Cost of Removal	\$ (39,469)
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	<u>\$ 774</u>
Total <u>Unitized</u> Amount	\$ 469,857
Remaining to be unitized	\$ -

Budgeted vs. Actual

Audit reviewed the 2017 project variance report for the project which showed the budgeted amount to be \$5,200,000 and the final 2017 spending to be under budget by \$2,176,315.

Vouchers

Audit reviewed two invoices from RH White Construction Services and Solutions totaling \$86,501 for labor, materials vehicles and flaggers. All labor and police and flagging detail was supported by timesheets. Town and City invoices for police detail were provided and reviewed by Audit with no exceptions noted. Two invoices from the City of Nashua represented reimbursements of the City's costs for pavement reclamation and repaving. The invoices totaled \$201,651

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Management	\$ 177,009
Stores	\$ 2,161
	<u>\$ 179,170</u>

7. 401951-38001025 – Louden Gas Service PL-01.00", \$16,572

Business Cases and Capital Project Expenditure Application

There was no specific Business Case provided that related to this work order however, the Company provided the cost breakdown showing the allocations and the CPR shows the installation of one commercial/industrial gas service on 16 Shaker Brook Road in Louden, NH. The asset was placed in service in December of 2019. The cost allocations are shown below:

	<u>Unitized</u>
Cost Element 1-Labor	\$ 40
Cost Element 2- Materials	\$ 575
Cost Element 3 - Transfer to 106	\$ -
Cost Element 4- Vouchers	\$ 7,541
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 8,416
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ -
Total <u>Unitized</u> Amount	\$ 16,572
Remaining to be unitized	\$ -

Budgeted vs. Actual

Audit reviewed the 2019 Capital Spending Report for Project 8840-1951, New Services Commercial & Industrial blanket. The 2019 budgeted amount for the total blanket project was \$786,250.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Labor	\$	54
Manaement	\$	8,295
Sales/Mking	\$	67
	\$	8,416

8. 8840-1784 – 401784-37602 Eastgate Dr. Derry Gas Main PL-02.00” \$91,936

Business Cases and Capital Project Expenditure Application

Audit reviewed the Business Case associated with the Derry School Expansion project which proposed to extend the Company’s existing high pressure gas distribution systems at Kendall Pond Road and Tsienetto Road to provide gas service to the Ernest P. Barka Elementary School. The project was approved on 5/5/2017 for an expected project total of \$691,782 by the project leader and by the Region President and the Regional Vice President.

	<u>Unitized</u>
Cost Element 1-Labor	\$ -
Cost Element 2- Materials	\$ 10,476
Cost Element 4- Vouchers	\$ 468,873
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 86,451
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ 1,683
Total <u>Unitized</u> Amount	\$ 567,482
Remaining to be unitized	\$ -

Budgeted vs. Actual

Audit reviewed the 2017 Capital Spending Report. The 2017 report shows the estimated budget amount of \$691,782 with spending as of December 31, 2017 of \$506,159, an under budget amount of \$185,623.

Vouchers

Audit reviewed several invoices from the Mears Group, Inc., totaling \$421,373 for crews for trench work, pipe fitting and materials and traffic control billed through Mears for flagging detail. There were no retirements associated with this work order, however another work order 401784-37601, Drury Lane related to the Derry School expansion project showed retirements in the amount of \$67,745

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Management	\$	85,622
Stores	\$	829
	\$	86,451

9. 8840-0001006138 – Morningside Dr. Laconia Gas Main PL-02.00”, \$103,549

Business Cases and Capital Project Expenditure Application

Audit reviewed the business case provided by the Company for ENI101New Growth Main Blanket dated January 2016. The total expected project cost authorized was \$1,900,000. The project was signed off by the President of LU Central and the Vice President of Finance. The project commenced in early 2017 and was posted to the plant account in May and June of 2017. There were no retirement associated with the new gas main project.

	<u>Unitized</u>
Cost Element 1-Labor	\$ -
Cost Element 2- Materials	\$ 4,042
Cost Element 3 - Transfer to 106	\$ -
Cost Element 4- Vouchers	\$ 56,212
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 56,841
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ -
Total <u>Unitized</u> Amount	\$ 117,096
Remaining to be unitized	\$ -

Budgeted vs. Actual

Audit did not review the 2016 Capital Budget Report but noted the 2017 Capital project variance report which showed the budgeted amount for new main growth was \$100,000 for 2017.

Vouchers

Audit reviewed an invoice from RH White Construction Company for site work in preparation for the main replacement in the amount \$39,217. The invoice number 20044226 was dated 10/22/2016. Audit recalculated the line items and invoice totals with no exceptions noted.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Eng Allow.	\$ 3,341
Labor	\$ 779
Corporate	\$ 4,625
Management	\$ 36,904
Stores	\$ 491
Supervisory	\$ 10,701
	<u>\$ 56,841</u>

10. 8840-0001006927 – Goffstown Gas Main PL-06.00”, \$52,754

Business Cases and Capital Project Expenditure Application

The project in Goffstown at College at Laurel Street did not have a business case associated with it. The 2017 -2019 Capital Spending Reports did not list it specifically. There were no retirements associated with the project. Audit did not test invoices from the Mears Group for \$37,600 and JDH Energy Solutions for \$3,872. The CPRs show the project was placed in service in May of 2017 for a total cost \$52,754 and posted to the 3670 plant account. There no retirements reported for the project. The cost were allocated as shown below:

	Unitized
Cost Element 1-Labor	\$ 5,071
Cost Element 2- Materials	\$ 1,364
Cost Element 4- Vouchers	\$ 41,472
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 11,907
Cost Element 7- Cost of Removal	\$ (5,862)
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ -
Total <u>Unitized</u> Amount	\$ 53,953
Remaining to be unitized	\$ (1,199)
	\$ 52,754

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Labor	\$ 5,622
Management	\$ 6,428
Stoes	\$ (143)
	\$ 11,907

Retirements

The CPRs provided by the Company did not contain a tab for ENG retirements, however the Company provided an Excel pivot table spreadsheet showing the retirements by account that totaled \$2,994,155. This amount agreed with the 2019 NHPUC annual report page 19, revised.

Account Number	Description	Feb	Mar	Apr	May	Jun	July	Total
8840-2-0000-10-1615-3050	PRD-Structures&Improv.			\$ 449				\$ 449
8840-2-0000-10-1615-3201	PRD-PROD-OTHER EQUIP		\$ 20,750					\$ 20,750
8840-2-0000-10-1615-3670	T&D-Mains-STL-PLST-CI-Mixed		\$ 69,567	\$ 1,066,708	\$ 677		\$ 140,432	\$ 1,277,385
8840-2-0000-10-1615-3760	Dist-Mains				\$ 1,098			\$ 1,098
8840-2-0000-10-1615-3800	Services		\$ 54,327	\$ 950,275		\$ 133,739		\$ 1,138,342
8840-2-0000-10-1615-3801	Services - Stub	\$ 2,152						\$ 2,152
8840-2-0000-10-1615-3810	Meters	\$ 182,585		\$ 121,699				\$ 304,284
8840-2-0000-10-1615-3812	T&D-GAS METERS - ERTS	\$ 65,623		\$ 45,400				\$ 111,023
8840-2-0000-10-1615-3870	Other Equipment	\$ 875				\$ 957	\$ 3,500	\$ 5,332
8840-2-0000-10-1615-3900	General Structures & Improv.	\$ 246	\$ 56,596					\$ 56,841
8840-2-0000-10-1615-3940	Tools, Shop, and Garage Equip.					\$ 5,638		\$ 5,638
8843-2-0000-10-1615-3921	GEN-Pass/Trailer	\$ 20,060						\$ 20,060
8843-2-0000-10-1615-3960	GEN-Power Op Equip<=12,000lb			\$ 800				\$ 800
Total		\$ 271,542	\$ 201,241	\$ 2,185,331	\$ 1,775	\$ 140,334	\$ 143,932	\$ 2,944,155

ENG Plant Held for Future Use

The PUC Annual Report account 105 reflects a total of \$852,305. Audit verified that total to:

8840-2-0000-10-1610-1050 Plant Held for future use	\$433,920.35 ENG
8843-2-0000-10-1610-1050 Plant Held for future use	<u>\$418,384.21</u> Keene
Total GL	\$852,304.56

Activity in 2017 in the ENG account included a transfer of \$25,387.44 out of the 105 account and into Plant in Service account 8840-2-0000-10-1615-3040, PRD-Land and Land Rights. Audit requested clarification of the transfer and was told “*The transfer of \$25,387.44 from Acct 1050 to Acct 3040 represents 5.33 acres of land at #20 Broken Bridge Rd in Concord. This parcel was being developed for the CNG refueling facility. The remainder in Acct 1050 of \$433,920.35 represents:*

#13 Broken Bridge Rd, Concord	6.60 Acres	\$ 31,436.60
#14 Broken Bridge Rd, Concord	84.50 Acres	<u>\$402,483.75</u> ”

Audit recommends that the Staff at the Commission, through Discovery, determine if the inclusion of the \$25,387.44 in rate base coincides with their understanding of the land and related facilities. Refer to the Keene Plant Held for Future Use section that follows for information regarding the \$418,384.21.

ENG Non-operating Plant

The 2019 Annual Report shows account 121 – Non-utility Property in the amount \$146,949 which was verified to the following general ledger accounts and to the filing schedule RR-EN-3-5, lines 72 and 73. Audit verified the charges were excluded from rate base.

8840-2-0000-10-1610-1210 OPI-Land Retained (Sewall Falls Road)	\$ 665
8840-2-0000-10-1610-1210 OPI-Land Retained (Broken Ridge Road)	\$ 13,000
8840-2-0000-10-1615-1215 OPI Structures (Gas Street, Concord)	<u>\$133,284</u>
Total Non-Operating Property	\$146,949

Construction Work in Progress

For ENG, the December 31, 2019 test-year ending balance for CWIP totaled \$21,430,779 per the filing schedule 1604.01(a)(1)(a) Balance Sheet. The combined total shown on the 2019 NHPUC annual report is the ENG and Keene Division combined total of \$22,518,944. This amount was verified to the general ledger accounts:

8840-2-0000-10-1618-1070 – Construction Work in Progress	\$21,430,779
8843-2-0000-10-1618-1070 – Construction Work in Progress	<u>\$ 1,088,165</u>
NH PUC Annual Report Total	\$22,518,944

Allowance for Funds Used During Construction (AFUDC) ENG

Audit reviewed the ENG balances for the accounts:

8840-2-0000-80-8550-4320, AFUDC - Debt Portion	\$(225,503)
8840-2-0000-40-4700-4191, AFUDC-Equity Portion	<u>\$(464,131)</u>
	\$(689,634)

Customer Advances for Construction

The Energy North general ledger and the PUC annual report show no balance for account 8840-2-0000-20-2770-2520 – Customer Advances for Construction. Keene does not have an account for Customer Advances for Construction.

ENG/Keene Plant Materials and Operating Supplies

The filing schedule RR-EN-5-1 reflects a year-end balance for Plant Materials and Operating Supplies of \$6,003,745, which agrees with the general ledger accounts #8840-2-0000-10-1380-1540 and 8843-2-0000-10-1380-1540 as of December 31, 2019. The total was verified to the 2019 PUC annual report. Specifically:

8840-2-0000-10-1380-1540, Beginning Balance	\$5,198,305
8843-2-0000-10-1380-1540, Beginning Balance	<u>\$ 83,630</u>
	\$5,281,935
8840-2-0000-10-1380-1540, Debits	\$4,509,249
8843-2-0000-10-1380-1540, Debits	<u>\$ 106,999</u>
	\$4,616,248
8840-2-0000-10-1380-1540, Credits	\$(3,827,439)
8843-2-0000-10-1380-1540, Credits	<u>\$ (66,999)</u>
	\$(3,894,438)
8840-2-0000-10-1380-1540, Ending Balance	\$5,880,115
8843-2-0000-10-1380-1540, Ending Balance	<u>\$ 123,630</u>
	\$6,003,745

Specific testing of the use of Materials and Operating supplies was conducted throughout the Plant Additions review above.

Keene Division Plant Additions

The following summarizes the Keene plant in service changes for the three years starting in 2017 per the Continuing Property Records:

3-Year Keene Plant Activity Per General Ledger

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	Completed not Classified	TOTAL Utility Plant
2017 \$	5,108,411	\$ 488,069	\$ (143,537)	\$ -	\$ 5,452,943	\$ 311,287	\$ 5,764,230
2018 \$	5,452,943	\$ 155,653	\$ (47,661)	\$ -	\$ 5,560,935	\$ 105,359	\$ 5,666,294
2019 \$	5,452,943	\$ 804,550	\$ (20,860)	\$ -	\$ 6,236,633	\$ 1,543,169	\$ 7,779,803
		\$ 1,292,619	\$ (164,397)	\$ -			

The total Utility Plant, for each year, was verified to the general ledger utility plant accounts, excluding the Property Held for Future Use.

There were no Contributions in Aid of Construction or Customer Advances for Construction associated with the Keene Projects. The projects reviewed are described below.

Keene-Plant Held for Future Use

The balance for account 8843-2-0000-10-1615-1050, Plant Held for Future Use was \$418,384. During the previous audit, the Company stated that the land is being held to use for the Compressed Natural Gas facility. The posting of the \$418,384 to the Plant Held for Future use account was done 6/30/2015. The amount is part of the 8840 and 8843 sum of Plant held for future use total of \$852,305. That figure is noted as “non-rate base” on line 74 of the Revenue Requirement Model, tab RR-EN-3-5. Audit verified that the balance is not included within the filing schedule 1604.01(a)(1))a) BS total for the Keene Division plant in service at 12/2019.

Keene Continuing Property Records (CPR)

The Company provided the CPR for the years 2017 through 2019. The additions and retirements shown in the additions and retirement tabs of the CPR agree with the general ledger for the three year period.

Keene Plant Additions

1. 8843-1806 / 431806-39200 - 2018 Ford, \$65,997

Business Cases and Capital Project Expenditure Application

Audit reviewed the business case provided by the Company for the purchase of Transportation Fleet & Equipment - Keene. The expected amount for the purchase of one vehicle was \$40,000 and signed off by the Director of Finance in December of 2017 with the anticipated purchase date of 2019. The 2019 CPRs show the asset posted to account 392 – Transportation Equipment in March, 2019.

	<u>Unitized</u>
Cost Element 1-Labor	\$ -
Cost Element 2- Materials	\$ -
Cost Element 4- Vouchers	\$ 65,997
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ -
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ -
Total <u>Unitized</u> Amount	\$ 65,997
Remaining to be unitized	\$ -

Budget

The 2018 Capital Spending Reports shows the budgeted amount of \$40,000 and the actual cost of \$66,367. The report does not show the over-budget variance of \$26,367.

Voucher

The invoice from Ford of Londonderry shows the purchase price of \$64,538, the title fee of \$27, cash paid for \$1,759, rebate cash of \$1,000 and bonus cash of \$500 for a total selling price of \$61,315. There was also custom work done for \$4,073

2. 8843-1707 / 431707-30301 – Conversion to Cogsdale, \$96,893

Business Cases and Capital Project Expenditure Application

There was no specific business case related to the conversion to Cogsdale, however the spending was authorized in the 2017 Capital Pending Report in the amount of \$82,570. The 2017 report shows that at year-end the project was under budget by \$5,550. Subsequent costs put the project over-budget by \$14,323.

	<u>Unitized</u>
Cost Element 1-Labor	\$ 37,811
Cost Element 2- Materials	\$ -
Cost Element 3 - Transfer to 106	\$ -
Cost Element 4- Vouchers	\$ 58,833
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ -
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ 249
Total <u>Unitized</u> Amount	\$ 96,893
Remaining to be unitized	\$ -

Bidding

There was no mention of bidding for the project in the Company's Request for Proposal sheet

Invoice

Audit reviewed one invoice from Rural Computer Consultants, Inc., for extracting data files in the amount of \$6,000. The Company's CPR show that the project was placed in service in February of 2018 but was not posted until April of 2019.

3. 8843-1908 / 431908-37604 Gas Mains, Valley & Fowler, PL-04.00" \$93,072

Business Cases and Capital Project Expenditure Application

The Main Replacement City/State Business Case for this project was a blanket authorization in 2019 for the main service and replacement totaling \$275,000. This particular work order was for main replacement on Valley and Fowler Streets in Keene, NH from May through September 2019. The costs were allocated as shown below:

	<u>Unitized</u>
Cost Element 1-Labor	\$ 18,880
Cost Element 2- Materials	\$ 6,035
Cost Element 3 - Transfer to 106	\$ (5,209)
Cost Element 4- Vouchers	\$ 72,795
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 356
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ 214
Total <u>Unitized</u> Amount	\$ 93,072
Remaining to be unitized	\$ -

Budgeted vs. Actual

Audit reviewed the 2019 Capital Spending Report that shows the authorized amount of \$275,000 being budgeted and year-end spending at \$462,150, an over-budget amount of \$187,517.

Vouchers

Audit reviewed ten an invoices from MME Construction, LLC for pavement preparation, excavating work, Stone and hydro-seeding, vehicles usage and labor totaling \$51,488. Audit verified the hourly rate and number of hours was calculated correctly.

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Eng Allow.	\$ 3,341
Labor	\$ 779
Corporate	\$ 4,625
Management	\$ 36,904
Stores	\$ 491
Supervisory	\$ 10,701
	<u>\$ 56,841</u>

4. 431908-37607 – Gas Mains, Richardson Court, PL04.00” \$38,512

Business Cases and Capital Project Expenditure Application

The Main Replacement City/State Business Case for this project was a blanket authorization in 2019 for the main service and replacement totaling \$275,000. This particular work order was for main replacement and three service replacements on Richardson Court in Keene from May through September 2019 and posted to the CPR October 31, 2019 and the general ledger account 8843-376 – T& D Mains and account 8843-380 - Services. The costs were allocated as shown below:

	<u>Unitized</u>
Cost Element 1-Labor	\$ 4,613
Cost Element 2- Materials	\$ 5,344
Cost Element 3 - Transfer to 106	\$ -
Cost Element 4- Vouchers	\$ 28,382
Cost Element 5- Outside Contract	\$ -
Cost Element 6- Burdens	\$ 107
Cost Element 7- Cost of Removal	\$ -
Cost Element 8- CIAC	\$ -
Cost Element 9- AFUDC	\$ 67
Total <u>Unitized</u> Amount	\$ 38,512
Remaining to be unitized	\$ -

Vouchers

Audit reviewed two invoices from MME Construction, LLC for pavement preparation, excavating work, vehicles usage and labor totaling \$2,660. Audit verified the hourly rate and number of hours were calculated correctly.

Retirements

The replaced mains and services were posted to the CPR in October 2019, however the 2019 Keene CPR do not show any retirements. **Audit Issue #3**

Burdens

Audit reviewed the burdens posted to the CWIP account 8840-2-0000-10-1618-1070 – Construction Work in Process.

Eng Allow.	\$ 3,341
Labor	\$ 779
Corporate	\$ 4,625
Management	\$ 36,904
Stores	\$ 491
Supervisory	\$ 10,701
	<u>\$ 56,841</u>

Depreciation and Amortization Expenses

The Company states that group depreciation is used where one rate is applied to all items in a particular asset class. The depreciable rates are determined as part of depreciation studies that take into account things such as average lives of similar assets, expected salvage value and expected removal costs. By using group depreciation, the half-year convention is not used in the year of acquisition or in the year of retirement.

The filed expenses of \$25,339,395 on the filing Schedule RR-EN-2-1 were verified to the following accounts:

8840-2-0000-80-8610-4030 Depreciation Expense	\$17,974,149	
8843-2-0000-80-8610-4030 Depreciation Expense	<u>\$ 199,290</u>	<u>\$18,173,439</u>
8840-2-0000-80-8610-4050 Amortization-Intangible	\$ 3,396,173	
8843-2-0000-80-8610-4050 Amortization-Intangible	<u>\$ 39,470</u>	<u>\$ 3,435,643</u>
8840-2-0000-80-8640-4073 Regulatory – debits		<u>\$ 705,261</u>
8840-2-0000-80-8641-4074 Amortization of Reg. Assets	\$ 3,001,282	
8843-2-0000-80-8641-4074 Amortization of Reg. Assets	<u>\$ 23,770</u>	<u>\$ 3,025,052</u>
		<u>\$25,339,395</u>

Depreciation Expense of \$17,974,149 Audit reviewed the Continuing Property Records provided by ENG for several assets tested in the Plant Additions portion of this report. The Continuing Property Records showed the asset ID, asset description, quantity, location, plant control account to which assigned, average cost basis, and year placed into service. The record also showed the Long Term-to-Date Depreciation, Year-to-Date Depreciation, Net Book Value and rate.

Audit Tested account number 390 Structures and Improvements for the Concord Walk-in Center to verify the Deprecation on the Continuing Property Records was correct. The Concord Walk-in Center additions were charged to account 390 – General Structures & Improvements. The additions to account 390 are being depreciated at 2.86% shown on the filing schedule RR-EN-3-5 which agrees with the CPR.

Amortization of Intangibles \$3,396,173 activity was reviewed, with the offsets verified to the #8840-2-0000-10-1655-1110, Accumulated Provision for the Amortization of Electric Utility Plant.

Amortization Regulatory-debits \$705,261 is discussed specifically in the section titled Amortization-Regulatory Debits.

Amortization of Regulatory Assets, expenses of \$3,001,282 in the filing 1604.01(a)(1)a PL, were verified to general ledger account 8840-2-0000-80-8641-4074. This account represents the Environmental Remediation recovery which is determined annually as part of the Winter Cost of Gas dockets, resulting in the Local Distribution and Adjustment Clause (LDAC) rates for the season and year as applicable. Offsets to the account were verified to Other Gas Revenues, account 8840-2-0000-40-4460-4950. For further detail on the account's activity, refer to the following Amortization – Regulatory Debits section on the subsequent page.

Amortization – Regulatory Debits

The filing schedule 1604.01 (a)(1)(a) PL reflects the 12/31/19 balance of \$5,429,529 for the total Amortization of Regulatory Debits. Audit verified the total to the following general ledger accounts:

8840-2-0000-80-8640-4073 Regulatory Debits	\$ 705,262
8840-2-0000-80-8641-4074 Amortization of Regulatory Assets	\$ 3,001,282
8840-2-0000-80-8665-4265 Regulatory Asset Write Down	\$ 1,699,216
8843-2-0000-80-8641-4074 Amortization of Regulatory Assets	<u>\$ 23,770</u>
Total Amortization – Regulatory Debits	\$ 5,429,529

Audit reviewed the Revenue Requirement Model for the accounts, which comprise the Amortization – Regulatory Debits, reported on the Combined TB 2019 schedule. The balance noted on each line agrees with their respective general ledger account, as well as the balance reported on the Annual Report for FERC accounts 407.3, Regulatory Debits, 407.4, Regulatory Credits, and 426.5, Other Deductions.

8840-2-0000-80-8640-4073 – Regulatory Debits

The Regulatory Debits account reflected a balance of \$705,262 during the test year. Audit reviewed the detailed general ledger activity and noted the increased balance was due to both the monthly Concord Steam Amortization and monthly CTA Amortization. The amortization activity noted within the Regulatory Debits expense account was offset to account 8840-2-0000-10-1930-1823, Other Regulatory Asset - Deferred Rate Case, and 8840-2-0000-10-1930-1828, NEG & KeySpan CTA, respectively. The 2019 account activity is reflected in the following:

Beginning Balance	\$ -
Debits	\$ 744,948
Credits	<u>\$ (39,687)</u>
12/31/2019 Balance	\$ 705,261

Monthly transactions of \$43,175 for the Concord Steam Amortization were recorded on account 8840-2-0000-80-8640-4073, Regulatory Debits. These transactions, along with any adjustments and amortization details, are discussed in the Regulatory Asset section of the report. The CTA is the “Cost-to-Achieve,” approved by Order 24,777 in Docket DG 06-107, the National Grid/KeySpan merger docket. \$4,092,000 was approved for amortization over ten years, or \$409,203 per year. Audit noted the monthly \$34,100 amortization recorded to the general ledger during the test year. Refer to the Regulatory Assets section of the report for detailed information regarding the NEG & Keyspan CTA account, as well as for details on its monthly amortization expense.

8840-2-0000-80-8641-4074 – Amortization of Regulatory Assets

The activity recorded on the account is for amortization expenses. In reviewing the general ledger for the test year 2019, Audit noted monthly reported debits described as the amortization of the Tilton Remediation, Special Contract, and Environmental Remediation. The monthly debits were offset to account 8840-2-0000-10-1930-1824, R/A Deferred Tilton Remediation, 8840-2-0000-10-1168-1821, Current Regulatory Asset - Special Audit, and 8840-2-0000-40-4460-4950, Other Gas Revenues, respectively. The 2019 account activity is reflected in the following:

Beginning Balance	\$ -
Debits	\$ 3,001,282
Credits	\$ -
12/31/2019 Balance	\$ 3,001,282

Audit reviewed the amortization schedules and verified the monthly amortization amounts to the appropriate general ledger account. Refer to the Regulatory Assets section of the report for details regarding the Tilton Remediation.

There were 12 monthly debits, each for \$11,443, to account 8840-2-0000-80-8641-4074, Amortization of Regulatory Assets, for the “special contract” amortization. The Company clarified that the monthly amortization was for the costs related to the management audit performed by Liberty consulting, as discussed in Order No. 26,187 of Docket 17-048. Audit reviewed the order and understands that the \$160,208 of the tax reform dollars were used to offset a deferred asset balance on the Company’s balance sheet, related to an audit performed by the Liberty Consulting Group in 2016, rather than being returned to customers. The following represents the monthly entries on the Amortization of Regulatory Assets account:

	<u>Debit</u>	<u>Credit</u>
8840-2-0000-80-8641-4074 Amortization of Regulatory Assets	\$11,443	
8840-2-0000-10-1168-1821 Current Regulatory Asset – Special Audit		\$11,443

Audit reviewed the amortization schedule, verifying the monthly recovery amount of \$11,443. The amortization was for a 14-month period, beginning in November 2018, with a total of \$160,208. Audit confirmed the total amount amortized to Order No. 26,187. Other monthly debits to account 8840-2-0000-80-8641-4074 represent the Environmental Remediation

recovery. The recovery amount is determined annually as part of the Winter Cost of Gas dockets, resulting in the Local Distribution and Adjustment Clause (LDAC) rates for the season and year, as applicable. Offsets to the account were verified to Other Gas Revenues, account 8840-2-0000-40-4460-4950. Refer to the Revenue section of this report for details on the Other Gas Revenues account.

8840-2-0000-80-8665-4265 – Regulatory Asset Write Down

Audit reviewed the general ledger for account 8840-2-0000-80-8665-4265 Regulatory Asset Write Down. The 2019 account activity reflected the following:

Beginning Balance	\$	-0-
Debits	\$	1,699,216
Credits	\$	-0-
12/31/2019 Balance	\$	1,699,216

There was one debit in 2019, in the amount of \$1,699,216, recorded on the account during the month of December. The journal entry detail for the \$1,699,216 write down on the account was for the environmental adjustment of the unrecovered balance. The following depicts the 12/31/19 adjustment recorded on the account:

Account	Description	Debit	Credit	Reference
8840-2-0000-80-8665-4265	Reg Asset Write Down	\$1,699,216		Unrecovered Bal Adj
8840-2-0000-10-1920-1863	R/A-Enviro-Materials		\$1,699,216	Unrecovered Bal Adj

Audit requested the calculation used to determine the \$1,699,216 write down. The Environmental Surcharge Net Unrecovered Balance spreadsheet was provided, detailing the balance that transferred over from National Grid and the filed amount. The filing reports the amount based on the anticipated surcharge revenue recovery between November 1 and October 31 of each year, whereas actual costs are based on July 1 – June 30 of each calendar year. The December 2019 adjusting entry of \$1,699,216 was to write off the 1920-1863 Environmental Regulatory Materials Account, due to recent gas filings that reflect customer recoveries based on volume forecasts rather than the actual therms delivered.

Keene

8843-2-0000-80-8641-4074 – Amortization of Regulatory Assets

Audit reviewed the Revenue Requirement spreadsheet, noting the balance on the account totaled \$23,770. The 2019 account activity was verified to the general ledger and is reflected in the following:

Beginning Balance	\$	-
Debits	\$	335,302
Credits	\$	311,532
12/31/2019 Balance	\$	23,770

The activity recorded on the account is for amortization expenses. In reviewing the general ledger for the test year 2019, Audit noted monthly reported amortization debits for the Environmental Remediation recovery which is determined annually as part of the Winter Cost of Gas dockets, resulting in the Local Distribution and Adjustment Clause (LDAC) rates for the season and year as applicable. Offsets to the account were verified to Other Gas Revenues, account 8843-2-0000-40-4460-4950.

BALANCE SHEET ASSETS

Internal Controls

The Company responded to the Audit Questionnaire that the bank reconciliations are performed on a monthly basis for all the cash accounts and that cash receipts are deposited daily, Monday through Friday. The check signing authority is per the Liberty Utilities Check Signing and Wire Transfer Approvals Policy and that Corporate Treasury is responsible for moving funds among the cash accounts. No Exceptions were noted.

Goodwill

Audit verified the 12/31/2019 Goodwill balances included in the PUC annual report Account 116 and filing schedule 1604.01(a)(1)(a) BS, page 3 of 9, to the following general ledger accounts:

8840-2-0000-10-1910-1141 – Goodwill	\$ 28,151,897
8843-2-0000-10-1910-1141 – Goodwill	\$ <u>67,207</u>
Total Goodwill as of 12/31/2019	\$ 28,219,104

8840-2-0000-10-1910-1141 – Goodwill

Audit reviewed the ENG general ledger, noting a 12/31/2019 ending balance of \$28,219,104. The general ledger balance tied to the filing schedule 1604.01(a)(1)(a), Bates page 008. Audit noted that the \$28,219,104 balance is reflected on the PUC annual report balance sheet; however, it is listed on the line for account 116, Utility Plant Adjustment. The Company explained the reporting of the Goodwill account's balance, under account 116 on the annual report, in the following statement:

“The reporting of the amount in Account 114 on line 7 (Account 116) of page 9 is due to what the Company perceives is an inconsistency in the PUC Annual Report between a) what is allowed in rate base as net utility plant, and b) what is requested to reported on the Annual Report form. As plant acquisition adjustments (a/k/a goodwill) are not allowed in utility plant, it seems inconsistent to include such adjustments in Utility Plant on Line 2. In addition, the Company ties the amounts on lines 4 through 6 on page 9 with the amounts on lines 13 through 15 on page 17, again not including acquisition adjustments. The Company suggests that the PUC consider revising the Annual Report form to have a separate line for Account 114 on page

9 that is not included in the calculation of Net Utility Plant. Such a revision would provide more clarity for readers of the Annual Report.” **Audit Issue # 1**

The detailed general ledger did not reflect any activity for the 2019 test year and the Company confirmed that, “*There is no activity for 2019, the balance doesn’t change.*” Audit reviewed the year-end balance for 2018, which reflected no change in the current balance of \$28,219,104.

8843-2-0000-10-1910-1141 – Goodwill

Audit reviewed the Keene general ledger for the Goodwill account, noting a 12/31/2019 ending balance of \$67,207. There was no activity reported in the account during the 2019 test year. The general ledger balance tied to the annual report, as well as the filing schedule 1604.01(a)(1)(a), Bates page 008. Audit noted that that the \$67,207 balance is reflected on the PUC annual report balance sheet; however, it is listed on the line for account 116, Utility Plant Adjustment. **Audit Issue # 1**

The detailed general ledger did not reflect any activity for the 2019 test year and the Company confirmed that, “*There is no activity for 2019, the balance doesn’t change.*” Audit reviewed the year-end balance for 2018, which reflected no change in the current balance of \$67,207.

Cash

Audit verified the 12/31/2019 cash account balances on the general ledger, to the PUC annual report, page 9, account 131. The filing schedule 1604.01(a) (1) (a) BS, page 3 of 9, was also confirmed to the general ledger and annual report. The following represents the general ledger account balances:

8840-2-0000-10-1010-1300 – Cash in Hand	\$ 22,212 ENG
8843-2-0000-10-1010-1350 – Working Funds	\$ 15 Keene
8840-2-0000-10-1020-1310 – Cash JP Morgan	\$ 477,944 ENG
8843-2-0000-10-1020-1310 – Cash JP Morgan	\$ 8,861 Keene
8840-2-0000-10-1020-1312 – Cash-Customer Refunds	\$ (307,909) ENG
8840-2-0000-10-1020-1313 - Cash Receipts Misc. AR	\$ 0 ENG
Total Cash 12/31/2019	\$ 201,124

The Company provided Audit with copies of the account reconciliations, as well as the accompanying general ledger activity and general ledger summaries, for each of their cash accounts. Audit reviewed the documentation and monthly activity, noting no temporary cash investments for the test year 2019. The following represents the details within each cash account:

8840-2-0000-10-1010-1300 – Cash in Hand

The Cash in Hand account records cash and checks received, as a result of walk-in customers to Liberty walk-in centers that have not been posted to the bank statement. The Company explained that the remaining balance within the account reflects the Cash drawer values. Audit reviewed the general ledger, noting that the \$22,212 balance, as of 12/31/19, ties to the account reconciliation, as well as the filing and the annual report.

8843-2-0000-10-1010-1350 – Working Funds

The filing schedule 604.01(a)(1)(a) BS, page 3 of 9, shows a 2019 year-end balance of \$15. The Company explained that this account was previously used to record bank fees but that the bank fees are now booked to account 8843-2-0000-69-5250-9030, Customer Records and Collection Expenses, and that the \$15 balance on the account was coded incorrectly. The Company further stated that they are re-classing the amount and that they, “do not normally use [account 8843-2-0000-10-1010-1350, Working Funds]. Audit verified that, other than two \$15 debits erroneously recorded to the account for bank fees, along with a \$15 credit to re-class one of the entries, there were no other transactions recorded to the account in 2019. Audit reviewed the general ledger, noting that the 12/31/19 balance of \$15, ties to the filing and the annual report balance.

8840-2-0000-10-1020-1310 – Cash, JP Morgan/Chase

The account for the Cash, JP/Morgan/Chase transactions is the primary account to receive utility payments from EnergyNorth and Granite State Electric Customers. The Company provided the Payment Reconciliation Summary for the account, along with instructions for the transfer of all payment transactions for both gas and electric and explained that the EnergyNorth gas customers’ transactions are coded by the bank account ending in 0055 and the Granite State Electric customers’ transactions are coded by the bank account ending in 9634. All of the customer payments fall into the one EnergyNorth bank account and are then transferred to the respective accounts after a reconciliation is completed weekly.

Audit requested further detail regarding the cash account’s payment process. The Company stated that, *“Payments for gas and electric are posted daily. The transfer of funds happen weekly after a reconciliation takes place.”* The Cash Accountant then runs bank reports and SSRS (Cogsdale) reports for EnergyNorth and reconciles each category of payment type with what posted to the bank and what posted to Cogsdale. Once payment transactions are reconciled, the Cash Accountant takes all the data from Cogsdale and pivots off location class in Excel, resulting in the payment amount for each company. At that point, a supervisor looks at the reconciliation and approves/signs off on it. The Cash Accountant then issues a request from corporate, to transfer from the EnergyNorth bank account ending in 0055, to the Granite State Electric bank account ending in 9634, and from EnergyNorth to Keene. The Company also explained that, *“Chargebacks are handled as they hit the bank account...we also reconcile them at each month end.”*

Audit reviewed the bank's credit and debit transactions, within the copy of the Weekly Reconciliation workbook, and noted the chargebacks identified for reconciliation. Payments and all corrections or charge backs are reconciled against the prior week bank reports. Then they are split by commodity (company).

The general ledger was examined by Audit, noting that the 12/31/19 balance of \$477,944, ties to the filing and annual report balance. The account reconciliation reported the 12/31/19 bank statement balance of \$631,497, which is a \$153,553 variance from the general ledger. The Company provided Audit with a copy of the account bank statement and account adjustment report. Audit noted that the variance was for funds in transit and not yet posted.

8843-2-0000-10-1020-1310 – Cash, JP Morgan/Chase

The account used for recording the Cash, JP Morgan/Chase transactions is the primary account to record receivables from customers for EnergyNorth - New England Gas. Audit reviewed the 2019 general ledger, noting that the 12/31/19 balance of \$8,861, ties to the filing and annual report balance. The account reconciliation reported the 12/31/19 bank statement balance of \$8,620, which is a \$241 variance from the general ledger. The Company provided Audit with a copy of the bank statement for the account, as well as the account's adjustment report. Audit noted that the variance was for one check that was scanned incorrectly. The Company provided an Account Reconciler Summary Report detailing the month end adjustment for the \$241 variance.

8840-2-0000-10-1020-1312 – Customer Refunds, JP Morgan/Chase

The account for the Customer Refunds, JP Morgan/Chase transactions is the primary account to process customer refunds. Audit reviewed the general ledger, noting that the 12/31/19 balance of \$(307,909), ties to the filing and annual report balance. The account reconciliation reported the 12/31/19 bank statement balance of \$45,755, which is a \$(353,664) variance from the general ledger. The Company provided Audit with a copy of the bank statement for the account, as well as the account adjustment report. Audit noted that the variance was for outstanding checks.

Audit reviewed a copy of the Outstanding Checks Report. The listing included checks dated that were dated 2014 and 2015. The Company explained the check handling process in the following statement:

"The holding period for the credit balance refund checks is 5 years. Each year we run reports to decipher what we have for outstanding checks. We send out due diligence letters. If we do not receive a response within 30 days, we upload the property into UPEXchange which keeps a running list report year by report year. Once the item is escheated and must be reported, UPEXchange will generate a list in which we report the files to each corresponding state. At that point, AP pays each state offsetting Accrued Escheatment Liability 8840-2-0000-20-2111-2422 and runs a macro to voids to refund checks off the customer account. These refund check voids offset the payment that was generated out of accrued escheatment liability."

8840-2-0000-10-1020-1313 – Cash Receipts Miscellaneous Accounts Receivable

The account for the Cash Receipts Miscellaneous Accounts Receivable transactions is the primary account to receive miscellaneous payments from EnergyNorth and Granite State Electric Customers. Audit reviewed the 2019 general ledger for the account, noting a zero balance which also tied to the filing and annual report.

Accounts Receivable

Audit verified the reported Customer Accounts Receivable, noted within the PUC Annual Report account 142, to the following account balances at 12/31/2019:

8840-2-0000-10-1163-1424 Deferred Working Capital-Summer	\$ (22,928) CoG
8840-2-0000-10-1163-1422 Deferred Working Capital –Winter	\$ (42,724) CoG
8840-2-0000-10-1101-1420 Customer Accounts Receivable	\$18,211,536 Filing
8843-2-0000-10-1101-1420 KN Customer Accounts Receivable	\$ 177,892 Filing
8840-2-0000-10-1101-1427 A/R Cogsdale Clearing	\$ 0 Filing
8840-2-0000-10-1101-1421 Customer AR-Misc Billing	\$ 125,423 Filing
8843-2-0000-10-1101-1421 KN Customer AR-Misc. Billing	\$ 2,905 Filing
Total per 2019 Annual Report	18,452,104
8840-2-0000-10-1930-1420 Phased in Revenue-Long Term	\$ 2 #184
8843-2-0000-10-1930-1420 KN Phased in Revenue-Long Term	\$ 1 #184
8840-2-0000-10-1168-1420 Phased in Revenue	\$ 22,917 #184
8843-2-0000-10-1168-1420 KN Phased in Revenue-Short Term	\$ 12,921 #184
Total Account 142 per the General Ledger	18,487,945

The first two receivables relate to the Cost of Gas, and are thus not included in the filing. Phased in Revenue accounts were not noted on the Annual Report accounts receivable total because they relate to environmental recovery and the recovery mechanism for the difference between permeant and temporary rates. Rather, they were included within the #184 Clearing Accounts balance of \$(270,153). Refer to the Regulatory Assets section of this report for additional details. The accounts identified with “Filing” were included on Schedule 1604.01(a)(1)(a) BS which sums the 142, Customer Accounts Receivable, 143, Other Accounts Receivable, and 146 Accounts Receivable from Associated Companies to arrive at a \$18,866,017.

8840-2-0000-10-1101-1420 Customer Accounts Receivable	\$18,211,536
8843-2-0000-10-1101-1420 KN Customer Accounts Receivable	\$ 177,892
8840-2-0000-10-1101-1427 A/R Cogsdale Clearing	\$ 0
8840-2-0000-10-1101-1421 Customer AR-Misc. Billing	\$ 125,423
8843-2-0000-10-1101-1421 KN Customer AR-Misc. Billing	\$ 2,905
8840-2-0000-10-1121-1460 AR to Associated Company	\$ 10,625
8840-2-0000-10-1160-1430 Other Accounts Receivable	\$ 42,105
8840-2-0000-10-1160-1439 Other Accounts Receivable-S. Con	\$ 68,279
8840-2-0000-10-1163-1430 Income Tax Receivable	\$ 227,252
Total Accounts Receivable per the filing	\$ 18,866,017

8840-2-0000-10-1163-1424 Deferred Working Capital-Summer

The account activity was reviewed, however, as with the Deferred Working Capital - Winter, specific testing was not conducted as part of this rate case audit. Rather, the account was reviewed as part of the summer cost of gas audit for the period 5/2019 – 10/2019, with an audit report issued on April 9, 2020.

8840-2-0000-10-1163-1422 Deferred Working Capital-Winter

The account activity was reviewed. The Cogsdale billing system is linked to this account. Audit noted 18,348 entries in the account. The Winter Cost of Gas and related working capital and bad debt accounts are reviewed annually by Audit. The most recent audit conducted was for the winter period 11/2019 – 4/2020, with a final audit report issued October 9, 2020 associated with docket DG 19-145. Further review of this deferred account has not been conducted as part of this rate case audit.

8840-2-0000-10-1101-1420-Customer Accounts Receivable:

Audit verified the \$18,211,536 balance as found in the Filing to the GL. Audit reviewed activity in the account, and there was a net (\$2,472,652) credit decrease compared to the start of the year that has a \$20,684,188 beginning balance. The 2019 yearend balance for Keene is \$177,892. The total 2019 year-end balance for Keene and EnergyNorth is \$18,389,428. Audit requested and received a copy of the AR Aged Trial Balance (ATB) that also includes Keene. The total in the Excel file sent from Liberty was \$18,129,749, a (\$259,679) variance compared to the GL. The Company indicated the variance was due to timing issues when the aging list is run in comparison to when transactions hit the general ledger. The following table displays the different aging buckets as marked in the report:

Current	\$13,688,114	75.5%
1-30 Days	\$ 1,203,132	6.6%
31-60 Days	\$ 323,980	1.8%
61-90 Days	\$ 300,157	1.7%
91-120 Days	\$ 167,907	.9%
121-15 Days	\$ 111,773	.6%
151+ Days	\$ 2,334,686	12.9%
Total Receivable	\$18,129,749	100%
Unapplied	<u>\$(1,748,969)</u>	
Net Receivable	\$16,380,780	

As a percentage of the overall receivables, the 150+ days makes up 12.9% of the total AR due. This was based 3,971 customers with receivables greater than 150+ days past due. The customer balances ranged from \$398,024 to \$.01. Audit reviewed three customer invoices selected for a tariff test review had some amount in the 150+ Days column. One invoice sampled had a \$398,024 past due balance that relates to the special INAT Gas contract. There was also \$142,942 in past due balances related to the NH DAS. For information on the selected

invoices, see the Customer Invoice Review/Special Contracts section of this report. For information regarding the Unapplied Payments figure, refer to the Miscellaneous Liabilities account 242 section of this report.

Keene Customer Accounts Receivable #142 \$177,892

Audit verified the balance in the Filing is supported by the GL detail for account 8843-2-0000-10-1101-1420 as submitted by Liberty. Audit reviewed the account activity and found typical business transactions such as cash and credit payments, different types of revenue and write offs. The ATB provided for EnergyNorth was inclusive of Keene. Review of the ATB is discussed above. As with the information for EnergyNorth, a review of the selected invoices is documented in the Revenue portion of this report.

8840-2-0000-10-1101-1427 A/R Cogsdale Clearing

Audit requested information on the transactions within the account and Liberty stated that, in addition to account 8840-2-0000-10-1101-1427, account 8840-2-0000-20-2810-2635 Due to Cogsdale New Hampshire is used to move transactions from Cogsdale Customer Information System (CIS) to Great Plains (GP) General Ledger. There is also another account Due To/From Central ERP/GP 8840-2-0000-20-2810-2635. After the transaction is posted in Cogsdale CIS, Nolan Business Solutions (Nolan) retrieves these amounts from the corresponding accounts, and moves them to Due To/From Central ERP/GP (2635 account) Cogsdale account. The naming convention of the account 2635 is extended within the Nolan/Cogsdale systems vs. the GP.

Nolan provides a means that permits Cogsdale CIS to interface with the GP General Ledger. On the GP General Ledger side, the corresponding account for Due to/from Central ERP/GP is Due to Cogsdale New Hampshire Account (2635). The amounts are posted to that account and split to the corresponding accounts originally used in the transaction. This is how Cogsdale CIS system and Great Plains GL systems communicate. Without Nolan, Liberty would have to manually enter the data from Cogsdale CIS to GP General Ledger.

8840-2-0000-10-1101-1421 Customer AR-Misc. Billing

Audit reviewed the balance of \$125,423 and the activity within it and found only Marketer Billing (gas invoices) as noted in the previous DG 17-048 audit. The purchases debited the AR and credit the appropriate revenue account, either C&I Sales or City Gate Purchases.

8843-2-0000-10-1101-1421 Customer AR-Misc Billing

Audit reviewed the balance of \$2,905 and the activity within it and found only Marketer Billing (gas invoices). The purchases debited the AR and credit the appropriate revenue account, either C&I Sales or City Gate Purchases.

8840-2-0000-10-1930-1420 Phased in Revenue-Long Term

The account represented the amount of the recoverable timing difference between temporary and permanent rates, authorized in DG 17-048, and rate case expenses, with the balance outstanding for more than one year. The settlement in DG 17-048 approved the recovery over 20 months, beginning May 2018 through December 2019. There was a beginning balance of \$6,005 1/1/2019, and a \$2 balance at the end of 2019 in the account.

8843-2-0000-10-1930-1420 KN Phased in Revenue-Long Term

The account represented the amount of the recoverable difference between temporary and permanent rates, authorized in DG 17-048, and rate case expenses, with the balance outstanding for more than one year. Keene became part of EnergyNorth for distribution rates effective May 1, 2018. The settlement in DG 17-048 approved the recovery over 20 months, beginning May 2018 through December 2019. There was a \$1 balance at the end of 2019 in the account.

8840-2-0000-10-1168-1420, Phased in Revenue

This account is reflected on the 2019 PUC Annual Report as part of account 184. Audit also reviewed Filing Schedule in the PUC 1604.01(a)(1)(a)BS. The account activity represents short-term revenue recoupment. The account activity reflected:

Beginning Balance	\$ 775,815
Debits	\$ 45,660
Credits	<u>\$ (798,558)</u>
12/31/2019 Balance	\$ 22,917

8843-2-0000-10-1168-1420, KN Phased in Revenue-Short Term

This account is reflected on the PUC annual report as part of account 184 as well as PUC 1604.01(a)(1)(a)BS Filing Schedule. The account activity reflected:

Beginning Balance	\$ 13,282
Debits	\$ 777
Credits	<u>\$ (1,138)</u>
12/31/2019 Balance	\$ 12,920

Audit reviewed the Remaining Accounts Receivable Accounts 143 and 146 account on the 2019 Annual Report and Filing Schedule 1604.01(a)(1)(a).

8840-2-0000-10-1160-1430 Other Accounts Receivable	\$42,105
8840-2-0000-10-1920-1430 Other Long Term Asset	\$659,799
8840-2-0000-10-1160-1439 Other Accounts Receivable-Special Contracts	\$68,279
8840-2-0000-10-1163-1430 Income Tax Receivable	<u>\$227,252</u>
Total	\$997,435

8840-2-0000-10-1121-1460 AR to Associated Company	\$10,625
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8840-2-0000-10-1160-1430 Other Accounts Receivable and 8840-2-0000-10-1920-1430 Other Long Term Asset

These are transactions having to do with the insurance recovery receivable related to the environmental remediation site. The accounts are part of the environmental short-term cash flows, quarterly discount rates, and interest rates. The 1920-1430 Other Long Term Asset long-term reserve for insurance recoveries. These two accounts are then calculated to get the NPV of the receivables (Insurance Company payments) and the balance is adjusted quarterly to reflect the quarterly cash flow. The offsets post to accounts 8840-2-0000-20-2110-2282, Current Portion-Misc. Operating Reserves, and 8840-2-0000-20-2930-2282, Misc. Operating Reserves. Refer to the Miscellaneous Current Liabilities and Miscellaneous Non-current Liabilities sections of this report for additional details.

8840-2-0000-10-1160-1439 Other Accounts Receivable-Special Contracts

The account had a beginning balance of \$56,483 with \$11,796 net debit of account activity during 2019 to arrive at a \$68,279 year-end account balance. This account features regular recurring monthly \$701.91 credit entries. The Company indicated the account relates to the revenue reserved for third party environmental insurance recovery.

8840-2-0000-10-1163-1430 Income Tax Receivable

The Income Tax Receivable account 8840-2-0000-10-1163-1430 is offset to the Due to Liberty Energy NH 2810-2606 account. The account represents the 2018 overpayment of NHBET and NHBPT paid to the New Hampshire Department of Revenue. The Company is presently preparing the 2019 NHBET and NHPT state tax returns that are due in November 2020. The Company anticipates applying the \$227,252 potential overpayment in taxes and any true up once the return is completed.

8840-2-0000-10-1121-1460 Accounts Receivable from Associated Company

The Accounts Receivable from Associated Company -1460 account represents the LIBCAN service billing that happens in this account is mainly for labor and it is for work done for Oakville and other divisions within Liberty. For example, Energy Procurement is located in Londonderry but services Mid-States, Massachusetts, and Georgia – etc. The Company in turn bills LIBCAN for the charges and they in turn issue the bills to the other divisions through intercompany billing. The Company indicated the service charges billed to LIBCAN include all labor and overhead charges including taxes and ENG stated that it does.

EnergyNorth/Keene Allowance for Uncollectible Accounts

Audit verified the 12/31/2019 Allowance for Uncollectible Accounts balance \$(2,032,321) to the general ledger account number 8840-2-0000-10-1102-1440 and 8843-2-

0000-10-1102-1440 on the Annual Report without exception. Refer to the Revenue portion of this audit report for further information.

Long Term Assets – EnergyNorth

8840-2-0000-10-1920-1430 – Other Long Term Assets

Audit reviewed the 2019 general ledger, noting that the 12/31/19 balance of \$659,799, ties to the filing and the annual report; however, it was included within the annual report account balance of \$997,435 for Other Accounts Receivable, line 28, FERC 143. The Revenue Requirement Model, for the 2019 combined trial balance, depicted the accounts included within the annual report, FERC 143 balance, as the following: Other Accounts Receivable, Income Tax Receivable, Other Long Term Asset, and Other Accounts Receivable – Special Contracts. Audit verified these account balances, for both the filing and the annual report, to the general ledger.

The Company stated that the \$659,799 balance represents, “*The long Term portion of the AR associated with the environmental obligation.*” The portion was due more than 12 months out and therefore classified as long term. The Company explained that the account is adjusted quarterly based on the remediation workbook which is based on the quarterly cash flow report from the environmental obligation. Audit noted quarterly environmental adjustments to cash flow or LT/ST entries on the general ledger and requested more detail regarding the following 12/31/2019 journal entry for the 4th quarter:

Account	Description	Debit	Credit	Reference
8840-2-0000-20-2110-2282	Current Misc Op Res	15,703		AR Adj for LT and ST
8840-2-0000-20-2930-2282	Misc Op Reserves	8,704		AR Adj for LT and ST
8840-2-0000-10-1160-1430	Other AR		15,703	AR Adj for LT and ST
8840-2-0000-10-1920-1430	Other LT Asset		8,704	AR Adj for LT and ST

The Company indicated that, “*The quarterly journal entry is to adjust 3rd party receivable balance and Environmental reserve balance – based on the cash flow model [net present value]. This entry is to reflect the short term and long-term balance projected to be in the GL, then compare to actual GL and entry made to adjust the balances in the GL – the offset is recorded in the respective reserve accounts.*” Audit verified the other quarterly entries on the account for March and June, as well as their offset to the environmental reserve accounts. For further detail on the Other Accounts Receivable and Misc Op Reserve accounts, refer to the Accounts Receivable and Current Liabilities/Other Liabilities sections of the report, respectively.

Keene

Audit reviewed the test year 2019 general ledger. There was no Other Long Term Asset account, FERC 143, for the Keene division.

ENG/KN Prepayments

Audit verified the 12/31/2019 prepayments balance of \$5,065,842 noted in the PUC Annual Report and Filing Schedule 1604.01(a)(1)(a)BS to the following general ledger accounts:

8840-2-0000-10-1240-1650 Prepays	\$ 125,764
8843-2-0000-10-1240-1650 KN Prepays	\$ 21,057
8840-2-0000-10-1240-1653 Prepaid Taxes-Municipal Property	\$4,837,872
8843-2-0000-10-1240-1653 Prepaid Taxes-KN Municipal Property	<u>\$ 81,149</u>
	\$5,065,842

Account 8840-2-0000-10-1240-1650, Prepays (ENG), and Account 8843-2-0000-10-1240-1650, Prepays (Keene) represents prepayments for Telvent, Itron Hardware Maintenance, and Software, Ensyte, Ubisense, ESRI maintenance, Safe Software, Dimension Date, American Gas Association, Cogsdale maintenance accrual, among others. Refer to the Expense portion of this report.

Account 8840-2-0000-10-1240-1653, Prepaid Taxes-Municipal Property, and Account 8843-2-0000-10-1250-1653, Prepaid Taxes-KN Municipal Property, were reviewed by Audit. See the Tax section of this report for more detail.

884x-2-0000-10-1250-1840 EN/KN Miscellaneous Billing Clearing \$(270,153)

8840-2-0000-10-1250-1840	(\$270,153)
8843-2-0000-10-1250-1840	<u>0</u>
	(\$270,153)

This 8840-2-0000-10-1250-1840 account is used to gather charges that are billed to Intercompany transactions in Oakville. Oakville in turn, bills the other divisions for work and expenses incurred on behalf of that division for EnergyNorth and Keene. Audit reviewed the account activity and noted that the majority of it is labor expenses and accruals. There was no activity with regard to Keene during the year. Refer to the Expense section of this report for additional information.

8840-2-0000-10-1251-1843 Transportation Expense-DR-Clearing Only

This account is used for the Fleet and the expenses are allocated to open jobs. Fleet vehicle charges are aggregated and spread to jobs on a monthly basis. The fleet charges are allocated to the jobs based on the labor allocation. The 2019 year-end balance was zero.

ENG/KN Miscellaneous Current and Accrued Assets #174 \$992,594

Audit verified the total balance of account 174 per the PUC annual report to the following accounts:

8840-2-0000-10-1920-1740 R/A CoG Costs-Winter	\$ (3,492,973)
8840-2-0000-10-1920-1741 R/A CoG Costs-Summer	\$ 3,054,241
8840-2-0000-10-1920-1743 Deferred Bad Debt-Winter	\$ (339,809)
8840-2-0000-10-1930-1745 Rate Case Recovery	\$ 413,869
8840-2-0000-10-1163- <u>1754</u> Deferred Bad Debt-Summer	\$ (426,777)
8840-2-0000-10-1163- <u>1755</u> Deferred Reserve EE	\$ 139,499
8840-2-0000-10-1163- <u>1756</u> Lost Revenue EE Mechanism	\$ 12,563
8840-2-0000-10-1163- <u>1757</u> Deferred NHDAS Special Contract	\$ 1,437,250
8840-2-0000-10-1169- <u>1756</u> Deferred RLIAP	\$ 371,876
8840-2-0000-20-2142-1740 Current Reg Liab Deferred Gas Cost	\$ 0
8840-2-0000-20-2142-1745 Current Reg Liab Def Rate Case Cost	\$ 0
8840-2-0000-20-2142-1755 Current Reg Liab Deferred EE	\$ 0
8840-2-0000-20-2142-1756 Current Reg Liab Deferred Res Adj	\$ 0
Total ENG Accounts	1,169,739
8843-2-0000-10-1920-1740 R/A-COG Costs-Winter KN	\$ (114,110)
8843-2-0000-10-1920-1741 R/A-COG Costs-Summer KN	\$ (69,408)
8843-2-0000-10-1930-1745 Rate Case Recovery	\$ 8,021
8843-2-0000-10-2142-1740 Current Reg. Liability Def. Gas Costs	\$ 0
8843-2-0000-10-1163- <u>1755</u> Deferred Reserve EE	\$ 0
8843-2-0000-10-1163- <u>1756</u> Deferred RLIAP	\$ (1,647)
Total Keene Accounts	\$ (177,144)
Total noted in account 174 on PUC annual report	\$ 992,594

The accounts that are underlined are included with **Audit Issue # 1**. The Deferred Bad Debt-Summer, Deferred Reserve EE, RLIAP, Lost Revenue, NHDAS Special Contract, and EE should be adjusted to account 174, as account 175 relates to Derivatives. The Current Regulatory Liability accounts are included within the asset account 174 but there was zero activity during the test year. They are included within the Liabilities portion of the 1604.01 balance sheet in the filing. Further, accounts 1740, 1741, and 1743 are noted within the Deferred Assets in the filing; account 1745 is included within the Regulatory Assets in the filing; the 1754, 1755, 1756 are included within the Other Investments in the filing.

The Cost of Gas, Bad Debt, Working Capital, RLIAP, Energy Efficiency, and LDAC accounts were reviewed as part of the annual summer and annual winter cost of gas audits, not as part of this rate case audit.

Regulatory Assets

Audit reconciled the PUC filing schedule 1604.01(a)(1)(a) BS Regulatory Assets balance of \$21,002,923 to the annual report balance of \$20,840,961. The following represents the verified general ledger account balances:

8840-2-0000-10-1929-1863	Regulatory Asset – FAS 109	\$ 178,627* in 186
8840-2-0000-10-1930-1745	Rate Case Recovery	\$ 413,869* in 174
8843-2-0000-10-1930-1745	Rate Case Recovery	\$ 8,021* in 174
8840-2-0000-10-1930-2830	Accum Def Inc Taxes – Other Reg Asset	\$ 593,229* 281-283
	Subtotal	\$ 1,193,746
8840-2-0000-10-1930-1823	Other Regulatory Asset – Def Rate Case	\$ 0
8840-2-0000-10-1930-1824	R/A Def Tilton Remediation	\$ 55,703
8840-2-0000-10-1930-1826	FAS 158 – Pension	\$18,199,620
8840-2-0000-10-1930-1828	NEG & Keyspan CTA	\$ 48,198
8840-2-0000-10-1934-1823	Concord Steam Client Conversion	\$ 1,505,656
	Subtotal	\$19,809,177
	Total Regulatory Assets Bates I-010	\$21,002,923

The reconciliation of the filing to the annual report is as follows:

Total Regulatory Assets Bates I-010 from above	\$21,002,923
Accounts on Annual Report elsewhere as noted above	\$ (1,193,746)
Plus other Current Regulatory Assets:	
8840-2-0000-10-1168-1420 Phased in Revenue	\$ 22,917
8843-2-0000-10-1168-1420 Phased in Revenue Short term	\$ 12,921
8840-2-0000-10-1168-1821 Current Reg Asset – Special Audit	\$ -0-
8840-2-0000-10-1168-1823 Deferral Decoupling Asset	\$ 989,228
8843-2-0000-10-1168-1823 Deferral Decoupling Asset	\$ 6,719
Filing Schedule 1604.01(a)(1)(a) BS pg 5 of 9, Bates I-010	\$ 1,031,784
Annual Report Other Regulatory Assets Account 182.3	\$20,840,961

Audit reviewed the Revenue Requirement spreadsheet, noting that the four Regulatory Asset accounts identified with an *, included in the balance reported in the filing, are not included in the Other Regulatory Assets balance of \$20,840,964, in the annual report as account 182.3. Rather, they are included in the Annual Report account identified next to the amount, and discussed in this report in those sections. The \$1,031,784 Other Current Regulatory Assets, are included in the filing Schedule PUC 1604.01(a)(1)(a) BS, Bates I-010.

8840-2-0000-10-1929-1863 – Regulatory Assets – FAS 109 \$178,627

The Regulatory Assets – FAS 109 account relates to the quarterly amortization of the AFUDC equity balance, associated with pre-acquisition. Audit reviewed the current and prior year's general ledgers, noting that the 2019 beginning balance of \$425,019 has remained in the account since at least 2017. When asked about the remaining balance, the Company stated that, *"In prior years the amortization of the pre-acq[uisition] Regulatory Asset (\$425K) was booked in account #8840-2-0000-10-1930-2830 so the \$425K is [the] amount without amortization. We trued up the accounts towards the end of last year so now account #1929-1863 represents true Pre-Acq Regulatory assets after cumulative amortization."* Audit verified the 2014 entry which transferred the \$425,019 Regulatory Asset balance from liability account 8840-2-0000-20-2761-2534, R/L FAS 109. Audit understands that the \$425,019 remaining balance represents

\$429,949 of a regulatory asset for AFUDC Equity and \$4,930 of a regulatory liability for investment tax credits, inherited from National Grid and resulting in a net debit balance of \$425,019. The balance is being amortized quarterly and the amount was reclassified to a regulatory asset from a regulatory liability due to the fact that it had a debit balance.

Activity on the 2019 general ledger reported an 11/30/19 transaction for \$241,337, described as a rate case entry, offset to account 8840-2-0000-30-3310-2160, Retained Earnings. There was also a December entry of \$5,055 for the 2019 Tax Provision. The AFDUC Adjustment spreadsheet, detailing the year ending December 31, 2019 cost and amortization, as well as the true-up adjustment calculation, were reviewed by Audit. The \$241,337 represents the difference between the balance for the tax year ending 6/30/19 and the total regulatory asset pre-acquisition, identified as the true-up adjustment made for the original 6/30/19 rate case. Audit reviewed the Revenue Requirement Model and verified the beginning balance of \$425,019, the credit activity totaling \$246,392, and the reported 12/31/19 balance of \$178,627, as included in the annual report total for Miscellaneous Deferred Debits, account 186.

8840-2-0000-10-1930-1745 – Rate Case Recovery \$413,869

Audit reviewed the ENG general ledger for account 8840-2-0000-10-1930-1745, Rate Case Recovery, noting daily entries that were offset by account 8840-2-0000-20-2810-2635, Due to Cogsdale. The 12/31/19 general ledger balance of \$413,869 tied to the filing and was included in the Annual Report, page 9, line 46, as Miscellaneous Current and Accrued Assets, FERC account 174. Audit noted that a January entry for \$135,265 was debited to the Rate Case Recovery account and offset to the Phased in Revenue Long Term account, 8840-2-0000-10-1930-1420.

8843-2-0000-10-1930-1745 – Rate Case Recovery \$8,021

The only Regulatory Asset noted on the Keene division was for the Rate Case Recovery, account 8843-2-0000-10-1930-1745. The following reflects the 2019 activity within the account:

Beginning Balance	\$ 10,900
Debits	\$ 8,038
Credits	\$ (10,917)
12/31/2019 Balance	\$ 8,021

Audit examined the general ledger, noting daily entries that were offset by account 8843-2-0000-20-2810-2635, Due to Cogsdale. The 12/31/19 trial balance of \$8,021 tied to the filing. The Revenue Requirement Model for the combined trial balance indicated that the Deferred Bad Debt, Deferred Reserve EE, Deferred NHDAS, Deferred RLIAP, and the Lost Revenue Energy Efficiency accounts, FERC 175, were also included in the Annual Report balance, page 9, line 46, as Miscellaneous Current and Accrued Assets, FERC account 174.

8840-2-0000-10-1930-2830 Accumulated Deferred Income Taxes – Other Reg Asset
\$593,229

Refer to the Tax section of this report for discussion regarding this account. It is included in the annual report in the total on the line for accounts 281 through 293.

8840-2-0000-10-1930-1823 – Other Regulatory Asset – Def Rate Case \$-0-

Audit reviewed the general ledger for account 8840-2-0000-10-1930-1823, Other Regulatory Asset – Deferred Rate Case, noting the 12/31/19 zero balance. The account activity reflected the following:

Beginning Balance	\$ 1,825,881
Debits	\$ 229,072
Credits	<u>\$ (2,054,953)</u>
12/31/2019 Balance	\$ 0

Transactions were recorded for the Concord Steam Amortization, as well as the Concord Steam carrying charges. Order #25,965 of Docket DG 16-770 stipulates, *“The proposed transfer of assets from Concord Steam to Liberty...[with] support for Liberty’s recovery of the \$1.9 million purchase price in the following manner. Liberty will create a regulatory asset when it makes a payment to Concord Steam under the terms of the Asset Purchase Agreement.”* The agreement also specifies that the payment made to Concord Steam, plus accrued carrying charges on the regulatory asset, will be amortized and recovered through Liberty’s distribution rates over the next five years.

Audit noted that the amortization expense was recorded monthly as a debit to account 8840-2-0000-80-8640-4073, Regulatory Debits, and a credit to account 8840-2-0000-10-1930-1823, Other Regulatory Asset – Deferred Rate Case. The carrying charges were also recorded monthly as a debit to account 8840-2-0000-10-1930-1823, Other Regulatory Asset – Deferred Rate Case and a credit to account 8840-2-0000-40-4460-4950, Other Gas Revenue. Audit identified a change in the monthly amortization expense, from \$39,687 per month to \$43,175, in June 2019. The Company explained that they had discovered a formula error in one of the Excel cells, resulting in the wrong average balance for May 2018. As such, the schedule was updated in June 2019, to adjust the monthly amortization amount, in order to correct for the formula error.

Audit reviewed the Concord Steam amortization schedule and verified the June 2017 beginning balance of \$1.9 million with the five year period concluding in April 2023, as per the settlement agreement. The WACC was identified as changing in January of 2018 and 2019, due to a change in the Federal and State Income tax rates, as well as in January of 2020 for the State expected rate decrease. The schedule had no monthly payment recorded between June 2017 and April 2018. The Company stated that, *“The carrying charges should have been recorded from June 2017 – April 2018. This was due to the PUC approving the amortization and not providing an order until May 2018.”*

Order No. 26,107 of Docket DG 16-827, authorized the Company to work with customers seeking conversion assistance from steam service to natural gas service. There were only two customers who received assistance with zero interest on the loan. The Company provided copies of the customer statements, including the monthly loan amounts which were listed as “NH Steam Conversion Loan.” Audit also reviewed the residential customer signed contract for the loan, totaling \$12,800, with monthly installments of \$107 for a term of ten years. The other customer contract was for the Concord Family YMCA, in the monthly amount of \$595. The two customer contracts totaled \$702 in monthly and are recorded to the general ledger as a debit to account 8840-2-0000-10-1101-1420, Customer Accounts Receivable, and a credit to account 8840-2-0000-10-1160-1439, Other Accounts Receivable – Special Contracts. Refer to the Accounts Receivable section of the report for details regarding the Customer Accounts Receivable and Other Accounts Receivable journal entries.

8840-2-0000-10-1168-1823 – Deferral Decoupling Asset \$989,228

Audit reviewed the general ledger for account 8840-2-0000-10-1168-1823, Deferral Decoupling Asset. The account activity reflected the following:

Beginning Balance	\$ -0-
Debits	\$ 990,351
Credits	\$ (1,123)
12/31/2019 Balance	\$ 989,228

Commission Order 26,122, dated April 27, 2018, approved the Company’s decoupling mechanism, set to begin on November 1, 2018. Transactions within the general ledger were for daily transactions, recorded for the months of November and December 2019. Audit noted that the decoupling adjustments were recorded as a debit to account 8840-2-0000-10-1168-1823, Deferral Decoupling Asset, and a credit to account 8840-2-0000-20-2810-2635, Due to Cogsdale New Hampshire. Audit understands that the decoupling mechanism is used during the Company’s winter rate period (November 1 – April 30), yet there was no activity reported for the account for the months of January – April 2019. The Company explained that this is due to the fact that the reconciliation for the first year (2018) of decoupling didn’t take effect until November 1, 2019 and that it is part of the LDAC calculation that is included in the COG filing.

8840-2-0000-10-1930-1824 – R/A Deferred Tilton Remediation \$55,703

Audit reviewed the general ledger for account 8840-2-0000-10-1930-1824, R/A Def Tilton Remediation. The following summarizes the 2019 activity within the account:

Beginning Balance	\$ 97,480
Debits	\$ 0
Credits	\$ (41,777)
12/31/2016 Balance	\$ 55,703

Twelve monthly credit entries of \$3,481, amounting to \$41,777, were recorded from the R/A Deferred Tilton Remediation account to 8840-2-0000-80-8641-4074, Amortization of Regulatory Assets. Audit reviewed the 3-year amortization schedule for the Tilton Remediation, proposed in Rate Case DG 17-048, verifying the monthly amortization amount of \$3,481.

8840-2-0000-10-1930-1826 – FAS 158-Pension \$18,199,620

The FAS 158-Pension account balance for 12/31/19 was \$18,199,620, decreasing from \$20,083,993 for the 2018 end-of-year balance. The regulatory asset was established to reflect the fair value of the pension and OPEB as of the date of the closing with National Grid approved in DG 11-040. Consistent with the settlement agreement approved in DG 14-180, the amortization of the balance began with the effective date of permanent rates in the DG 17-048 distribution rate case. Audit reviewed the general ledger activity for the account and verified the twelve monthly amortization payments of \$171,307, totaling \$2,055,680 in credits to the account for the year. The following reflects the 2019 activity within the account:

Beginning Balance	\$ 20,255,300
Debits	\$ 0
Credits	<u>\$ (2,055,680)</u>
12/31/2019 Balance	\$ 18,199,620

8840-2-0000-10-1930-1827 – Asset Retirement Obligation Regulatory Asset \$-0-

The general ledger for the Asset Retirement Obligation Regulatory Asset account reported no activity for the year and a zero balance, as of 12/31/19. Audit reviewed the 2017 and 2018 trial balance, as well as the 2017 general ledger. The last reported activity to the account was a credit in May 2017, for \$1,434,765, with the offset to account 8840-2-0000-20-2930-2300, Asset Retirement Obligation. The entry closed the Asset Retirement Obligation accounts.

8840-2-0000-10-1930-1828 – NEG & KeySpan CTA \$48,198

Cost-to-Achieve (CTA) amortization was approved on July 12, 2007, in the Commission's Order 24,777, of docket DG 06-107, Joint Petition of National Grid plc and KeySpan Corporation for Approval of Merger and Other Regulatory Approvals. The settlement approved a ten year amortization, commencing with the first rate case, subsequent to the DG 06-107. The settlement outlined the annual amortization figure of \$409,203 and Audit confirmed the \$34,100 in monthly credits to the account. Order No. 24,972, within Docket DE 08-009, approved the July 2009 commencement of the ten year amortization, as well as confirming its conclusion in July of test year 2019.

Audit verified the monthly amortization expense from account 8840-2-0000-10-1930-1828, NEG & KeySpan CTA, with an offset to account 8840-2-0000-80-8640-4073 Regulatory – Debits (amortization). There were no monthly amortization or subsequent interest charges recorded on the general ledger after July 2019, given that the ten-year CTA amortization and

interest ended at that time. As of 12/31/19, the account had a balance of \$48,198. The 2019 account activity is reflected in the following:

Beginning Balance	\$ 304,618
Debits	\$ 8,753
Credits	<u>\$ (265,173)</u>
12/31/2019 Balance	\$ 48,198

Audit reviewed the settlement agreement, also noting that the approved carrying charges (interest) could be assessed on the unamortized balance, using either an imputed debt/equity ratio of 50/50 or actual. During the 2019 test year, from January through June at the end of the 10-year CTA amortization and interest, a total of \$8,753 in CTA interest income was booked as a debit to account 8840-2-0000-10-1930-1828, NEG & KeySpan CTA, with the offset to account 8840-2-0000-40-4420-4190, Interest Income.

During the 2019 test year, the Company used the capital structure and related return on equity, as approved in DG 17-048 and also as reported on the Revenue Requirement step schedule:

	Ratio	Rate	Weighted Rate	Pre-Tax
Common equity	50%	10.5%	5.2%	7.2%
Long term debt	<u>50%</u>	<u>4.4%</u>	<u>2.2%</u>	<u>2.2%</u>
	100%		7.4%	9.4%

Audit recalculated the current year's weighted average on long term debt of 4.4% without exception. Refer to the Long Term Notes Payable section of the report for further detail on the following rates:

\$ 18,181,818	4.49%	\$ 638,182
\$ 21,818,182	4.89%	\$ 1,066,909
\$ 8,181,818	4.89%	\$ 400,091
<u>\$ 41,818,182</u>	<u>4.22%</u>	<u>\$ 1,877,636</u>
\$ 90,000,000	4.44%	\$ 3,982,818

4.44% Long Term Debt Weighted Average

Audit reviewed the account reconciliation detailing the interest income recorded in 2019, noting an interest adjustment of \$60,570 made in December 2019. The provided journal entry detailed the calculation used for the interest adjustment and the Company explained that the adjustment was made to ensure that the interest recorded was in line with the proved savings of \$181,327. Commission Order No. 25,797 states that, *"The amortization will be \$409,200 per year with \$181,327 included in the revenue requirement, which is consistent with Order No. 24,777 at 77-79."* In reviewing the detailed general ledger for the account, as well as the reconciliation, Audit verified that the \$60,570 interest adjustment calculation was derived from the ratio of \$181,327 in the annual savings (Order No. 25,797)/\$409,200 for the annual

amortization, multiplied by the \$108,767 of interest accrued, totaling \$48,198, which ties to the account balance. The account balance of \$48,198 minus the \$108,767 in interest accrued totals \$60,570 for the interest adjustment recorded to the account. Audit also reviewed the summary report for the account, noting the \$108,767 in accrued interest.

8840-2-0000-10-1934-1823 – Concord Steam Client Conversion

The Concord Steam Client Conversion account balance for 12/31/19 totaled \$1,505,657, which was an increase from \$0 at the 2018 end-of-year balance. The Company explained that, *“The \$1,505,657 was the unamortized balance in the account, as of December 31, 2019. As of that date, the balance was also reclassified from account 8840-2-0000-10-1930-1823 to account 8840-2-0000-10-1934-1823 solely for better identification on the consolidated financial statements. As noted by the bolded numbers, only the natural account changed, not the FERC account.”* Audit reviewed the 2019 general ledger, verifying that the only entry on the account was the following 12/31/19 reclassification:

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
8840-2-0000-10-1934-1823	Concord Steam Client Conversion	\$1,505,657	
8840-2-0000-10-1930-1823	Other Reg Asset - Def Rate Case		\$1,505,657

The five-year amortization schedule was provided by the Company. Audit verified that the \$1,505,657 balance on 12/31/19 was in accordance with the terms of the approved Asset Purchase Agreement and Settlement Agreement in Docket DG 16-770, Order No. 25,695. As such, the 12/31/19 unamortized balance of \$1,505,657 was calculated based on the Settlement Agreement of a \$1.9 million purchase price, the inclusion of a return, and the five-year amortization period that commenced with rate case DG 17-048. The following reflects the 2019 activity within the account:

Beginning Balance	\$	0
Debits	\$	1,505,657
Credits	\$	0
12/31/2019 Balance	\$	1,505,657

8840-2-0000-10-1929-1824 – Deriv-Gas Contract-Reg Asset

The trial balance status for the Deriv-Gas Contract-Reg Asset account was labeled as inactive. Audit reviewed the former rate case audit for DG 17-048, noting that the only entry on the general ledger, within the Deriv-Gas Contract-Reg Asset account, took place on 1/1/2016. This entry was offset with a debit to account 8840-2-0000-20-2740-2450, the Commodity Settlement Pay <1yr, resulting in a zero balance for 12/31/16. Audit verified that this account is currently inactive, as of January 2017. There was also no activity in the -2450 account in 2019.

8840-2-0000-10-1929-1828 – OPEB Expense Deferred – Gas

The 2019 general ledger for the OPEB Expense Deferred – Gas account reported no activity for the year with a zero balance, as of 12/31/19. The account was labeled as “inactive” and Audit requested information regarding the account. The Company explained that the account had previously been used in relation to Pension/Open regulatory assets that were approved in the DG 06-107 National Grid/Keyspan merger that was concluded in 2017. As part of that docket, the Pension/OPEB asset was approved to be amortized over 10 years, ending in 2017. The Company stated that, *“There has been no activity nor a balance in the account since that time, so the account was made inactive. Periodically, Liberty reviews accounts to determine if they are still being used and will inactivate them to avoid the possibility of transactions or entries inadvertently being posted to those accounts.”*

Preliminary Survey and Investigation Charges, Account 183

ENG 8840-2-0000-10-1615-1830 Preliminary Survey and Investigation Charges \$2,710,468

Audit reviewed the activity within the 183 account for ENG and noted, among other items, the following:

On October 6, 2020, the Company’s request for review and approval of cost recovery associated with the Granite Bridge petition in Docket No. DG 17-198, order no. 26,409 was denied by the Commission. In the course of the audit, account 8840-2-0000-10-1615-1830, Preliminary Survey and Investigation, was found to show general ledger postings totaling \$755,314. These costs consisted of engineering, planning, and environmental permitting from the science and design firm of Vanesse, Hangen and Brustlin, Inc., totaling \$671,495. Analysis Group Inc., provided an economic evaluation of the project in the amount \$83,819.

ENG Stores Expense Undistributed

Audit verified the 12/31/2019 Stores Expense to the following general ledger accounts:

8840-2-0000-10-1380-1630 Stores Expense Undistributed, ENG	\$ -0-
8843-2-0000-10-1380-1630 Stores Expense Undistributed, KN	\$ -0-
8840-2-0000-10-1380-1640 Gas Stored Underground, Current	\$3,403,863
8840-2-0000-10-1380-1641 Fuel Stock Propane, ENG	\$1,168,535
8840-2-0000-10-1380-1641 Fuel Stock Propane, KN	\$ 130,048
8840-2-0000-10-1380-1642 UG Storage Liquefied Nat Gas, ENG	\$ 44,570
Total per PUC annual report accounts 164.2-164.3	\$1,747,016

Each account is reviewed during the annual cost of gas audits, and as a result, was not reviewed during this rate case audit.

Miscellaneous Deferred Debits

Audit confirmed the PUC filing schedule 1604.01(a)(1)(a) BS accounts, included in the Deferred Charges balance of \$45,668,103, to the annual report balance. The accounts included in the Deferred Charges total reported in the filing include accounts related to the Summer and Winter Costs of Gas: 142, Deferred Working Capital, 174, R/A CoG Costs, 174, Deferred Bad Debt-Winter, and the 186, Miscellaneous Deferred Debits accounts below. The annual report balance of \$46,874,442, on page 9, line 60, as Miscellaneous Deferred Debits account 186, accurately includes the 186 accounts from the filing. The following represents the verified general ledger Miscellaneous Deferred Debits account balances to the annual report, as well as the filing:

8840-2-0000-10-1929-1863 Regulatory Asset – FAS 109	\$ 178,627
8840-2-0000-10-1920-1860 Misc Deferred Debits	\$ 3,050,483
8843-2-0000-10-1920-1860 Misc Deferred Debits	\$ 1,016,833
8840-2-0000-10-1920-1863 R/A Environmental Materials	\$ 8,202,209
8843-2-0000-10-1920-1863 R/A Environmental Materials	\$ 0
8840-2-0000-10-1920-1864 R/A Environmental Purch Gas	<u>\$34,426,290</u>
Total Miscellaneous Deferred Debits per Annual Report	<u>\$46,874,442</u>

The Regulatory Asset – FAS 109 account is discussed in the Regulatory Assets section of this report. The balance is included in the filing Regulatory Assets total of \$21,002,923.

8840-2-0000-10-1920-1860 – Misc. Deferred Debits

The balance on the ENG account as of 12/31/19 was \$3,050,483, decreasing from \$3,292,099 for the 2018 end-of-year total. The following represents the activity on the account for the test year 2019:

Beginning Balance	\$ 3,292,099
Debits	\$ 4,533
Credits	<u>\$ (246,149)</u>
12/31/2019 Balance	\$ 3,050,483

Audit observed twenty four monthly credits on the account. Twelve of the monthly credits, in the amount of \$13,397, were described as Degradation Amortization; the other twelve monthly credits, in the amount of \$6,432, were for Legal Degradation Amortization. Order No. 26,122 of Docket DG 17-048 agrees upon allowing for “...a *three-year amortization of legal fees and a 20-year amortization of degradation fees.*” Audit reviewed the amortization schedules for both the degradation fees and the legal fees, verifying the terms of the amortization, as well confirming the monthly amounts to the general ledger.

8843-2-0000-10-1920-1860 – Misc. Deferred Debits

The balance on the Keene account as of 12/31/19 was \$1,016,833, increasing from \$781,075 for the 2018 end-of-year total. The following represents the activity on the account for the test year 2019:

Beginning Balance	\$	781,075
Debits	\$	312,430
Credits	\$	(76,672)
12/31/2019 Balance	\$	1,016,833

Debits on the account, in the amount of \$10,417, were for the monthly CNG demand charges related to the temporary contract that the Company has with Xpress Natural Gas. The offsetting entry for the CNG charges was to account 8843-2-0000-52-5541-8042, Deferred Gas Costs. Refer to the 2018 Summer Cost of Gas Reconciliation Audit, docket DG 18-052, for details regarding the audit of the CNG demand charges. Audit also observed twelve monthly credits on the account, in the amount of \$5,602. The credit entries were described as December Incident Amortization. Order No. 26,122 of Docket DG 17-048 describes the December Incident in the following statement:

“The December 2015 Keene incident involved a failure of the blower system at the Keene production plant that caused the release of carbon monoxide and unburned propane, and necessitated shutdown of the Keene system. The emergency response personnel directed by the City of Keene assisted Liberty in visiting each home to check on occupants and re-light appliances.”

The Order further states that, *“With respect to the December 2015 incident, we find that the emergency response costs of \$201,000 were prudently incurred, and that amortizing recovery of those costs over three years is reasonable.”* Audit reviewed the three-year amortization schedule for the December Incident, verifying the terms of the amortization, as well confirming the monthly amounts to the general ledger.

BALANCE SHEET EQUITY and LIABILITIES

Equity

COMMON STOCK

The filing schedule 1604.01 (a)(1)(a) BS reflects the total Common Stock as of 12/31/19, of \$127,194,285. The figure has not changed from the prior fiscal year end. The following general ledger accounts detail the total Common Stock:

8840-2-0000-30-3050-4551	Intercompany CS - Energy North	\$	121,647,057
8840-2-0000-30-3050-4552	Intercompany CS - Energy North		2,500,000
8843-2-0000-30-3045-4554	Intercompany APIC - NH Gas Keene	\$	3,047,227
	Total Common Stock Issued	\$	<u>127,194,285</u>

The Company's stock is owned by Liberty Energy Utilities (New Hampshire) Corporation. Audit tied the 2019 general ledger accounts to the filing. The Annual Report listed the Common Stock Issued as account 201, with a total of \$124,147,058 and has reflected Common Stock of \$124,147,058 since at least 2018. The variance between the total Common Stock of \$127,194,285, as reported in the filing, and the Common Stock Issued of \$124,147,058 on the annual report, was for \$3,047,227. Although the APIC (Additional Paid in Capital) account balance is not included in the Common Stock Issued amount of \$124,147,058 reported on the annual report, the account is not in compliance with FERC and it should not be reflected in the filing as part of the Common Stock total of \$127,194,285. **Audit Issue # 1.** Refer to the Keene section of Common Stock for further details regarding account 8843-2-0000-30-3045-4554 – Interco APIC - NH Gas Keene.

Audit reviewed the general ledger account 8840-2-0000-10-1545-4554, Intercompany Investment APIC – NH Gas Keene balance of \$3,047,227 and tied it to the filing to account for the variance. The \$3,047,227 represents the Keene book value of the stock of New Hampshire Gas Corporation that the Company was authorized to purchase from Iberdrola, effective 1/2/2015. The 2018 general ledger was also reviewed for the account and Audit noted the following transaction:

8840-2-0000-10-1545-4554	Interco Investment APIC - NH Gas Keene	\$3,047,227
8840-2-0000-10-1510-1231	Investment in Subsidiary Companies	\$3,047,227

The debit to the account was a balance transfer, recorded in December 2018, from account 8840-2-0000-10-1510-1231, Investment in Subsidiary Companies. This transaction to the Intercompany Investment APIC account cleared the Investment in Subsidiary Companies account, rendering it inactive. Audit noted the zero general ledger balance on the account but page 9, line 13 of the annual report shows a balance of \$3,047,227 identified as Investments in Subsidiary Companies, account 123.1. The Company explained that, *"APUC has multiple companies whose financial transactions must be consolidated at the corporate level. Account numbers are generated at the corporate level and are used to denote specific intercompany relationships, etc. The vast nature of the companies using the same account segments for different purposes makes it extremely difficult to match FERC accounting in all instances on the local books."* **Audit Issue #1**

Account 8840-2-0000-30-3010-2010, Common Stock Issued, labeled as inactive on the general ledger, had no transactions recorded for 2019. The 2018 general ledger for the account showed that the last transaction recorded was on 12/31/18 with a debit to the account for \$121,647,058 and a credit to account 8840-2-0000-30-3050-4551, Intercompany CS - Energy North. Audit requested details regarding the balance transfer on the account. The Company explained that the Intercompany Investment accounts (4551 and 4554) were created in December 2018 and that the 8840-2-0000-30-3010-2010 account balance was transferred, resulting in its inactive status. The Company further explained in the following statement: *"The Common Stock total value was previously recorded in account 201, however the balance was reclassified by APUC to 455 effective December 2018 across all companies for consolidation purposes. The balance in 455 is the Common Stock value and is therefore reported on the Annual Report, page*

10, line 2 per FERC requirements.” Audit also reviewed the general ledger for the Intercompany CS - Energy North, 8840-2-0000-30-3050-4552 account, noting that there was no activity in the account for the 2019 test year. The last activity reported in this account was on 12/1/18, with a debit to account 8840-2-0000-30-3016-4590, Common Shares – Return of Capital and a credit to account 8840-2-0000-30-3050-4552, Intercompany CS - Energy North. Audit requested an explanation as to why account 8840-2-0000-30-3016-4590, Common Shares – Return of Capital, cleared to the intercompany investment account in December 2018. The Company explained that the account was cleared, per Corporate, at the end of 2018, along with the other equity accounts. **Audit Issue # 1**

8843-2-0000-30-3045-4554 – Interco APIC - NH Gas Keene

In addition to the 2019 test year, Audit also reviewed the 2018 general ledger, noting a 12/1/18 debit to account 8843-2-0000-30-3010-2110, Miscellaneous Paid in Capital and a credit to account 8843-2-0000-30-3045-4554 Interco APIC - NH Gas Keene. The Company explained that the Intercompany Investment accounts (4551 and 4554) were created in December 2018. Audit noted that the December 2018 journal entry, cleared the balance of \$3,047,227 from the intercompany investment account, with the transaction description stating, “IC Investment Re-class Acct.” The Company explained that the account was cleared, per Corporate, at the end of 2018, along with the other equity accounts. Audit understands that the clearing of the equity accounts is due to the Company’s intercompany account structure used for consolidation and corporate reporting.

Retained Earnings

According to the 2019 annual report, Unappropriated Retained Earnings NHPUC Page 13, the retained earnings increased \$10,870,625. This increase directly corresponds to the Net Income on the Income Statement of the same Report and the Net Income as reported in the 1604.01(a)(1)b PL. No dividends were declared or paid during the 2019 test year.

The annual report includes both the EnergyNorth and Keene divisions, for a total of \$65,785,966. Audit reviewed the general ledger, noting the Keene Retained Earnings balance of \$(1,151,385), combined with the EnergyNorth Retained Earnings balance of \$56,066,726, plus the total year Net Income amount of \$10,870,625, tied to the total \$65,785,966 in reported Retained Earnings within the filing and annual report.

8840-2-0000-30-3310-2160 – Retained Earnings	\$56,066,726 credit balance
8843-2-0000-30-3310-2160 – Retained Earnings	\$(1,151,385) debit balance
Combined Net Income for 2019	<u>\$10,870,625</u> credit balance
	\$65,785,966 Retained Earnings

The filing schedule 1604.01 (a)(1)(a) BS reflects an ending balance in account 8840-2-0000-30-3310-2160, Retained Earnings, of \$56,066,726. The Retained Earnings account 8843-2-0000-30-3310-2160, reported within the filing schedule 1604.01 (a)(1)(a) BS, reflects an

ending balance of \$(1,151,385). The Net Income of \$10,870,625 was reported in the filing schedule 1604.01(a)(1)(a) PL, Bates page I-029.

According to the 2019 PUC annual report balance sheet, the retained earnings increased by \$6,220,044, or 10% over the prior year. That figure is the net of a debit in the amount of \$4,650,581 AOCI Tax Pension (account 439) and the Net Income for the year \$10,870,625. The balance and activity in each division's Retained Earnings general ledger were reviewed:

	<u>12/31/2018</u>	<u>Debits</u>	<u>Credits</u>	<u>12/31/2019</u>
8840-2-0000-30-3310-2160 Retained Earnings	\$ (60,717,306)	\$ 5,371,851	\$ (721,270)	\$ (56,066,725)
8843-2-0000-30-3310-2160 Retained Earnings	\$ 1,151,385	\$ -	\$ -	\$ 1,151,385
	<u>\$ (59,565,922)</u>	<u>\$ 5,371,851</u>	<u>\$ (721,270)</u>	<u>\$ (54,915,341)</u>
		2019 net Income		<u>\$ (10,870,625)</u>
Unappropriated Retained Earnings 12/31/2019				\$ (65,785,966)

Accumulated Other Comprehensive Income (AOCI)

The filing schedule 1604.01 (a)(1)(a) BS reflects a total AOCI, as of December 31, 2019, of \$(5,128,592). Audit tied the total AOCI, in the following general ledger accounts, to the annual report and the filing:

8840-2-0000-30-3800-0002 AOCI – Pension (debit balance)	\$ (7,563,688)
8840-2-0000-30-3800-0003 AOCI – OPEB (credit balance)	530,222
8840-2-0000-30-3800-0153 AOCI – Pension – Taxes (credit balance)	5,826,460
8840-2-0000-30-3800-0154 AOCI – OPEB – Taxes (debit balance)	(3,921,586)
8840-2-0000-30-3800-2192 OCI FAS 158 – Pension	-0-
8840-2-0000-30-3800-2193 OCI FAS 158 – OPEB	\$ -0-
Total Accumulated Other Comprehensive Income (debit balance)	<u>\$ (5,128,592)</u>

The 2019 general ledger for the Keene division was reviewed. Audit verified that there were no accounts for AOCI.

Audit noted that the total AOCI was reported on page 10 of the annual report, account 219, with a balance of \$(2,081,365). The revenue requirement schedule was reviewed by Audit, verifying that the total identified in the annual report for account 219 included the credit balance \$3,047,227 of Interco Investment APIC - NH Gas Keene from the AOCI total of \$(5,128,592). Refer to the Common Stock section of this report for details regarding the \$3,047,227 investment. Audit confirmed that the Pension and OPEB accounts are appropriately included in account 219 on the annual report.

Account 8840-2-0000-30-3800-0002, AOCI Pension, increased from a credit balance of (\$6,365,314) to (\$7,563,688) during the test year. Audit reviewed the detailed general ledger activity and noted the increased balance was due to the following entry on 12/31/2019, detailing the Long Term Pension Obligation transaction for the FAS 158:

12/31/2019	8840-2-0000-30-3800-0002	AOCI - Pension	\$1,279,441
12/31/2019	8840-2-0000-20-2930-2285	LT Pension Obligation	\$1,279,441

Account 8840-2-0000-30-3800-0003, AOCI – Other Post Employee Benefits (OPEB), decreased from a balance of \$(848,584) to \$(530,222) during the 2019 test year. Audit reviewed the detailed general ledger activity and noted a 12/31/19 debit entry for the pension benefits, totaling \$214,382, offset to account 8840-2-0000-20-2930-2283, OPEB/FAS 106 Benefit Reserve. Refer to the Current Liabilities, Other Liabilities section of the report for more detail on the OPEB/FAS 106 Benefit Reserve account. There was also a 12/31/19 debit for \$42,888 for the OCI to AOCI for the 2019 close. Audit verified the offset of this entry to account 8840-2-0000-30-3800-2193, OCI FAS 158 OPEB, for the January – December OPEB Accruals of \$3,574 per month. The remaining debit of \$61,092 was for the pension OPEB true-up, offset to account 8840-2-0000-20-2930-2283, OPEB/FAS 106 Benefit Reserve.

Account 8840-2-0000-30-3800-0153, AOCI Pension Taxes, increased from a balance of \$1,912,340 to \$5,826,460 during the 2019 test year. Audit reviewed the detailed general ledger activity and noted the annual AOCI tax true-up in December and a transfer balance from OCI to AOCI for the year end close.

Account 8840-2-0000-30-3800-0154, AOCI OPEB Taxes, had no general ledger activity for the 2019 test year. Audit verified the January 2019 beginning balance to the December 2019 ending balance, with no change.

The detailed general ledger was reviewed for the OCI FAS 158 Pension account 8840-2-0000-30-3800-2192, along with the OCI FAS 158 OPEB account 8840-2-0000-30-3800-2193. Each of these accounts reported a zero balance, as of 12/31/19.

Account 8840-2-0000-30-3800-2192, OCI FAS 158-Pension, decreased from a balance of \$189,326 to zero during the 2019 test year. Audit reviewed the 2018 trial balance and 2019 detailed general ledger activity, noting that the 2018 balance of \$189,326 was moved to close on 1/1/19, to account 8840-2-0000-30-3800-0002, AOCI – Pension. Monthly pension accruals, in the amount of \$6,756, were recorded as credits to the account. The offset of the accruals were debited to account 8840-2-9810-69-5043-9267, Pension. Refer to the Employee Pension and Benefits section of the report for further detail.

Audit noted monthly debits between January and June, in the amount of \$17,000, for estimated pension and OCI. Audit questioned these transactions, as well as the six credits of \$17,000 recorded in June with the description of Reverse Pension Accrual. The Company explained that, *“The \$17,000 per month estimate was based on prior year Prior Service Cost and Actuarial Losses/(Gains). In June 2019 we received the updated actuarial reports. An entry was done to true down prior months recorded, and the new estimate of \$(6,755.58) per month was used for 2019 ~ total activity for 2019 \$(81,066.99).”* Audit verified that the total monthly pension accruals of \$6,756 totaled the monthly activity of \$81,066.99.

Account 8840-2-0000-30-3800-2193, OCI FAS 158-OPEB, reported twelve debits, in the amount of \$3,574, for the January – December OPEB Accruals. The 2019 account activity is reflected in the following:

Beginning Balance	\$ -
Debits	\$ 42,888
Credits	\$ (42,888)
12/31/2019 Balance	\$ -

Audit reviewed the individual journal entries for the OPEB accruals, noting the offset to account 8840-2-0000-20-2930-2283, OPEB/FAS 106 Benefit reserve. Audit confirms the December credit for OCI to AOCI, resulting in the account's \$0 balance, as of 12/31/19.

Current and Accrued Liabilities

Short Term Debt – Energy North

According to the 1604.01(a) Filing, EnergyNorth had \$123,669,594 of short term debt as of 12/31/2019. Audit noted the balance amount of short term debt, on a monthly basis, during the 2019 test year. Page 1 of 1 within the 1604.01(a)(24) Filing, indicates EnergyNorth as using account 8840-2-0000-20-2810-2603, Due to LU Co., for short term debt. For further details on the Company's short term debt, refer to the Intercompany Accounts portion of this report.

Keene

According to the 1604.01(a) Filing, Keene had no outstanding short term debt during the test year. The general ledger and the 2019 Annual Report both support this statement.

Customer Refunds NH PUC Account 232 EnergyNorth/KN

The Filing Schedule 1604.01 (a)(1)(a) BS reflects total Customer Refunds of (\$136) in account # 8840-2-0000-20-2002-2320 as of December 31, 2019. The figure decreased by \$1,524 from the start of the year. Audit reviewed the account activity which reflected mostly small balances (<\$200) being refunded to different customers. There was no activity during the year for Keene account 8843-2-0000-20-2002-2320. The December 31, aged receivables trial balance and yellow sheet were verified to the (\$136) general ledger balance. The Customer Refund Policy Manual is from January 2017 that is unchanged since the DG 17-048 rate case.

Intercompany Accounts

NH PUC Account 234

EnergyNorth/Keene accounts 260, 262, 263, 265-Refer to Audit Issue #1

The filing schedule 1604.01 (a)(1)(a)BS reflects total Intercompany Payables of \$108,899,542 in the accounts referenced below. This figure increased by \$24,817,210 from the start of the year.

8840-2-0000-20-2170-2603 I/C Interest Payable – LU CO.	\$ 2,937,095
8840-2-0000-20-2810-2079 Due to Liberty Utilities Canada	\$ 251,259
8840-2-0000-20-2810-2596 Due to APUC	\$ 229,583
8840-2-0000-20-2810-2603 Due to LU Co.	\$123,669,594
8840-2-0000-20-2810-2606 Due to Liberty Energy NH	\$(29,436,497)
8843-2-0000-20-2810-2606 Due to Liberty Energy NH	\$ 9,187,490
8843-2-0000-20-2810-2607 Due to EnergyNorth	\$ (462)
8840-2-0000-20-2810-2626 Due to Liberty Utilities America Co.	\$ 78,316
8840-2-0000-20-2810-2635 Due to Cogsdale NH	\$ 1,350,685
8843-2-0000-20-2810-2635 Due to Cogsdale-NH-Keene	\$ (1,161,971)
8840-2-0000-20-2810-2639 Due from Liberty Utilities (Central)	\$ 1,793,986
8840-2-0000-20-2810-2655 Due from/to Keene	\$ 462
	<u>\$108,899,542</u>

Account 2079 contains allocations for LABS Business Service, LABS Corp Service, and LUC indirect allocations. The account balance of \$251,259 is the balance brought forward recorded in the general ledger on 12/31/2019.

Account 2596 contains activity for intercompany billings from APUC. The account containing debit and credit entries with the ending balance of \$229,583 noted as balance brought forward.

Account 2603 reflected intercompany transfers between ENG and LU Co., both debits and credits, including entries for intercompany interest expense. The intercompany transfers were offset to the Cash-JP Morgan account 8840-2-0000-10-1020-1310. The interest expense transfers were offset to the Deferred Financing – Intercompany account 8840-2-0000-10-136-1000. The Company has previously noted that all entries are done by the Corporate Office. See the Long Term Debt section below for additional detail on account 2603.

Account 2606 contains intercompany transactions for accounts payable, payroll and general journal that are between companies. Each company, 8840 and 8843, and the Service Company have a corresponding account to reflect intercompany balances.

Account 2607 is Keene's due to EnergyNorth account. There were five entries for the year totaling \$(462). The entries are offset to EnergyNorth's account 2655, due from/to Keene with a balance of \$462.

Account 2626 contains a balance of \$78,316. There is one transaction, posted on 12/31/2019 in the general ledger, and it was in the full amount to bring the balance forward. Audit questioned what the balance brought forward was for and it was noted that it was the balance of tax entries from 2016, 2017 and 2018 that have been carried forward. ENG provide the entries from 2016, 2017 and 2018 for Audit to review. A \$126,000 debit entry from 2018 was due to an adjustment recommended by PUC Audit. No exceptions were noted.

Accounts 2635 for EnergyNorth and Keene contains transactions that are between CCSM (Cogsdale Customer Service System) and Great Plains General Ledger. This account also uses Nolan software to record the transactions from CCSM to GP. There are mainly three types of transactions found in this account. General Journals to move money for customer payments from EnergyNorth to GSE. Payment files are received and applied to customers' accounts, but the cash needs to be moved from EnergyNorth to GSE for those payments.

The AP transactions are all associated with Customer Refunds. All transactions remaining are CCSM (Billing, Void and Adjustments) these need to be recorded in the general ledger and is brought from Cogsdale to Great Plains via an intercompany transaction. Both EnergyNorth and GSE have Due to Cogsdale accounts and balances net to zero. One is a debit balance and one is a credit balance. Audit verified the EnergyNorth \$1,360,685 and Keene (\$1,161,971) GL 2019 year end balances without exception.

Account 2639 contained debit and credit entries for indirect allocation from LABS US, LIBCORP US, and East Region. The account balance of \$1,793,986 is a single journal entry from 12/31/2019 to bring the balance forward. The account had an increase of \$1,376,315 from January to December. Audit requested additional information as to the large increase in the account. It was noted that it is a result of fluctuations in the timing of payment of indirect charges from corporate. No issue was noted.

Customer Deposits

The Filing Schedule 1604.01 (a)(1)(a)BS reflects the December 31, 2019 balance as \$3,065,133 in account #884x-2-0000-20-2113-2350 for EnergyNorth and Keene. This is also seen on Filing Schedule RR-EN-5-1. Audit verified the \$3,045,789 beginning balance per the 2019 Annual Report and the net change for the year of \$19,344 correctly equaled the balance reflected in the filing and the GL of \$3,065,133.

8840-2-0000-20-21130-2350 Customer Deposits	\$3,054,276
8843-2-0000-20-21130-2350 KN Customer Deposits	<u>\$10,856</u>
Total	\$3,065,133

Audit requested information regarding the deposits in order to determine compliance with the applicable PUC 1203.03 Rules. The Company provided an aged trial balance as of December 31, 2019 for EnergyNorth and Keene. The outstanding balances for EnergyNorth was \$2,695,504 and \$10,634. This is a (\$358,772) difference for EnergyNorth and (\$222) Keene.

The difference between the GL and aging list derive from residential customers having the option of paying their deposit in three installments. Audit further sampled customers from the aged trial balance to determine if the interest rates, contract, and amount/refunded was in compliance with the terms and conditions of the PUC 1203.03 Rules.

In addition, Liberty provided an interest rate set up screen detailing the interest rate calculated on the deposit as well as a copy of the process used to record the interest expense to the GL in Great Plains. Audit reviewed the rate sheet and found it complied with the prime rate as well as the changes that occurred throughout the year as listed below (per the PUC website):

- The fourth quarter rate is 5.25% for effect October 1, 2019 through December 31, 2019.
- The third quarter rate is 5.5% for effect July 1, 2019 through September 30, 2019.
- The second quarter rate is 5.5% for effect April 1, 2019 through June 30, 2019.
- The first quarter rate is 5.25% for effect January 1, 2019 through March 31, 2019.

Accrued Interest

8840-2-0000-20-2116-2370 – Interest Accrued ENG

The filing schedule 1604.01 (a)(1)(a) BS reflects the 12/31/2019 balance of \$0 in account 8840-2-0000-20-2116-2370, Interest Accrued. Audit reviewed the account activity in the GL for the 2019 test year and noted the interest accrual entries are offset to the following accounts:

8840-2-0000-80-8550-4310- Other Interest Expense
8840-2-0000-20-2810-2635- Due to Cogsdale NH
8840-2-0000-10-1101-1420- Customer Accounts Receivable

The general ledger balance on account 8840-2-0000-20-2116-2370, Interest Accrued, tied to the annual report and the filing. The balance was listed as FERC 237, Interest Accrued, on Page 10, line 39 of the balance sheet within the annual report.

8843-2-0000-20-2116-2370 – Interest Accrued Keene

The filing schedule 1604.01 (a)(1)(a) BS reflects the 12/31/2019 balance of \$0 in account 8843-2-0000-20-2116-2370, Interest Accrued. Audit noted that the there was interest expensed, in the amount of \$611, over the course of a twelve month period. However, the Keene division credited the Accounts Receivable on a monthly basis; therefore, reporting a zero balance in interest accrued at year end. The general ledger balance on account 8843-2-0000-20-2116-2370, Interest Accrued, tied to the annual report and the filing. The balance was listed as FERC 237, Interest Accrued, on Page 10, line 39 of the balance sheet within the annual report.

8840-2-0000-80-8550-4310 – Other Interest Expense ENG

According to the 1604.01(a)(1)(a) PL Filing, EnergyNorth had \$727,694 of Other Interest Expenses, as of 12/31/2019. Audit reviewed the Revenue Requirement Model, noting that the

total Other Interest Expense reported in the filing, ties to page 12, line 66 of the annual report, as well as the 2019 general ledger balance for the account. The annual report identifies the Other Interest expense balance as FERC 431.

Pursuant to the PUC Rules for Uniform Administration of Customer Relations, interest accrued needs to be credited no less than annually. Audit reviewed activity throughout the year noting that the Company credited the account for interest in January and October. Debits on the account were for activity including billing, accounts payable, cash, and accounts receivable. Audit noted twelve debit transactions on the account, described as Interest on Deferral Accounts. The Company verified that, *“The deferral entries are the monthly entries done in General Accounting to record interest expense on reg assets and reg liabilities.”*

In the prior rate case Audit report, the Company indicated that after the conversion to the Cogsdale system in September 2013, the interest payments are credited directly to customer accounts on a monthly basis. Audit reviewed monthly journal entries for the customer interest payments. The entries consisted of the following four recordings on the general ledger:

Debit Interest Accrued 8840-2-0000-20-2116-2370
Credit Accounts Receivable 8840-2-0000-10-1101-1420

Debit Interest Expense 8840-2-0000-80-8550-4310
Credit Interest Accrued 8840-2-0000-20-2116-2370

Audit reviewed the activity within the 8840-2-0000-20-2116-2370 Interest Accrued account and verified that the activity nets to zero. The zero balance on the account is confirmed to the filing schedule 1604.01(a)(1)(a) BS.

The general ledger for account 8840-2-0000-20-2116-2374, Interest Accrued-Tax, was also reviewed by Audit. No activity was reported in the account for either the EnergyNorth or Keene Divisions.

8843-2-0000-80-8550-4310 – Other Interest Expense

According to the 1604.01(a)(1)(a) PL Filing, Keene had \$6,673 of Other Interest Expenses, as of 12/31/2016. Audit reviewed the Revenue Requirement Model, noting that the total Other Interest Expense reported in the filing, ties to page 12, line 66 of the annual report, as well as the 2019 general ledger balance for the account. The annual report identifies the Other Interest expense balance as FERC 431.

Audit reviewed the monthly transactions on account 8843-2-0000-80-8550-4310, Other Interest Expense. There were twelve monthly debits to the account for the Interest on Deferral Accounts. The Company verified that, *“The deferral entries are the monthly entries done in General Accounting to record interest expense on reg assets and reg liabilities.”* The following is an example of other monthly entries on the account for the interest on customer deposits to the general ledger, provided from the month of July:

<u>TRX Date</u>	<u>Account Number</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
7/31/2019	8843-2-0000-80-8550-4310	Other Interest Expense	\$49.86	
7/31/2019	8843-2-0000-10-1101-1420	Customer Acct Rcvble		\$49.86

Miscellaneous Current and Accrued Liabilities

Other Accrued Liabilities

The filing schedule 1604.01 (a)(1)(a) BS reflects the 12/31/19 balance of \$10,066,271 for the total Miscellaneous Current and Accrued Liabilities. Audit verified the total to the following general ledger accounts:

8840-2-0000-20-2110-2282	Current Portion-Misc Operating Reserves	\$ 2,304,665
8840-2-0000-20-2110-2420	Misc. Accrued Liabilities	\$ 258,000
8840-2-0000-20-2110-2425	Gas/Power Purchases Accrual	\$ 7,061,133
8843-2-0000-20-2110-2425	Gas/Power Purchases Accrual	\$ 50,920
8840-2-0000-20-2110-2429	Short Term OPEB Obligation Accrual	\$ 436,323
8840-2-0000-20-2111-2422	Accrued Escheatment Liability	\$ (44,770)
	Total Other Accrued Expenses per Filing	\$10,066,271

Audit noted the total Other Accrued Expenses balance on the annual report was reported as FERC account 242 and combined with the total Miscellaneous Current Liabilities, for a balance of \$10,380,929. The general ledger accounts also included in the annual report balance, along with the Other Accrued Expenses above, are the following Miscellaneous Current Liabilities:

8840-2-0000-20-2141-2425	On Bill Financing – Energy Efficiency	\$ 870,354
8840-2-0000-20-2111-2420	Unapplied Payments	\$ 1,730,609
8843-2-0000-20-2111-2420	Unapplied Payments	\$ 18,360
	Total Miscellaneous Current Liabilities	\$ 2,619,323

The Unapplied Payments accounts were included within the filing Puc 1604.01(a)(1)(a) BS, Unapplied Payments, on Bates page I-013.

The Company provided their Combined Revenue Requirement Model spreadsheet, detailing the historical trial balance summary for 2019. Audit reviewed the Revenue Requirement, noting that the account 8840-2-0000-20-2110-2282, Current Portion-Miscellaneous Operating Reserves, balance of \$2,304,665 was not part of the total Miscellaneous Current and Accrued Liabilities of \$10,380,929, as reported on the annual report. Refer to the Current Liabilities, Other Liabilities portion of this report for details on the activity within the Current Portion-Miscellaneous Operating Reserves account.

Miscellaneous Current Liabilities

Audit tied all of the Other Accrued Expenses general ledger accounts to the Annual Report total, as well as to the filing.

8840-2-0000-20-2141-2425 – On Bill Financing – Energy Efficiency

The general ledger detail for account 8840-2-0000-20-2141-2425 On Bill Financing – Energy Efficiency, included the monthly On-Bill Financing (OBF) program transactions, beginning on 7/29/19. The offsetting entries for the monthly transactions were to account 8840-2-0000-10-1160-1439, Other Accounts Receivable – Special Contracts. Refer to the Accounts Receivable section of this report for details on the Other Accounts Receivable – Special Contracts. The 2019 On Bill Financing account activity is reflected in the following:

Beginning Balance	\$ -0-
Debits	\$ 31,517
Credits	\$ (901,872)
12/31/2019 Balance	\$ (870,354)

The Company described the On-Bill Financing account by stating that, *“This account was setup early in 2019 following PUC Order 26,207 which approved the electric and natural gas utilities 2019 Update Plan for the 2018-2020 Energy Efficiency Program period. As detailed on Bates page 32 of the [Energy Efficiency] 2019 Update Plan, Liberty Gas (EnergyNorth Natural Gas) utilized \$875,000 of previous year program carry forward funds to introduce an On-Bill Financing program offering for residential, municipal and commercial customers.”* Audit reviewed both Order 26,207 and the Energy Efficiency 2019 Update Plan, verifying the approval and utilization of \$875,000 for On-Bill Financing. Audit also noted the setup for the approved OBF loan balance in the following journal entry:

Account Number	Account Description	Debit	Credit
8840-2-0000-10-1163-1755	Deferred Reserve EE	\$875,000	
8840-2-0000-20-2141-2425	On Bill Financing - Energy Efficiency		\$875,000

Audit requested the carry-forward and interest balances from 2017 and 2018, for the source of the \$875K funding. The Company provided the \$2,448,333 figure for the carry-forward funds, used to introduce an On-Bill Financing program offering for residential, municipal and commercial customers, confirming that, *“[The OBF] was set up in March 2019 from the carry forward balance on EE.”* Audit reviewed spreadsheets containing details of the EE Programs, including the 2019 EE Program Budget. The \$2,448,333 figure for the carry-forward funds was calculated from the \$2,359,063 carryover balance, taken from the 2018-2019 Cost of gas filing estimated balance at the end of December 2018, plus \$89,270 of interest on the balance.

Audit confirmed that there was no On-Bill Financing account on the general ledger for the Keene division. Refer to the Unapplied Payment section of this report for information, regarding the Keene and EnergyNorth divisions’ Unapplied Payments accounts, listed as part of the total for the Miscellaneous Current Liabilities on page 10, line 44 of the annual report.

Other Accrued Liabilities – EnergyNorth

8840-2-0000-20-2110-2420 – Miscellaneous Accrued Liabilities

Audit reviewed the 2019 general ledger transactions for Miscellaneous Accrued Liabilities, noting that the account is used to record accrued expenses. Typical accrued expenses in this account were for group benefits, PUC assessment charges, and the Ernst & Young Audit. The Company stated that once an invoice is received, the Miscellaneous Accrued Liabilities account is relieved. Provided as an example of a transaction on the account, the following April 2019 journal entry depicts a debit to 8840-2-0000-20-2110-2420 Miscellaneous Accrued Liabilities, with the offset on the Due to Liberty Energy account 8840-2-0000-20-2810-2606:

TRX Date	Account	Description	Debit	Credit
4/30/2019	8840-2-0000-20-2110-2420	Misc. Accrued Liab	\$24,445	
4/30/2019	8840-2-0000-20-2810-2606	Due to Liberty		\$24,445

Audit reviewed the accompanying invoice for the journal entry. The \$24,445 was paid to Ernst & Young, LLP for professional tax advisory services rendered in connection with the Statement of Work, dated April 25, 2018, related to the 2017 repairs deduction calculation.

8840-2-0000-20-2110-2425 – Gas/Power Purchases Accrual

Audit reviewed the general ledger transactions in the Gas/Power Purchases Accrual account. Entries reflected monthly credit transactions for Gas Accrual and were offset to account 8840-2-0000-52-5541-8040, Natural Gas City Gate Purchases. Audit notes that the entries have corresponding debits to take the accrual out in the next month, allowing for the correct figure to then be charged to the correct account. Both of these accounts relate to the cost of gas, which is not part of this rate case.

8840-2-0000-20-2110-2429 – Short Term OPEB Obligation Accrual

Activity on the account represents the current portion of the Total Pension and OPEB Obligation. The Company explained that, *“The 2429 account holds the portion of OPEB accrual related to expected payments to be made over the next 12 months. The account is updated on an annual basis in December based upon updated information from the actuary.”* Audit confirmed the 12/31/19 entry on the general ledger, in the amount of \$156,794, which was offset to account 8840-20-2930-2283, OPEB/FAS 106 Benefit reserve. The entry was for the Q4 pension liability which is the amount related to expected payments over the following year and moved to 2429 each December.

8840-2-0000-20-2111-2422 – Accrued Escheatment Liability

The 2019 activity on the account reflected entries that were made approximately each month, with the first entry for the year made in April. Audit also noted that there were payments

made to various state treasuries. The Company explained the transactions recorded to the account in the following statement:

“Accrued escheatment liability is used for cutting the checks to pay to the states for the escheatment filing each year. It is also used as the offset when the checks are voided out of Cogsdale/AP. There is an issue corporate is working on and we need to clean up the account (the checks being voided out of AP/Cogsdale did not take place, only AP has access to do this, [staff] is working on a macro and seeing if [they can grant us] access), and the checks will be voided out. What we pay to the different states are comprised of unclaimed checks. All of these unclaimed checks is what is voided and the offset being this account.”

The Company provided a listing of the unclaimed checks that are voided, along with the dormancy period that the asset goes unclaimed before becoming an escheat. The dormancy periods are as follows: utilities deposit refunds – 1 year, utilities credit refunds – 5 years, and the AP holding period – 5 years. Anything under \$50 is claimed in the aggregate every 5 years with the next reportable year being 2021.

Other Accrued Liabilities – Keene

8843-2-0000-20-2110-2425 – Gas/Power Purchases Accrual

Audit reviewed the general ledger transactions for the Gas/Power Purchases Accrual account. The activity reflected monthly journal entries which were offset to account 8843-2-0000-52-5541-8040, Natural Gas City Gate Purchases. Audit notes that the entries have corresponding debits to take the accrual out in the next month, allowing for the correct figure to then be charged to the correct account. Both of these accounts relate to the cost of gas, which is not part of this rate case.

Unapplied Payments

Account 884x-2-0000-20-2111-2420- Unapplied Payments- EN/Keene

This account is the result of cancel/rebill, overpayment, duplicate payments, leveled budget payments, final bills or deposit refunds. The opening balance was \$1,362,503 and an ending balance of \$1,730,609 a difference of \$368,106. Audit requested an aging to determine what, if any, amounts had been on the books and not applied to open accounts or outstanding balances.

Liberty produced an account list with the period as of December 31, 2019. Within the Aged Accounts Receivable listing provided to Audit, was a column for unapplied payments that reflected a total at year-end balance of \$1,726,673. That information is \$3,936 less than the GL. Liberty indicated to Audit that it has policies that comply with Commission rules and procedures so that double billing of rebills, budget payments, deposits, and final bills does not happen. They indicated that they are now adequately able to track unapplied payments in a timely manner since the prior DG 17-048 Audit Report issued July 22, 2017. **Audit Issue # 4**

Keene

The balance for Keene was said to represent leveled billing and not payments waiting to be applied to any specific account. The balance decreased from \$20,579 at the start of the year to \$18,360 as of December 31, 2019.

Audit reviewed the activity in the account and noted monthly entries that were reversed with the start of the new month. The December 31, 2019 aged receivables list was verified to the \$18,360 booked to GL account 8843-2-0000-20-2111-2420. The activity in the account is similar to EnergyNorth.

Current Regulatory Liabilities

The filing schedule 1604.01 (a)(1)(a) BS reflects the 12/31/19 balance of \$314,773 for the total Current Regulatory Liabilities. Audit verified the total to the following general ledger accounts:

8840-2-0000-20-2142-1740 Current Reg Liability Deferred Gas Cost	\$	0
8843-2-0000-20-2142-1740 Current Reg Liability Deferred Gas Cost	\$	0
8840-2-0000-20-2142-1755 Current Reg Liability Deferred EE	\$	0
8840-2-0000-20-2142-2830 Excess ADIT Reg Liability – Short Term	\$	<u>314,773</u>
Total Current Regulatory Liabilities	\$	314,773

The balance noted on each line agrees with their respective general ledger account, as well as the balance reported on the annual report for account 254, Other Regulatory Liabilities. Refer to the Deferred Credits and Other Liabilities portion of this report for further detail regarding the accounts included in the annual report total. The Current Reg Liability Deferred accounts are discussed in the Miscellaneous Current and Accrued Assets section of this report.

8840-2-0000-20-2142-2830 – Excess ADIT Reg Liability – Short Term

Audit confirms that there was no activity reported on the account for the test year and that the account is labeled as inactive on the trial balance. The 2019 account activity is reflected in the following:

Beginning Balance	\$	314,773
Debits	\$	-
Credits	\$	<u>-</u>
12/31/2019 Balance	\$	314,773

Audit questioned why there was no transfer of the short term excess ADIT to the long term Excess ADIT (EADIT) account. The Company stated that, *“In general, we usually book the amortization entry to Excess ADIT long term account, so usually we don’t expect a change in the short term balance until final order has been issued and we have settled on a final EADIT*

total per order. In terms of Energy North, we are proposing to re-class amount from EADIT - LT to ST to reflect on one year worth of amortization per the total of the order filed.”

Regarding the \$314,773 balance, the Company stated that they will perform a true-up and that they will expect another true up once final order has been issued/settled. The Company was not able to provide an explanation as to how the original amount of \$314,773 was booked to the account. **Audit Issue #5**

Other Current Liabilities

The filing schedule 1604.01 (a)(1)(a) BS reflects the 12/31/19 balance of \$362,164 for the total Other Liabilities. Audit verified the total to the following general ledger accounts:

8840-2-0000-20-2142-2420 Accrued Cost of Removal	\$	0
8840-2-0000-20-2750-2431 Lease Liability – Short Term	\$	<u>362,164</u>
Total Other	\$	362,164

The balance noted on each line agrees with their respective general ledger account. Audit also verified the balance reported on the annual report for account 243, Obligations under Capital Leases – Current, as well as to the filing.

8840-2-0000-20-2750-2431 – Lease liability-Short Term

Audit reviewed the Revenue Requirement spreadsheet, noting the balance on the account totaled \$(362,164). The 2019 account activity was verified to the general ledger and is reflected in the following:

Beginning Balance	\$	-
Debits	\$	1,877
Credits	\$	<u>(364,040)</u>
12/31/2019 Balance	\$	(362,164)

Audit requested information regarding the transactions on the account. The Company explained that, *“The FASB issued ASU 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations utilizing leases. This ASU requires lessees to recognize the assets and liabilities arising from all leases on the balance sheet, but the effect of leases in the statement of operations and the statement of cash flows is largely unchanged. The FASB also issued subsequent amendments to ASC 842 that provide further practical expedients as well as codification clarifications and improvements.”*

Audit noted quarterly transactions on the account for the test year 2019. The descriptions for the four journal entries were identified as lease expenses with the offset to account 8840-2-0000-10-1616-1012, Right-of-Use Asset. Audit requested information regarding the leases and the Company stated that the transactions, *“...reflect the requirements of the new leases standard (IFRS 16) which became effective in January 1, 2019.”* Audit reviewed the ASC 842 Lease

Disclosure, verifying the ASU 2016-02, issued by the FASB, requiring lessees to recognize the assets and liabilities arising from all leases on the balance sheet.

The Company also stated that, “[They] implemented new processes and procedures for the identification, analysis, and measurement of new lease contracts.” A new software solution was implemented by the Company, to assist with contract management, information tracking, and measurement, as it relates to the new standard. Audit reviewed a copy of the information tracking spreadsheet, detailing the Company’s equipment leases, such as a photocopier, as well as building and land leases. Information regarding the specifics of the leases, including the Lessor, location, monthly amount, and the beginning/ending dates, was included on the spreadsheet.

Other Non-current Liabilities

Accumulated Miscellaneous Operating Provision

The 2019 balance for the Accumulated Miscellaneous Operating Provision is reported as \$33,706,967 for account 228.4, on page 10, line 29, of the annual report. Audit reviewed the Revenue Requirement schedule, identifying the accounts included in the annual report balance as the following, as well as confirming their totals to the general ledger:

8840-2-0000-20-2110-2282 Current Portion – Misc Operating Reserves	\$ 2,304,665
8840-2-0000-20-2930-2282 Misc Operating Reserves	<u>\$ 31,402,302</u>
Total Accumulated Miscellaneous Operating Provision	\$ 33,706,967

Audit verified each account balance to the filing schedule 1604.01 (a)(1)(a) BS. Refer to the Other Liabilities section of the report for details regarding the activity within each account.

Deferred Rate Case

The filing schedule 1604.01 (a)(1)(a) reflects the 12/31/2019 balance of \$44,745,489. Audit verified the total to the following general ledger accounts:

8840-2-0000-20-2910-1868 Reg Liability Rate Adjustment Mechanism	\$ 0
8840-2-0000-20-2910-2542 Deferral Decoupling Liability	\$ 7,363,680 cr
8843-2-0000-20-2910-2542 Deferral Decoupling Liability	\$ (144,038) dr
8840-2-0000-20-2910-2830 Excess ADIT Reg Liability – Long Term	<u>\$ 37,525,847 cr</u>
Total Deferred Rate Case as of 12/31/19	\$ 44,745,489 cr

The annual report balance for the Deferred Rate Case accounts totaled \$45,060,262 and was listed on page 10, line 53, as Other Regulatory Liabilities, account 254. Audit reviewed the Revenue Requirement spreadsheet for the Deferred Rate Case accounts, noting that the \$314,773 balance on the current regulatory liability account 8840-2-0000-20-2142-2830, Excess ADIT Regulatory Liability – Short Term, was included in the \$45,060,262 total on the annual report. Refer to the Current Regulatory Liabilities section of the report for detail on the Excess ADIT

Regulatory Liability – Short Term account. Audit verified the general ledger balances to the annual report, as well as to the filing.

8840-2-0000-20-2910-1868 – Reg Liability Rate Adjustment Mechanism

The account reported a zero balance as of December 31, 2019. The account activity for the test year 2019 is reflected in the following:

Beginning Balance	\$ (1,973,248)
Debits	\$ 1,973,248
Credits	\$ <u>0</u>
12/31/2019 Balance	\$ 0

There was one transaction recorded on the general ledger for the test year 2019. Audit noted the description for the journal entry was for the re-class of \$1,973,248 to account 8840-2-0000-20-2910-2542, Deferral Decoupling Liability.

Audit inquired about the re-class of the account balance. The Company explained that corporate felt that the account should be in a 1868 account, “...in order to roll up better on the consolidated balance sheet. The account is actually a mix of liability and asset on the string. Liability on the natural account but asset on the FERC.” The Company went on to explain that the purpose of the re-class was just for the year-end presentation and that the \$1,973,248 was moved back to the original account in May 2019. In order to verify the Company’s explanation, Audit reviewed the 2018 general ledger and confirmed the re-class of the decoupling total in 2018 to the rate adjustment mechanism, as well as the amount moved back to the original account in May 2019. The following journal entries reflect the re-class:

12/31/18	8840-2-0000-20-2910-2542	Deferral Decoupling Liab	1,973,248	
12/31/18	8840-2-0000-20-2910-1868	Reg Liability Rate Adj		1,973,248
5/31/19	8840-2-0000-20-2910-1868	Reg Liability Rate Adj	1,973,248	
5/31/19	8840-2-0000-20-2910-2542	Deferral Decoupling Liab		1,973,248

8840-2-0000-20-2910-2542 – Deferral Decoupling Liability

Audit reviewed the Revenue Requirement spreadsheet, noting the balance on the account totaled \$7,363,680. The 2019 account activity was verified to the general ledger and is reflected in the following:

Beginning Balance	\$ (14,884)
Debits	\$ 5,856,837
Credits	\$ <u>(13,205,633)</u>
12/31/2019 Balance	\$ (7,363,680)

The activity recorded on the account is for transactions that reflect the difference between the allowed monthly revenue and the actual monthly revenue, per customer. In reviewing the general ledger, Audit noted monthly decoupling true-up transactions and decoupling adjustments, as well as monthly credits for the interest on deferral accounts. The offsetting entries were to accounts 8840-2-0000-40-4460-4951, Decoupling Revenue, for the true-up and adjustments, and 8840-2-0000-80-8550-4310, Other Interest Expense, for the interest on deferral accounts. Refer to the Accrued Interest Section of the report for details on the Other Interest Expense account.

Audit reviewed a sample of the August decoupling adjustment, including the verified formulas for the allowed revenue to the actual and estimated revenue. The following represents the August 2019 decoupling adjusting entry sampled by Audit:

8840-2-0000-40-4460-4951	Decoupling Revenue	\$47,230	August Decoupling Adj
8840-2-0000-20-2910-2542	Def Decoupling Liability	\$47,230	August Decoupling Adj

In support of the formulas used in the \$47,230 adjustment to the account, the Company also provided a copy of the estimated unbilled equivalent bills for the revenue month of August 2019, as well as the accrued daily transportation and delivery service bills, by rate class, revenue for August. Audit recalculated the difference between the actual and estimated revenue, including the unbilled revenue difference and the daily meter difference, verifying the \$47,230 decoupling adjustment for August 2019.

8840-2-0000-20-2910-2830 – Excess ADIT Reg Liability (EADIT) – Long Term

Audit reviewed the general ledger, noting a year-end credit balance of \$(37,525,847). The 2019 account activity reflected the following:

Beginning Balance	\$ (36,900,085)
Debits	\$ 625,762
Credits	\$ (1,251,524)
12/31/2019 Balance	\$ (37,525,847)

There was one debit in June 2019 in the amount of \$625,762, to back out the credit entry made during the same period, with the offset to account 8840-2-0000-30-3310-2160, retained earnings. The other credit entry of \$(625,762) occurred in November 2019, for the June tax entry for the rate case. Audit reviewed the work paper and support for the \$625,762 true-up amount booked in November, as reported on the Tax True-Up spreadsheet provided by the Company. The change in the Federal deferred income tax rate, as documented in DG 17-048, accounted for the true-up. The Keene division account 8843-2-0000-20-2910-2830, Excess ADIT Reg Liability – Long Term, is reported as an inactive account with no general ledger activity.

Accumulated Deferred Income Taxes-ENG/Keene

The Accumulated Deferred Income Tax was verified from the PUC annual report to the following general ledger accounts:

8840-2-0000-10-1930-2830 Accum Def Inc Taxes Other Reg Asset (debit)	\$593,229
8840-2-0000-20-2965[2830 ADIT Liability-(Long Term)	\$58,583,670
8840-2-0000-20-2730-2830 ADIT-Current	\$0
8843-2-0000-20-2965-2830 ADIT-Long Term	<u>(\$0.23)</u>
Net ENG Accumulated Deferred Income Tax verified to annual report	\$57,990,441

Accumulated Deferred Income Taxes arise from temporary and permanent differences in financial accounting and tax accounting of the carrying amount of assets. Refer to the Tax portion of this report for additional information.

8840-2-0000-20-2142-2830 Excess ADIT Regulatory Liability-Short Term	(\$314,773)
8840-2-0000-20-2910-2830 Excess ADIT Regulatory Liab-Long Term	(\$37,525,847)

The Excess ADIT accounts relate to the Tax Cuts and Jobs Recovery Act passed in 2017 that lowered the corporate tax rate from 35% to 21%. These accounts were included in account # 254 Other Regulatory Liabilities on the 2019 annual report. Please see the Liabilities section for more information about the Other Regulatory Accounts as to why the short-term account was never transferred to the long-term account. **Audit Issue #5**

DEFERRED CREDITS AND OTHER LIABILITIES

Other Deferred Credits – Energy North

8840-2-0000-20-2760-2539 – FAS 112

The filing schedule 1604.01 (a)(1)(a) BS reflects the 12/31/19 balance on the account of \$0. Audit reviewed the 2019 general ledger and confirmed that there was no activity recorded to the account during the test year, for either the EnergyNorth or Keene divisions. The zero balance, reported on the filing and the general ledger, was also tied to the annual report, account 253.

For history on the account, Audit reviewed the 2018 general ledger, noting a 12/31/18 transaction, re-classifying the balance of \$125,624 to the expense post retirement account 8840-2-9810-69-5044-9260, Group Benefits. The Company explained that, *“The account was cleared to expense in December 2018. Given that the account was zeroed out and no longer in use we set the status to inactive.”* Refer to the Employee Benefits section of the report for details on the Group Benefits account.

Long Term Debt

On May 30, 2012, the Commission issued Order #25,370, which authorized the Company to issue up to \$90,000,000 in Long Term Debt (LTD). Four interest only loans totaling \$90,000,000 were issued, at varying interest rates and maturities, with an effective date of 12/21/2012. The first payment for all of these loans was due on July 30, 2013 with subsequent semi-annual payments due on January 30 and July 30 until maturity. The following depicts the details of the four loans issued:

Account	Description	Ending Balance
8840-2-0000-20-2840-2231	NP-LU and EN \$41.8M 10YR @ 4.49%	\$ 41,818,182
8840-2-0000-20-2840-2232	NP-LU and EN \$21.8M 15YR @ 4.89%	\$ 21,818,182
8840-2-0000-20-2840-2233	NP-LU and EN \$8.2M 15YR @ 4.89%	\$ 8,181,818
8840-2-0000-20-2840-2230	NP-LU and EN \$18.1M 5YR @ 3.51%	\$ 18,181,818
Total Long Term Debt		<u>\$ 90,000,000</u>

On December 15, 2017, the Commission approved Order #26,084, of Docket No. DG 17-132, which authorized the Company to issue up to \$87,800,000 in Long Term Debt (LTD) for the purpose of retiring existing debt. One loan, commencing on June 20, 2018, with a principal sum of \$87,781,818, was issued at the interest rate of 4.22% and a maturity date of December 20, 2032. The Company designated \$18,181,818 of the \$87,781,818 principal sum, to replace a maturing intercompany promissory note. The remaining \$69,600,000 of the total loan was to replace short-term debt. Audit reviewed the 2017 general ledger for account 8840-2-0000-20-2840-2230, NP-LU and EN \$18.1M, noting the December offset of the \$18.1M, to account 8840-2-0000-20-2840-2652, NP-LU and EN \$87.8M. The transaction cleared account 8840-2-0000-20-2840-2230 and the company has designated it as inactive. The following depicts the details of the three loans issued in 2012, as well as the 2017 issued loan, totaling \$87,781,818:

Account	Description	Ending Balance
8840-2-0000-20-2840-2231	NP-LU and EN \$41.8M 10YR @ 4.49%	\$ 41,818,182
8840-2-0000-20-2840-2232	NP-LU and EN \$21.8M 15YR @ 4.89%	\$ 21,818,182
8840-2-0000-20-2840-2233	NP-LU and EN \$8.2M 15YR @ 4.89%	\$ 8,181,818
8840-2-0000-20-2840-2652	NP-LU and EN \$87.8M 15YR @ 4.22%	\$ 87,781,818
Total Long Term Debt		<u>\$ 159,600,000</u>

Audit verified the \$159,600,000 reported in the filing 1604.01(a)(1)(a), page 1-014, to the 2019 annual report, as well as to the General Ledger as of 12/31/19. Evidenced on page 10 of the annual report, the debt is currently recorded in FERC Account #223, described as "Advances from Associated Companies".

Audit reviewed copies of the promissory notes for the long term debt, verifying that the \$41.8M, the \$21.8M, and the \$8.2M notes are dated 12/21/12, with a commencing date of July 2013. Audit noted a discrepancy between interest rates listed on the promissory notes, for the \$21.8M, \$ 8.2M, and \$41.8M amounts, and the interest rate listed in the description on the general ledger. The Company provided copies of amended promissory notes, which were necessary as a result of incorrect interest rates in the original notes supplied to the Commission

on 8/1/2013, as part of DG 11-040. Audit reviewed the amended promissory notes and recalculated the interest rates; thereby, verifying the accuracy of the interest rates on the promissory notes to the general ledger.

The 2019 general ledger was also reviewed for the long term notes payable accounts 8840-2-0000-20-2840-2231, 8840-2-0000-20-2840-2232, and 8840-2-0000-20-2840-2233. Audit verified the beginning and ending balance in each account to the amount of the corresponding loan.

Interest on Long Term Debt – EnergyNorth

8840-2-0000-80-8543-4300 – Interest on Debt to Associated Companies

Audit reviewed the 2019 general ledger for account 8840-2-0000-80-8543-4300, Interest on Debt to Associated Companies, and noted that the balance on the general ledger was zero and the account was listed as “inactive.” Audit questioned the inactive status of account 4300, despite a balance of \$7,078,290 recorded to account 430 on the annual report. The Company stated that, “*The account string changed and [the] balance transferred from 4300 to 2603 in October 2016.*” Audit understands that prior to 2016, the interest expense was recorded to account 8840-2-0000-80-8543-4300, Interest on Debt to Associated Companies. For the purpose of maintaining the intercompany relationship with Liberty Utilities Company, the Long Term Interest account became inactive and the Intercompany account 2603 is now used to record the monthly interest expense on the long term loans. There was no Interest on Debt to Associated Companies account on the Keene division’s general ledger.

8840-2-0000-80-8543-2603 – Intercompany – Interest Expense

Audit reviewed the general ledger for account 8840-2-0000-80-8543-2603, Intercompany – Interest Expense, verifying the 12/31/20 balance of \$7,078,290 to the annual report Income Statement, page 12, account 430 as per FERC, Interest on Debt to Associated Companies. Audit understands that the balance for account 2603 is recorded to account 430 on the annual report, due to the fact that the Company’s structure for intercompany account relationships does not follow the FERC chart of accounts. The \$7,078,290 general ledger balance for account 2603 ties to the filing schedule 1604.01(a)(1)(a) PL.

The Company provided an Excel spreadsheet, detailing the 2019 interest calculations for EnergyNorth. Audit reviewed the monthly interest amounts that corresponded with each of the four loan reference numbers, noticing a discrepancy between the interest rate used in the monthly calculations and the interest rate reported on the notes. Audit inquired about the accuracy of the interest rates and the Company provided amended promissory notes to the originals. Audit then recalculated the monthly interest expense on each of the four loans, verifying the accuracy of the interest rates on the amended promissory notes. The Long Term Debt interest information, as evidenced in the table below, agrees with the monthly figure of \$587,419. The details of the promissory notes are depicted in the following chart, as well as described in detail within the Long Term Notes Payable section of this report:

Principal Amount	Rate	Monthly Payment	Annual Payment
\$ 21,818,182	4.89%	\$ 88,909	\$ 1,066,909
\$ 41,818,182	4.49%	\$ 156,470	\$ 1,877,636
\$ 8,181,818	4.89%	\$ 33,341	\$ 400,091
\$ 87,781,818	4.22%	\$ 308,699	\$ 3,704,393
\$ 159,600,000		\$ 587,419	\$ 7,049,029

Monthly credits were made to the 8840-2-0000-80-8543-2603, Intercompany – Interest Expense account, in the amount of \$587,419, described as Intercompany Interest for Liberty Utilities Co./EnergyNorth, totaling \$7,049,028 for 2019 interest on promissory notes. The following reflects the 2019 activity within the account:

Beginning Balance	\$ (2,937,096)
Debits	\$ 7,049,029
Credits	<u>\$ (7,049,029)</u>
12/31/2019 Balance	\$ (2,937,096)

Audit reviewed the general ledger, noting that a monthly deferred finance charge of \$2,438 was also recorded to the intercompany interest expense account. The monthly charge of \$2,438 resulted in the annual finance cost of \$29,261, which represents interest on the \$87.8 million Notes Payable. The \$7,049,029 annual payment for the interest on the promissory notes, as well as the annual finance cost of \$29,261, totaled \$7,078,290 for the interest expense on Long Term Debt, as reported within the filing. Audit verified that the Intercompany account's 12/31/19 balance of \$7,078,290 reflected the total of the 2019 monthly interest expense transactions. The total interest expense on the general ledger also tied to page 23 of the annual report.

The general ledger activity within the 2603, Intercompany – Interest Expense account, was reviewed by Audit. Entries were for the interest on the long term debt, recorded as monthly transactions, for the total loan interest expense. The following is the 10/31/19 monthly interest expense, provided as an example of the monthly transactions recorded to the account:

8840-2-0000-80-8543-2603	Intercompany Interest Expense	\$ 587,419
8840-2-0000-20-2170-2603	I/C Interest Payable – LU Co.	\$ 587,419

Audit also reviewed the general ledger for the offsetting account, 8840-2-0000-20-2170-2603, I/C Interest Payable – LU Co., noting a 12/31/19 balance of \$(2,937,096) confirmed to the filing PUC 1604.01(a)(1)(a) BS. The balance was also confirmed to page 10 of the annual report, as part of the total for Accounts Payable to Associated Companies and verified to the Revenue Requirement Model spreadsheet.

After recording the Long Term Debt interest charge total of \$7,078,290 for 2019, EnergyNorth would then make semi-annual payments based upon the charges recorded. Audit

has reviewed the payments and compared them to the interest charges recorded and concluded that the payments match the charges. Long Term Debt Interest Payments made by EnergyNorth:

1/28/2019	8840-2-0000-20-2810-2603	Due to LU Co.	3,524,515	
1/29/2019	8840-2-0000-10-1020-1310	Cash - JP Morgan		(3,524,515)
7/26/2019	8840-2-0000-20-2810-2603	Due to LU Co.	3,524,515	
7/26/2019	8840-2-0000-10-1020-1310	Cash - JP Morgan		(3,524,515)

Interest on Long Term Debt – Keene

According to the 1604.01(a)(1)(a) BS Filing, Keene, as a division of EnergyNorth, had no outstanding long term debt during the test year. The general ledger and the 2019 annual report both support this statement. Audit noted that there was also no Intercompany – Interest Expense recorded to the Keene division’s general ledger.

8840-2-0000-10-1936-1000 – Deferred Financing – Intercompany

Audit reviewed the general ledger, noting that the account is used for recording the intercompany deferred finance charges. The following reflects the 2019 activity within the account:

Beginning Balance	\$	409,649
Debits	\$	0
Credits	\$	(29,356)
12/31/2019 Balance	\$	380,293

There were twelve monthly transactions on the account, in the amount of \$2,438, for the finance cost associated with the long term debt. An example of the journal entries booked to the account is depicted in the following April 2019 entry on the general ledger:

8840-2-0000-80-8543-2603	IC – Int Exp-LU Co.	\$ 2,438		IC Def Fin LU Co/EN
8840-2-0000-10-1936-1000	Def Fin – IC		\$2,438	IC Def Fin LU Co/EN

The twelve monthly charges of \$2,438 resulted in the annual finance cost of \$29,261 for the long term debt. There was also an additional \$95 finance expense in November. Audit reviewed a spreadsheet of the interest calculations and deferred finance amount plus finance cost, verifying the totals. The general ledger agreed with the filing, as well as the annual report. Audit noted that the balance on the account was listed on page 10 of the annual report, as account 225, Unamortized Premium on Long Term Debt. Audit understands that the Company’s structure for intercompany account relationships does not follow the FERC chart of accounts.

Other Liabilities

Audit verified the 12/31/19 total Other Liabilities Balance of \$53,827,995, as reported in the filing schedule 1604.01 (a)(1)(a), to the following general ledger accounts:

8840-2-0000-20-2960-2271 Lease Liability – Long Term	\$ 403,804
8840-2-0000-20-2110-2282 Current Portion – Misc Operating Reserves	\$ 2,304,665
8840-2-0000-20-2930-2282 Misc Operating Reserves	\$ 31,402,302
8840-2-0000-20-2930-2283 OPEB/FAS106 Benefit Reserve	\$ 5,590,112
8840-2-0000-20-2930-2285 Long Term Pension Obligation	<u>\$ 14,127,112</u>
Total Other	<u>\$ 53,827,995</u>

The total Other Liability accounts were confirmed to the 2019 annual report balance of \$53,827,995. Page 10, line 31 of the annual report listed the total as Other Non-current Liabilities for FERC accounts 227 through 228.

8840-2-0000-20-2960-2271 – Lease Liability Long Term

Audit reviewed the Revenue Requirement spreadsheet, noting the balance on the account totaled \$(403,804). The 2019 account activity was verified to the general ledger and is reflected in the following:

Beginning Balance	\$ -
Debits	\$ 133,058
Credits	<u>\$ (536,862)</u>
12/31/2019 Balance	\$ (403,804)

The general ledger recorded four transactions on the account for operating and capital leases. The offsetting entries were to account 8840-2-0000-10-1616-1012, Right-of-Use Asset. Refer to the Property, Plant, and equipment section of the report for details on the plant in service account and refer to the Lease liability-Short Term account detail for information on the requirements of new lease standards, effective January 1, 2019.

8840-2-0000-20-2110-2282 – Current Portion-Misc Operating Reserves

The Current Portion – Misc Operating Reserves account 8840-2-0000-20-2110-2282 reflected quarterly activity which adjusted the Operating Reserve balance based on a cash flow analysis. The entries posting to the Reserve account represent the expected remediation spending within the next 12 months (current liability) and were offset by either debits or credits, as appropriate, to the following accounts:

8840-2-0000-10-1920-1863	R/A-Environmental-Materials
8840-2-0000-20-2930-2282	Misc. Operating Reserves

8840-2-0000-20-2930-2282 – Misc Operating Reserves

Quarterly adjustments for cash flows, as well as long term and short term adjustments, were recorded to both of the Miscellaneous Operating Reserves accounts ending in 2110-2282 and 2930-2282. Account 8840-2-0000-20-2930-2282, Misc Operating Reserves, represents the expected remediation spending beyond the next 12 months (long-term liability). Journal entries on the account are made on a quarterly basis to adjust the environmental reserves, based on the NPV of future costs, estimated on environmental sites. Audit noted that the offsetting entries on the account are to 8840-2-0000-10-1920-1863, R/A-Environmental-Materials. The Company explained that account 8840-2-0000-10-1920-1863, R/A-Environmental-Materials, is solely used for Environmental spending and Amortization recovery. Refer to the Defer Charges portion of the report for information on the R/A Environment Materials account.

8840-2-0000-20-2930-2283 – OPEB/FAS106 Benefit Reserve

The transactions recorded on the account were for the retiree medical deductions, including the offset to the estimated expense and the actual OPEB payments, as well as other actual activity. The account is reconciled on a monthly basis. Audit reviewed the redacted Monthly Deduction and Reimbursement report for the month of August, detailing the medical deductions and/or reimbursements, per individual. The Company explained that 70% of the deductions is allocated to EnergyNorth and the other 30% is allocated to Granite State Electric. The medical deductions occur monthly as a credit to the account and the offsetting debit is to cash account 8810-2-0000-10-1020-1310.

8840-2-0000-20-2930-2285 – Long Term Pension Obligation

Audit requested a listing of payments that were made in 2019 to fund the retirement plan. The total 2019 contributions for EnergyNorth was \$2,749,310. Audit reviewed the general ledger account 8840-2-0000-20-2930-2285 and found a total of eight payments, with two payments made each quarter, to the Benefits Trust Company, for a total of \$2,749,310. The 2019 general ledger payment amounts include the pension contribution and the cash balance projected contribution. Two payments, in the amount of \$408,340 and \$445,000, were made on April 10, 2019. There were also two payments, in the amount of \$345,000 and \$286,990, which were made each on July 10th, October 10th, and December 10th. The payments were inclusive of both the pension and cash contributions.

Audit inquired as to why the Q1 retirement plan payments differed in amount from the Q2-Q4 payments. The Company stated that, “[The numbers] noted for Q2 to Q4 are only the Energy North portion of payments. The Q1 numbers include Energy North and Granite State.” The Company provided the 2019 individual quarterly amounts for Energy North and Granite State, confirming that, “The Q2 – Q4 numbers were the same as Q1 for both Granite State and EnergyNorth and that all payments were made.” Audit recalculated the Q1 Energy North and Granite State combined entries, confirming their accuracy.

Keene

Audit reviewed the 2019 general ledger for the 228 accounts, Other Liabilities. The Keene division did not have any Other Non-current Liabilities recorded for the test year 2019.

Revenue

The Filing Schedule RR-EN-2 reflects total test year revenue of \$157,010,959. The reported total revenue to the Company's general ledger and to the 2019 NHPUC annual report is \$157,020,559. This is a difference of \$9,600 due to INAT Gas rental income. The rental income should have been included on the Filing Schedule RR-EN-2. **Audit Issue # 6**

<u>Account Number</u>	<u>Description</u>	<u>Balance as of 12/31/2019</u>
#8840-2-0000-40-4295-4801	Residential-Fixed	14,246,066
#8840-2-0000-40-4295-4802	Residential-Variable	33,216,627
#8840-2-0000-40-4295-4803	Residential-Energy Cost	39,217,142
#8843-2-0000-40-4295-4801	Metered Sales-Residential Cust.	156,958
#8843-2-0000-40-4295-4802	Metered Sales to Res. Customers	173,889
#8843-2-0000-40-4295-4803	Metered Sales to Res. Customers	410,157
Total Residential # 480		\$ 87,420,840

<u>Account Number</u>	<u>Description</u>	<u>Balance as of 12/31/2019</u>
#8840-2-0000-40-4295-4814	Commercial Sales-Variable	13,811,275
#8840-2-0000-40-4295-4815	Commercial Sales-Energy Cost	26,678,359
#8843-2-0000-40-4295-4813	Metered Sales Commercial Cust.	256,861
#8843-2-0000-40-4295-4814	Metered Sales to Commercial Cust.	1,564,537
#8843-2-0000-40-4295-4815	Metered Sales to Commercial Cust.	126,550
#8840-2-0000-40-4295-4816	Industrial Sales-Fixed	9,580
#8840-2-0000-40-4295-4817	Industrial Sales-Variable	1,910
#8840-2-0000-40-4295-4818	Industrial Sales-Energy Cost	15,072
Total Com. and Industrial # 481		\$50,313,965

Account Number	Description	Balance as of 12/31/2019
#8840-2-0000-40-4295-4830	Sales for Resale	2,723,167
#8840-2-0000-40-4460-4880	Miscellaneous Service Revenue	1,183,486
#8843-2-0000-40-4460-4897	Metered Sales Transportation-Fixed	3,691,475
#8843-2-0000-40-4460-4898	Metered Sales Transportation-Variable	13,135,030
#8843-2-0000-40-4460-4899	Metered Sales Transportation-Pass	27,504
#8840-2-0000-40-4460-4950	Other Gas Revenue	3,442,663
#8840-2-0000-40-4460-4951	Decoupling Revenue	(5,089,765)
#8843-2-0000-40-4460-4880	Miscellaneous Service Revenue	14,290
#8843-2-0000-40-4460-4950	Other Gas Revenue	23,770
#8843-2-0000-40-4460-4951	Decoupling Revenue	124,535
	Total Other Operating Revenue	\$19,276,154
	Total Revenue per Filing	\$157,010,959
#8840-2-0000-40-4295-4821	<u>Rental Income</u>	<u>\$9,600</u>
	Total Revenue per Annual Report	\$157,020,559

Audit requested and reviewed revenue reports produced by Liberty. The revenue reports detail the translation of the therm sales by rate class to the specific GL account where the revenue is recorded on the books and records. Liberty further explained that the Accounting Department uses these specific reports along with as-needed manual journal entries from Oakville. The revenue reports are then used to finalize and verify the monthly revenue and monthly-accrued revenue. Audit tested the revenue reports for the month of July 2019 and verified that the revenue does correspond to the entries in the GL and the overall revenue for that specific month for EnergyNorth and Keene.

Audit verified the Cost of Gas and LDAC calendar year revenues as reported on Filing Schedule RR-EN-2. The following GL accounts directly corresponded to the amounts in the schedule that also include the Keene accounts:

Cost of Gas adjustments noted on Schedule RR-EN-2-1 reflected the following:

Natural Gas City Gate Purchases	\$ 713,592	884X-2-0000-52-5541804X
Bad Debt Expense-Commodity	\$ 983,441	8840-2-0000-80-8660-9041
Other Gas Purchases	\$(67,686,807)	884X-2-0000-52-5542-805X
Gas Withdrawn from Storage	\$ (1,214,522)	884X-2-0000-52-5543-808X
Reg. Credits-Amort. Of Reg. Asset	<u>\$ (3,025,052)</u>	884X-2-0000-80-8641-4074
	\$(70,229,348)	
Residential Sales Energy Cost	\$(39,217,142)	8840-2-0000-40-4295-4803
KN Residential Sales-Pass through	\$ (410,157)	8843-2-0000-40-4295-4803
Commercial Sales-Energy Cost	\$(26,678,360)	8840-2-0000-40-4295-4815
KN Commercial Sales-Pass through	\$ (126,550)	8843-2-0000-40-4295-4815
Sales for Resale	\$ (2,723,167)	8840-2-0000-40-4295-4830
Sales to Transportation-P. Though	\$ (27,504)	8840-2-0000-40-4295-4899
Other Gas Revenues	\$ (3,442,663)	8840-2-0000-40-4460-4950
Keene Other Gas Revenues	<u>\$ (23,770)</u>	8843-2-0000-40-4460-4950
Total COG Revenue	\$(72,649,313)	
Decoupling Revenue	\$ 5,089,765	8840-2-0000-40-4460-4951
Keene Decoupling	<u>\$ (124,535)</u>	8843-2-0000-40-4460-4951
	\$ 4,962,230	
COG Net Income	\$ (2,419,965)	

A thorough review of the general ledger accounts is conducted in the EnergyNorth/Keene winter and summer cost of gas account reconciliation audits. The summer season is May-October and the winter season is November-April of each calendar year. Therefore, specific testing of the above accounts was not done during this audit.

Keene Jobbing and Contract Work

8843-2-0000-40-4295-4150	Keene Revenue Jobbing and Contract Work	\$12,021
8843-2-0000-51-5010-4160	Keene/Merch/Jobbing Labor Expenses	(\$2,427)
8843-2-0000-51-5010-4160	Keene Merch./Jobbing Non-Labor Expenses	(\$7,563)

Audit reviewed the Keene Revenue from Jobbing and Contract work that based on the GL that resulted in a net \$2,031 per the 2019 annual report and Filing Schedule PUC 1604.01(a)(1)a)PL. There was no jobbing/contract work for EnergyNorth in 2019.

In the 4295-4150 account, there were 62 entries with debits of \$4,250 and credits of (\$16,271). The revenue from each customer was mostly from individuals and was anywhere

from under \$100 to a few hundred dollars. The expense accounts associated with the jobbing expenses were mainly purchases on a JP Morgan purchase card the Company needed to complete the individual jobbing/contract work. The debits in the expense account summed to \$11,415 and the credits summed to (\$1,425) to arrive at a net credit balance of (\$9,991).

Non-utility Operations

8843-2-0000-40-4460-4170 Keene Revenue from Non-Utility Operations \$4,302

Audit reviewed the Keene Revenue from Jobbing and Contract work that based on the GL resulted in a net \$4,302 per the 2019 annual report and Filing Schedule PUC 1604.01(a)(1)a)PL. There was no non-utility operations revenue for EnergyNorth during 2019.

The Non-Utility Operations account indicated there were 187 entries that were relatively small amounts under \$100. The debit activity during 2019 was \$121 and the credit activity was \$4,423. This resulted in a net \$4,302 credit balance at year-end 2019.

Interest and Dividend Income

8840-2-0000-40-4420-4190 Interest Income	\$831,186
8843-2-0000-40-4420-4190 KN Interest Income	<u>\$13,563</u>
Total	\$844,749

Audit verified the \$844,749 Interest Income for EnergyNorth and Keene on the 2019 annual report and PUC 1604.01(a)(1)a)PL Filing Schedule. The GL activity indicated the interest was related to carrying charges, interest on deferrals, amortization, and commodity traded accounts. Audit reviewed journal entries to verify the interest calculations were performed correctly.

Accrued Revenue EnergyNorth

The Accrued Revenue reflected on the general ledger at December 31, 2019 was \$17,488,891 in the account the two accounts seen below. Audit verified the GL balances to the 2019 annual report and Filing Schedule PUC 1604.01(a)(1)a)BS. The reported balance at the beginning of the test year was \$22,451,466 for EnergyNorth/Keene.

8840-2-0000-10-1162-1730 Accrued Utility Revenue	\$17,186,366
8843-2-0000-10-1162-1730 KN Accrued Utility Revenue	<u>\$302,525</u>
Total	\$17,488,891

The Accrued Revenue reflected on the general ledger at December 31, 2019 was \$17,186,386 in the account #8840-2-0000-10-1162-1730. The reported balance at the beginning of the test year was \$17,850,333. The net activity for the year is reflective of the following revenue accounts for EnergyNorth:

8840-2-0000-40-4460-4893 Rev-Transport of Gas of others through distn fac
8840-2-0000-40-4460-4950 Other Gas Revenues
8840-2-0000-40-4295-4810 C&I Sales

In addition, the general ledger indicated that the accrued revenue entry is made at the end of the month by crediting the appropriate revenue account and debiting the 1730 Accrued Revenue account. On the next day (first day of next month), the entry is reversed by debiting the appropriate revenue account and crediting the 1730 Accrued Revenue account.

Audit requested and was provided with the calculation for unbilled revenue at month end January 2019 and 2020. The detail provided reflects a rolling calculation of volumes, unaccounted for gas, and company use. Audit verified the calculation of the send-out and throughput volumes, and verified the mathematical accuracy of the calculations. Audit sought clarification of any Residential Accruals and was told that those figures were captured under Account 8840-2-0000-40-4460-4950 Other Gas Revenue at or around the 3rd quarter of 2019, the Residential Accruals were being directly posted to their respective residential accounts, 8840-2-0000-40-4295-4802/4803. Audit verified this change by reviewing the Accrued Revenue calculation and entry for January 2020.

Keene

The Accrued Revenue reflected on the general ledger at December 31, 2019 was \$302,525 in the account #8843-2-0000-10-1162-1730. The reported balance at the beginning of the test year was \$355,452. The net activity for the year is reflective of the following revenue accounts:

8843-2-0000-40-4295-4801 Metered Sales to Residential-Fixed
8843-2-0000-40-4295-4802 Metered Sales to Residential- Variable
8843-2-0000-40-4295-4803 Metered Sales to Residential- Pass Through
8843-2-0000-40-4295-4814 Metered Sales to Commercial- Variable
8843-2-0000-40-4295-4815 Metered Sales to Commercial- Pass Through

In addition, the general ledger indicated that the accrued revenue entry is made at the end of the month by crediting the appropriate revenue account and debiting the 1730 Accrued Revenue account. On the next day (first day of next month), the entry is reversed by debiting the appropriate revenue account and crediting the 1730 Accrued Revenue account.

Audit requested and was provided with the calculation for unbilled / accrued revenue at month end January 2019 and 2020. The package provided reflects a rolling calculation of volumes, cost of gas and margin rates. Audit verified mathematical accuracy of the calculations and as with EnergyNorth, verifies that as of January 2020, the revenue was credited to the appropriate account rather than all to 8843-2-0000-40-4460-4950.

Miscellaneous Service Revenue
EnergyNorth/Keene

8840-2-0000-40-4460-4880 Miscellaneous Service Revenue	\$1,183,486
8843-2-0000-40-4460-4880 KN Miscellaneous Service Revenue	<u>\$14,290</u>
Total	\$1,197,776

Audit verified the 12/31/2019 GL balance from the 1604.01(a)(1)(a)PL and RR-EN-2 on the Filing and annual report for EnergyNorth/Keene without exception. In accounts, 8840-2-0000-40-4460-4880 and 8843-2-0000-40-4460-4880 there were thousands of entries for \$20 apiece. These entries were spread over the entire year and did not cease during the winter moratorium.

Audit requested clarification of similar \$20 charges due to GL notations marking these charges as many were coded CCSM which the Company indicates relate to reconnection fees authorized per First Revised Tariff Page 15. The Company indicates this account also comprises disconnections but they are not authorized to be charged per the Tariff to charge a disconnection fee. These charges represented greater than 95% of the transactions at roughly a few thousand entries that were \$20-30 apiece. The rest of the Miscellaneous Services account is primarily Late Fees and NSF Charges. The Keene charges consisted of entries for permit fees, NSF check fees, finance charges, and new account fees.

The Company indicated they avoid double billing of customers for miscellaneous fees each month a formal review takes place that checks to see the charges (and credits) are coded properly to the correct Company. The codes are created for each Liberty Company, the CSRS System then need to select the correct one when processing the charges as they are mapped to the general ledger accounts.

Special Contracts
EnergyNorth/Keene

INGAT Gas

Liberty has stated there were three special contracts in place during the test year. The initial contract between Liberty and INATGAS was signed on April 2, 2014. The July 15, 2014 Commission Order 25,694 in DG 14-091 approved the contract. An amendment to the contract was signed on December 28, 2016, with a commencement date of December 2016 approved by Commission Order 26,002 on April 6, 2017. The amendment clarified minimum use charges and interval periods of the 15-year contract.

Audit reviewed the contract, the accompanying special rate, and the GL Revenue account detail. The only revenue activity associated with the contract was \$9,600 of rent (12x \$800 charges) recorded to 8840-2-0000-40-4295-4821-Rental Income. Liberty confirmed there was no additional activity and no “take or pay” charges recorded in 2019. Refer to the Plant Additions portion of this report for additional information.

Audit sampled the December 2019 Aged Receivables Listing for EnergyNorth/Keene and noticed there was \$398,024 owed to the Company by INAT Gas that was over 151 days old. Based on a discussion with the Company in order to protect the Company from liability withdrawal of \$607,116 the INAT escrow account is in the process of being setup and should be completed by the end of 2020 according to the Company Attorney.

Granite Ridge

The second special contract in force during the test year was between Granite Ridge, Calpine Energy Services, and EnergyNorth. This is a gas-fired plant in Londonderry. The original contract was signed and dated April 20, 2000 for 20 years. During 2016, an amendment was signed that transferred some of the rights of the contract from Granite Ridge to Calpine. When the contract expires, Liberty will be entering into a contract with TGP for 40,000 of the plants 130,000 Dekatherms a day capacity when it expires. Calpine now owns the gas plant.

NHDAS

The third special contract that EnergyNorth had with the NH Department of Administrative Services for installing natural gas service to 23 state buildings now that the former Concord Steam was no longer in business as of May 31, 2017. The initial contract ran from March 1, 2017 to September 30, 2018. The contract indicates that a special boiler needed to be installed by May 31, 2017 for steam service to continue as the state would be assuming responsibility for Concord Steam operations.

By the end of the contract on September 30, 2018, Liberty was to have installed the necessary piping to get natural gas service up and running. The terms of the contract indicate the price shall not exceed \$2,725,000. The contract ended on September 30, 2018 and no further amendments were signed between NHDAS and Liberty.

Audit reviewed sole source supplemental signed contract on December 20, 2019 approved by the Executive Council on December 24, 2019. The contract awarded \$569,004 for supplemental payment between NHDAS and Liberty Utilities to be paid in quarterly installments of \$142,251 to Liberty. The payments were for the work related to temporary facilities installed March 1, 2017-November 1, 2018. The reason for the payments related to contract disputes between NHDAS and Liberty Utilities. The dispute relates to NHDAS overseeing the project/scope of work and RHWHITE the contractor selected by Liberty to perform the Concord Steam Conversion work. Liberty is to be reimbursed by the state but there is a dispute over the contract concerning funding/costs particularly with Liberty Contractor RH White. The supplemental summarizes the contract as of November 2019.

<u>Description</u>	<u>Contractor</u>	<u>Amount</u>
Temp. Boiler Rental	Powerhouse Engineering and Equipment	\$1,284,710
Construction Services	RH White	\$1,319,759
Engineering	Nobis Engineering	\$71,100
Additional Cons. Costs	RH White	\$481,360
Boiler Operator Services	NRG	\$81,004
Boiler Inspection Services	Blake	\$22,360
	Subtotal	\$3,259,293
	Less: Amount to be Paid	<u>(\$2,690,289)</u>
	Balance Due	\$569,004

Audit reviewed further information regarding the NHDAS/Liberty dispute over Concord Steam conversion costs in Staff Data Request 1-4. In the response to the data request, the Company indicates they did not have any control of managing the project as this was controlled by NHDAS and they kept changing the plans/scope of the project. The Company indicated they were not responsible for any budget variances greater than 25% as they did not run the project. The response to the data requests further indicates the contract dispute regarding payment to contractor RH White as the costs were over the budgeted funds.

Audit reviewed the 2019 aged receivables report and noticed NHDAS owed the Company \$142,942 that was over 151 days old as of December 31, 2019. Audit sent a follow up inquiry as to why the NHDAS had such a large balance and the Company provide a screenshot that as of October 22, 2020 NHDAS owed \$179,353. The Company indicates this amount should be voided, as they are not actually due or past due. The Company indicates NHDAS based on researching the NHDAS account as October 30, 2020 only owes \$27,112 that is the current amount due.

Audit reviewed the revenue file provided in Staff Data Request 1-4 and noticed NHDAS owes the Company \$179,353 based on past due accounts from 2017 and 2018. The revenue file provides a summary that is seen below.

Total Not Exceed Per Order	\$2,725,000
Total Amount Spent	<u>\$4,273,495</u>
Overspending	(\$1,548,495)

Keene

There were no special contracts related to Keene.

Allowance for Uncollectable Accounts EnergyNorth/Keene

Audit verified the December 31, 2019 Allowance for Uncollectible Accounts balance \$2,032,321 included in the 2019 annual report as well as Filing Schedule 1604.01(a)(1)(a)BS to

the GL accounts 8840-2-0000-10-1102-1440 and 8843-2-0000-10-1102-1440 without exception. The Allowance for Uncollectable account was then compared to the total Customer Accounts Receivable balance in GL accounts 884x-2-0000-10-1101-1420 at the start and end of 2019:

8840-2-0000-10-1102-1440 Accumulated Prov. Uncollectable Accts.	\$2,024,078
8843-2-0000-10-1102-1440 KN Accum. Prov. Uncollectable Accts.	<u>\$8,243</u>
Total	\$2,032,321

EN/KN Bad Debt Calculations

	<u>Start of 2019</u>	<u>End of 2019</u>
EN Allowance for Bad Debt	\$2,037,148	\$2,024,078
KN Allowance for Bad Debt	<u>\$9,127</u>	<u>\$8,243</u>
Total	\$2,046,276	\$2,032,321
EN Customer Accounts Receivable	\$20,684,188	\$18,211,536
KN Customer Accounts Receivable	<u>\$270,692</u>	<u>\$177,892</u>
Total	\$20,954,880	\$18,389,428
EN Bad Debt Percentage	9.85%	11.10%
KN Bad Debt Percentage	3.37%	4.63%
Combined	9.70%	11.00%

Audit notes the percentage of Bad Debts to Customer Accounts Receivable for the prior DG 17-048 rate case for EnergyNorth were 17.9% and 19.7% when comparing the start of 2016 to the end of 2016. The 9.85% and 11.1% bad debt rates for the start and end of 2019 are significantly lower. The same is true of Keene that in the prior rate case indicated the bad debt allowance was 13% for 2016. The 4.63% bad debt rate to end 2019 is much better for Keene. The Company attributes the lower bad debt due to a better economy and Company efforts at collecting past due large customer balances.

Bad Debt Expense EnergyNorth/Keene

8840-2-9865-80-8660-9040 Uncollectable Accounts	\$1,656,799
8843-2-9865-80-8660-9040 KN Uncollectable Accounts	<u>\$23,971</u>
Total	\$1,680,770

Audit verified the reported total expense of \$1,680,770 as seen in the GL accounts 8840-2-9865-80-8660-9040 and 8843-2-9865-8660-9040 to the 2019 annual report and 1604.01(a)(1)(a)PL Filing Schedule without exception. Audit also reviewed the account and associated entries within the account. Typical entries included debits to adjust the Bad Debt Provision with an equal credit to the Accumulated Provision for Uncollectable Accounts during 2019. Below is a sample entry from July 2019 for EnergyNorth.

Trans Date	Acct	Acct. Description	Debit	Credit
07/31/2019	8840-2-9865-80-8660-9040	Uncollectable Accts	\$56,406	
	8840-2-0000-10-1102-1440	Accum. Prov. Uncoll. Accts		\$56,406

Audit requested information regarding the calculation of the monthly bad debt expense and allowance for uncollectible account entries and EnergyNorth provided the following explanation: *“At month end the ATB for customer account is run. The balance in each aging bucket is placed into a spreadsheet to calculate the amount of provision needed based on the % of likelihood of being uncollectible. This amount is then compared to the balance in the provision account and an entry is made to adjust the provision on the GL to reflect the new balance needed in that account.”* The Excel file provided by the Company for the July 2019 Bad Debt calculation indicates the Weighted Bad Debt was 1.09%. This is in compliance with Tariff Page 17.

Other entries included a debit to the uncollectible accounts expense account with credits to the deferred bad debt Winter COG described as asset to liability reclassification and monthly carrying charges.

Audit also reviewed the expense amounts for the last three years to give perspective to 2019. The following lists those amounts and the consistency of the 2019 expense total for EnergyNorth.

2017	\$1,043,925
2018	\$1,146,873
2019	\$1,656,799

Keene

Audit verified the reported total expense of \$23,971 as found in the 1604.01(a)1)(a) PL Filing to the Company's GL account # 8843-2-0000-80-8660-9040-Uncollectible Account Expense account without exception. Audit also reviewed the account and associated entries within the account. Audit sampled the July 2019 calculation that resulted in a 0.82% Weighted Bad Debt. This complies with Tariff Page 17. Typical entries included debits to adjust the Bad Debt Provision with an equal credit to the Accumulated Provision for Uncollectable Accounts as seen here:

Trans Date	Acct	Acct. Description	Debit	Credit
07/31/2019	8843-2-9865-80-8660-9040	Uncollectable Accts	\$1,047	
	8843-2-0000-10-1102-1440	Accum. Prov. Uncoll. Accts		\$1,047

Audit also reviewed the expense amounts for the last three years to give perspective to 2019. The following lists those amounts and the reasonableness of the 2019 expense total.

2017	\$38,156
2018	\$6,011
2019	\$23,971

Write Off Policy

Audit reviewed the Liberty Utilities Company Uncollectable Accounts/Bad Debt Write off Policy Procedures Manual from December 2017. The bad debt expense rate is different for each utility and is calculated as the Annual Budgeted Bad Debt Expense divided by the Annual Budgeted Gross Revenue. The budgeted bad debt expense is based on past budgeted amounts, collections estimates, forecasts, and regulatory requirements.

The manual indicates the aged receivables report is to be reviewed quarterly to reconcile accounts and checks bad debt amounts for reasonableness. Other items reviewed during the quarterly bad debt review are any collectability issues, at risk customers, and the collectability of any deposited amounts. The document does not mention anything about turning over collections for past due accounts to third parties.

The Company indicated Collections Staff request aging reports that go through excessive balances on inactive accounts. The Company indicated they have accounts that do not show up in routine write-offs because the account has previously been written off and recalled. These accounts typically require a manual write-off performed by collections staff. The Collections Staff pulls an aging list monthly on past due account balances.

The Collection Staff monitors the top 25 accounts that are both over 61 days and 151 days past due. These past due balances are a priority for the Company collection. The Company then goes through the remainder of the aging report to make monthly collection calls.

The Collections Supervisor approves all write-offs at the end of the month during the routine normal course of business. Any manual write-offs go through finance. When a customer balance is written off, it is being sent to the Allied Collection Agency to be collected on.

Customer Bills - Due Dates - EnergyNorth/Keene

Audit reviewed 18 customer invoices for compliance with the applicable Tariff and PUC 1200 Rules concerning billing and due dates. In all 18 invoices reviewed, the due date as printed on the invoice was not less than 25 days from the bill date. Audit has compiled the following table from the invoices to display the dates found. Specifically, the span of days between the Bill Date and the Due Date was 27 or 28 days.

Last Service Date	Bill Date	Due Date	Last Service Date	Bill Date	Due Date
12/4/2019	12/9/2019	1/6/2020	12/23/2019	12/27/2019	1/24/2020
12/4/2019	12/9/2019	1/6/2020	12/23/2019	12/27/2019	1/24/2020
12/4/2019	12/9/2019	1/6/2020	12/20/2020	12/27/2019	1/24/2020
12/4/2019	12/9/2019	1/6/2020	11/26/2019	12/5/2019	1/2/2020
12/4/2019	12/9/2019	1/6/2020	3/11/2019	3/11/2019	4/8/2019
12/4/2019	12/9/2019	1/6/2020	12/5/2019	12/10/2019	1/7/2020
12/4/2019	12/9/2019	1/6/2020	12/3/2019	12/6/2019	1/3/2020
12/12/2019	12/17/2020	1/14/2020	11/13/2019	11/16/2019	12/13/2019
12/23/2019	12/27/2019	1/24/2020	12/5/2019	12/10/2019	1/7/2020

Customer Invoices Tariff Test EnergyNorth/Keene

Audit selected for review 18 customer accounts and asked for the invoice the customer would have seen in order to verify the balance and current charges including the tariffs in place at that time. All invoices were selected from a list generated from the Aged Trial Balance (ATB) as of December 31, 2019. The majority of the bills are from winter, however due to rolling billing cycles, the bill and due dates are not the same on all invoices.

Each selected customer was chosen for one or more of the following reasons as found on the customer list forwarded to PUC Audit: credit balance, amount currently due or past due, large dollar amount due or vacancy at service address. A review of the invoices follows.

Residential Invoices

Audit requested and reviewed a total of 7 R3 (Residential Heating) invoices from the test year period of 1/1/2019 – 12/31/2019.

Minimum Charge/Distribution Charge for R-3

The minimum charge is \$0.5066 per day or \$15.20 per 30-day month for residential customers. The minimum customer charge is the fixed cost regardless of usage that covers metering, billing, and account maintenance. The distribution charges consist of operating and maintaining the natural gas piping system that delivers gas to customers' homes. Audit verified the customer usage multiplied by the distribution rate was correctly done and in compliance with the tariff.

Other Delivery Charges for R-3-

This includes the Local Delivery Adjustment most recently set on November 1, 2019 for the invoices sampled. The LDAC includes environmental remediation, energy efficiency,

RDAF, and rate case expenses. Audit verified the correct therm usage multiplied by the correct LDAC rate was properly calculated.

Gas Supply Charge for R-3:

The gas supply charge consists of purchasing, storing, and the transmission of gas through interstate pipelines. Audit reviewed the Gas Supply charges for all seven residential invoices. In each case, the Gas supply charge was a blended rate as all bills crossed over rate change periods the summer season that runs May-October and the winter season November-April of each year. Audit verified the correct rate complied with the Tariff.

Normal Weather Adjustment for R-3

This charge represents decoupling that first began in November 2018 that is a credit or charge to account for warmer or colder than normal weather during the winter billing period that runs November-April of each year. This charge is not done in the summer season. Audit verified the Heating Degree Days based on the 30-year average usage to the actual customer usage were calculated correctly.

Commercial Invoices

The first four invoices were from the G41 Rate class (Commercial/ Industrial- Low Annual / High Winter Use) and three invoices from the G42 Rate class (Medium Annual/ High Winter Use).

G-41 Minimum Charge

This is \$1.86 per day or \$56.36 per 30-day period.

G-42 Minimum Charge

This is the 5.6363 per day or \$169.09 fixed charged per 30 day period.

Distribution Charges G41 Rate Class

The Tariff breaks out the distribution charges over the winter season that runs November-April and the summer period that runs May-October. In the winter period, the first 100 therms per 30 day month are billed at \$0.4621 per therm used. After the 100 therm usage has been reached the price is \$0.3104 per therm based on a 30 day billing period. The summer period usage per therm is based on the first 20 therms used that are billed at \$0.4621 per therm. Any over 20 therms usage is billed at \$0.3104 per therm based on 30 days usage.

Distribution Charges G42 Rate Class

The Tariff breaks out the distribution charges over the winter season that runs November-April and the summer period that runs May-October. In the winter period the first 1,000 therms per 30 day month are billed at \$0.4202 per therm used. After the 1,000 therm usage has been reached the price is \$0.2800 per therm based on a 30 day billing period. The summer period usage per therm is based on the first 400 therms used that are billed at \$0.4202 per therm. Any over 400 therms usage is billed at \$0.2800 per therm based on 30 days usage.

Other Delivery Charges for G41/G42

This includes the Local Delivery Adjustment most recently set on November 1, 2019 for the invoices sampled. The LDAC includes environmental remediation, energy efficiency, RDAF, and rate case expenses. Audit verified the correct therm usage multiplied by the correct LDAC rate was properly calculated.

Gas Supply Charge for G41/G42:

The gas supply charge consists of purchasing, storing, and the transmission of gas through interstate pipelines. Audit reviewed the Gas Supply charges for all seven commercial/industrial invoices. In each case, the Gas supply charge was a blended rate as all bills crossed over rate change periods the summer season that runs May-October and the winter season November-April of each year. Audit verified the correct rate complied with the Tariff.

Normal Weather Adjustment for G41/G42

This charge represents decoupling that first began in November 2018 that is a credit or charge to account for warmer or colder than normal weather during the winter billing period that runs November-April of each year. This charge is not done in the summer season. Audit verified the Heating Degree Days based on the 30-year average usage to the actual customer usage were calculated correctly.

Keene Invoices

Audit reviewed four Keene invoices that consisted of two residential customers and two commercial/industrial customers to verify the bills conformed to the Tariff provisions. The charges consisted of like EnergyNorth the minimum charge, distribution charges, gas supply charges, Distribution Adjustments, and Normalized Weather Adjustment charges. Audit verified the residential 43-PR3 customer class and 43-PC41 Commercial/Industrial customer classes' bills were calculated correctly without exception.

EXPENSES

The filing, Schedule RR-EN-2 demonstrates Operating Expenses of \$138,678,675 for the test year 2019. Following adjustments for Cost of Gas and LDAC, Distribution Operating Income, and Known and Measurable Adjustments (Schedule RR-EN-3), the test year at current rates operating expense total is \$69,007,472. Audit verified the test year total of \$138,678,675 to the general ledger.

	Test Year	Cost of Gas & LDAC	Distribution Operating Income	RR-EN-3	Test Year at Current Rates
Operating Expenses					
Operations and Maintenance - Gas	\$ 68,016,418	\$ (68,187,738)	\$ (171,320)	\$ (138,439)	\$ (309,759)
Operations and Maintenance - Distribution	14,187,750	-	14,187,750	182,041	14,369,791
Customer Accounting	4,011,638	983,441	4,995,080	45,731	5,040,811
Sales and New Business	663,477	-	663,477	11,141	674,618
Administrative & General	8,719,450	-	8,719,450	(530,336)	8,189,114
Depreciation and Amortization	25,339,396	(3,025,052)	22,314,344	597,567	22,911,910
Taxes other than Income Taxes	14,030,617	-	14,030,617	784,558	14,815,175
Income Taxes	3,709,928	-	3,709,928	(394,116)	3,315,812
	\$ 138,678,675	\$ (70,229,348)	\$ 68,449,327	\$ 558,145	\$ 69,007,472

Audit reviewed, in detail, all O&M journal entries in the amount of \$500 or greater. Additional detail on the review can be found in the Operations and Maintenance Gas and Distribution, Customer Accounting, Sales and New Business, and Administrative & General sections below.

Operations and Maintenance- Gas - \$68,016,418

The filed actual expenses of \$68,016,418 on Schedule RR-EN-2 and RR-EN-2-1 were verified to the following thirty specific general ledger accounts without exception:

		General Ledger	Cost of Gas & LDAC	Distribution Operating Income
8840-2-0000-51-5540-7100	Operation Supervision & Engineering	\$ 7,527		
8840-2-9853-51-5010-7100	Operation Supervision & Engineering	\$ 944,645		
8840-2-9853-51-5540-7100	Operation Supervision & Engineering	\$ 24,491		
		<hr/>		
		\$ 976,663	\$ -	\$ 976,663
8843-2-0000-51-5010-7330	Gas mixing expense - labor	\$ 185,703	\$ -	\$ 185,703
8840-2-0000-51-5444-7350	Misc Production Exp	\$ 83,587		
8840-2-9853-51-5444-7350	Misc Production Expense	\$ 177,066		
8843-2-0000-51-5444-7350	Misc Production Expense	\$ 253,601		
		<hr/>		
		\$ 514,254	\$ -	\$ 514,254
8840-2-0000-56-5210-7420	Maint of Production Eqt	\$ 47,197		
8840-2-9853-56-5210-7420	Maint of Production Equipment	\$ 72,334		
		<hr/>		
		\$ 119,531	\$ -	\$ 119,531
8840-2-0000-52-5541-8040	Natural Gas City Gate Purchases	\$ 47,274,312		
8843-2-0000-52-5541-8040	Natural Gas City Gate Purchases	\$ 1,521,000		
8840-2-0000-52-5541-8041	Natural Gas Demand Charges - Transportation	\$ 18,325,142		
8843-2-0000-52-5541-8041	Natural Gas Demand Charges - Transportation	\$ 138,626		
8840-2-0000-52-5541-8042	Deferred Gas Costs	\$ (62,510,550)		
8843-2-0000-52-5541-8042	Deferred Gas Costs	\$ (1,840,929)		
8840-2-0000-52-5541-8044	Natural Gas Capacity Release	\$ (3,695,122)		
8840-2-0000-52-5541-8045	Natural Gas Imbalances - Cashout	\$ 73,930		
		<hr/>		
		\$ (713,592)	\$ 713,592	\$ -
8840-2-0000-52-5542-8051	PGA for Residential-PGA Recoveries	\$ 39,217,486		
8843-2-0000-52-5542-8052	PGA for Residential-PGA Recoveries	\$ 410,170		
8840-2-0000-52-5542-8052	PGA for Commercial-PGA Recoveries	\$ 26,684,591		
8843-2-0000-52-5542-8053	PGA for Commercial-PGA Recoveries	\$ 1,331,984		
8840-2-0000-52-5542-8053	PGA for Industrial-PGA Recoveries	\$ 15,072		
8840-2-0000-52-5542-8054	PGA for Transportation-PGA Recoveries	\$ 27,504		
		<hr/>		
		\$ 67,686,807	\$ (67,686,807)	\$ -
8840-2-0000-52-5543-8081	Natural Gas Withdrawn from Storage	\$ 4,784,176		
8843-2-0000-52-5543-8081	Natural Gas Withdrawn from Storage	\$ 274,924		
8840-2-0000-52-5543-8082	Natural Gas Delivered to Storage	\$ (3,727,428)		
8843-2-0000-52-5543-8082	Natural Gas Delivered to Storage	\$ (117,150)		
		<hr/>		
		\$ 1,214,522	\$ (1,214,522)	\$ -
8840-2-9852-51-5010-8462	Other Expenses - LNG - Labor	\$ 263		
8840-2-9852-51-5439-8462	Other Expenses - LNG	\$ 1		
8840-2-9853-51-5439-8462	Other Expenses - LNG	\$ (1,967,735)		
		<hr/>		
		\$ (1,967,471)	\$ -	\$ (1,967,471)
Operations and Maintenance - Gas		<hr/>		
		\$ 68,016,418	\$ (68,187,737)	\$ (171,320)

Audit reviews the cost of gas related accounts as part of the annual Summer Cost of Gas audit and annual Winter Cost of Gas audit. Individual audit reports are issued for each review. As a result, detailed review of the above expense accounts was not performed as part of this rate case audit.

Audit does note that a charge of \$3,500 for a PUC violation was booked to account 8840-2-9853-51-5444-7350. This charge should be booked below the line to account 4263, Penalties.
Audit Issue #10

Operations and Maintenance- Distribution - \$14,187,750

The filed actual expenses of \$14,187,750 on Schedule RR-EN-2 and Schedule RR-EN-2-1 were verified to the following accounts:

Operation Supervision and Engineering

8840-2-0000-56-5435-8700	Operation Supervision & Engineering	\$	6,897
8840-2-9853-56-5435-8700	Operation Supervision & Engineering	\$	33,307
8840-2-9854-56-5010-8700	Operations Supervision & Engineering-Labor	\$	331,359
8840-2-9854-56-5435-8700	Operations Supervision & Engineering	\$	164,736
Total Operation Supervision and Engineering Account 870 RR-EN-2-1 Line 19		\$	536,299

The filing reflects pro-forma known and measurable adjustments of \$7,153. See RR-EN-3.

Audit reviewed the activity in the four Operation Supervision and Engineering accounts. Activity included payroll, travel and expense reimbursements, p-card payments, and reclassifications.

Audit requested supporting documentation for two journal entries from account 8840-2-9853-56-5435-8700 and one from account 8840-2-9854-56-5435-8700. Audit reviewed invoices for odorant, lawn care of right of ways, and onboarding manuals.

The invoice for the onboarding manuals totaled \$1,181 and included \$452 for gas manuals, \$491 for electric manuals and \$238 for a document. Audit recommends removing the \$491 charge for the electric manuals from account 8840-2-9854-56-5435-8700 and charging it to GSE. **Audit Issue #2**

Distribution Load Dispatching

8840-2-0000-51-5435-8710	Oper-Dist-Load Dispatching	\$	463
8840-2-9853-51-5010-8710	Oper Dist Load Dispatching	\$	575,068
Total Distribution Load Dispatching Account 871 RR-EN-2-1 Line 20		\$	575,530

The filing reflects pro-forma known and measurable adjustments of \$12,414. See RR-EN-3.

Audit reviewed the activity in the Load Dispatching accounts. All of the activity was for payroll with the exception of three journal entries for travel and expense reimbursement.

Audit did not request supporting documentation for any of the activity in the Load Dispatching accounts as payroll was reviewed separately. Payroll detail can be found in the "Payroll" section of this audit report.

Mains Services Expenses

8840-2-0000-51-5010-8740	Mains & services - Labor	\$	1,243
8840-2-0000-51-5436-8740	Mains & services expenses	\$	2,732
8840-2-9825-51-5010-8740	Mains & Services Labor	\$	87,913
8840-2-9825-51-5436-8740	Mains & Services Expense	\$	753,763
8840-2-9852-51-5010-8740	Mains & Service Labor	\$	3,336,553
8840-2-9852-51-5436-8740	Mains & Services Expense	\$	1,310,667
8840-2-9854-51-5010-8740	Mains & Service Expenses-Labor	\$	3,825
8840-2-9854-51-5436-8740	Mains & Service Expenses	\$	6,787
8843-2-0000-51-5436-8740	Mains & services expenses	\$	15,368
8843-2-9850-51-5010-8740	Mains & Service Labor	\$	68,412
8843-2-9850-51-5436-8740	Mains & Service Expenses	\$	46,047
Total Mains Services Expenses Account 874 RR-EN-2-1 Line 21		\$	5,633,309

The filing reflects pro-forma known and measurable adjustments of \$75,511. See RR-EN-3.

Audit reviewed the activity on the Mains Services Expenses accounts. Activity included payroll, Dig Safe payments, p-card payments, and others.

Audit requested supporting documentation for seven journal entries from account 8840-2-9825-51-5436-8740, four from account 8840-2-9852-51-5436-8740, and one journal entry from account 8843-2-0000-51-5436-8740. Audit reviewed the documentation requested. Detail included invoices for parts, row mowing, outside equipment and labor, cleaning services, tractor trailer driving training, NH MUST (a PUC Safety program) and other.

A \$500 charge from the PUC was booked to account 8840-2-9825-51-5436-8740. As this payment was for a violations, it should be booked below the line to account 4263, Penalties.

Audit Issue #10

Meter and House Regulator Expense

8840-2-0000-51-5437-8780	Meter & house regulator expenses	\$	246
8840-2-9852-51-5010-8780	Meter & House Regulator - Labor	\$	1,038,978
8840-2-9852-51-5437-8780	Meter & House Regulator Expenses	\$	79,084
Total Meter and House Regulator Expenses Account 878 RR-EN-2-1 Line 24		\$	1,118,308

The filing reflects pro-forma known and measurable adjustments of \$22,429. See RR-EN-3.

Refer to the Payroll portion of this report for additional detail regarding the Labor amount of \$1,038,978. Audit reviewed the activity in accounts 8840-2-0000-51-5437-8780 and 8840-2-9852-51-5437-8780. The majority of the transactions were for the monthly fleet allocations. Activity also includes p-card payments and materials and services invoice payments. Due to the immateriality of the other transactions in the account, not including fleet, Audit did not select any journal entries for review.

Customer Installations Expenses

8840-2-9852-51-5010-8790	Customer Installations - Labor	\$	594,355
8840-2-9852-51-5430-8790	Customer Installations Expense	\$	(4,701)
8843-2-0000-51-5010-8790	Customer Installations Expenses - Labor	\$	28,870
8843-2-0000-51-5430-8790	Customer Installations Expense	\$	10,768
Total Customer Installation Expenses Account 879 RR-EN-2-1 Line 25		\$	629,292

The filing reflects pro-forma known and measurable adjustments of \$13,454. See RR-EN-3.

Activity in the two labor accounts, totaling \$623,225, was reviewed within the "Payroll" sections of this audit report. Audit reviewed the activity in accounts 9940-2-9852-51-5430-8790 and 8843-2-0000-51-5430-8790. Activity included p-card payments and payments for materials and supplies.

Audit selected one journal entry from account 8843-2-0000-51-5430-8790 to review in detail. The invoice totaled \$2,500 and it was for customer installs done in August. No exception was noted.

Other Expenses

8840-2-0000-51-5435-8800	Other expenses	\$	509
8840-2-9852-51-5010-8800	Other Expenses - Labor	\$	825,714
8840-2-9852-51-5435-8800	Other Expenses	\$	719,349
8840-2-9853-51-5010-8800	Other Expenses Labor	\$	35,937
8840-2-9853-51-5435-8800	Other Expenses	\$	95,412
8843-2-0000-51-5010-8880	Other Expenses - Labor	\$	2,349
8843-2-0000-51-5435-8800	Other Expenses	\$	38,649
Total Other Expense Account 880 RR-EN-2-1 Line 26		\$	1,717,919

The filing reflects pro-forma known and measurable adjustments of \$18,651. See RR-EN-3.

Audit reviewed the activity in the Other Expense accounts and noted activity was for payroll, travel and expense payments, purchasing card, uniforms and others. Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit selected seven journal entries from account 8840-2-9852-51-5435-8800 and one from account 8843-2-0000-51-5435-8800. Audit reviewed the documentation Liberty provided. Invoices included fleet management services, car was tokens, dump truck rentals, supplies, and other.

Once invoice reviewed was for a travel & expenses reimbursement for \$1,989 for an employee's retirement. Audit recommends this expense be booked below the line. **Audit Issue #12**

Distribution Rents

Audit verified the O&M Distribution Rents expense account total of \$10,618 to general ledger account 8840-2-9852-51-5435-8810 without exception. The figure is noted on the filing as account 881 on Schedule RR-EN-2-1 line 27. The filing did not reflect any known and measurable adjustments.

\$9,768 of the \$10,618 account total was for a Pan Am Railways. Audit requested supporting documentation for one Pan Am journal entry. Documentation was provided and reflected rent payment for a Nashua gas main. No exception was noted.

Maintenance Structures and Improvements

8840-2-0000-56-5010-8860	Maint of structures & improvements - Labor	\$	3,121
8840-2-9852-56-5010-8860	Maint of Structures & Improvements - Labor	\$	112,424
8840-2-9852-56-5210-8860	Maint of Structures & Improvements	\$	17,068
8843-2-0000-56-5010-8860	Maint of Structures & Improvements - Labor	\$	4,506
8843-2-0000-56-5210-8860	Maint of Structures & Improvements	\$	10,435
Total Maintenance Supervision and Engineering Account 885 RR-EN-2-1 Line 29		\$	147,555

The filing reflects pro-forma known and measurable adjustments of \$2,592. See RR-EN-3.

Refer to the Payroll portion of this report for additional detail regarding the Labor. The \$27,503 in expenses includes monthly purchase card payments, traffic control, paving services and others. As the majority of the entries were for purchase card payments, Audit did not make additional selections to review.

Maintenance of Mains

8840-2-0000-56-5010-8870	Maint of mains - Labor	\$	722
8840-2-0000-56-5210-8870	Maint of mains	\$	36,806
8840-2-9850-56-5210-8870	Main of Mains Expense	\$	10,344
8840-2-9852-56-5010-8870	Maint of mains Labor	\$	780,896
8840-2-9852-56-5210-8870	Main of Mains Expense	\$	1,797,771
8840-2-9854-56-5010-8870	Maint of Mains-Labor	\$	11,931
8840-2-9854-56-5210-8870	Maint of Mains-Exp	\$	8,870
8843-2-0000-56-5010-8870	Maint of mains - Labor	\$	21,977
8843-2-0000-56-5210-8870	Maint of mains	\$	(8,978)
Total Maintenance of Mains Account 887 RR-EN-2-1 Line 30		\$	2,660,338

The filing reflects pro-forma known and measurable adjustments of \$17,605. See RR-EN-3.

Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit reviewed the activity in the Maintenance Mains accounts and noted activity was for payroll, police detail, traffic control and construction. Audit selected seven journal entries from account 8840-2-9852-56-5210-8870. Audit reviewed the supporting documentation provide which was for supplies, contractor services, police detail, and inspection services. No exceptions were noted.

Maintenance of Services

8840-2-0000-56-5010-8920	Maint of services - Labor	\$	58
8840-2-0000-56-5210-8920	Maint of services exp	\$	21,997
8840-2-9852-56-5010-8920	Maint of Services - Labor	\$	202,150
8840-2-9852-56-5210-8920	Maint of Services Expense	\$	229,322
8843-2-0000-56-5010-8920	Maint of services - Labor	\$	3,861
8843-2-0000-56-5210-8920	Maint of services exp	\$	4,968
Total Maintenance of Services Account 892 RR-EN-2-1 Line 32		\$	462,357

3. The filing reflects pro-forma known and measurable adjustments of \$4,448. See RR-EN-

Refer to the Payroll portion of this report for additional detail regarding the Labor.

The Expense accounts include entries relating activity was for payroll, police detail, traffic control and construction. Audit did not select and invoices to review from the 892 account.

Maintenance Meter and House Regulators

8840-2-0000-56-5010-8930	Maint of meters & house regulators - Labor	\$	145
8840-2-9852-56-5010-8930	Maint of Meters & House Regulators - Labor	\$	199,714
8840-2-9852-56-5210-8930	Maint of Meters & House Regulators Exp	\$	78,379
8843-2-0000-56-5010-8930	Maint of meters & house regulators - Labor	\$	63,695
8843-2-0000-56-5210-8930	Maint of Meters & House Regulators	\$	9,074
8843-2-9850-56-5210-8930	Maint of Meters & House Regulators	\$	12
Total Maintenance of Meters and House Regulators Account 893 RR-EN-2-1 Line 33		\$	351,020

3. The filing reflects pro-forma known and measurable adjustments of \$5,689. See RR-EN-

Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit reviewed the activity in the expense accounts. Activity reflects p-card payments, traffic control, construction and others. One journal entry from account 8840-2-9852-56-5210-8930 was selected for review. Supporting documentation for the selection was provided which showed materials and supplies being purchased. No exceptions were noted.

Maintenance of Other Equipment

8840-2-0000-56-5010-8940	Maint of other eqt - Labor	\$	339
8840-2-9852-56-5010-8940	Maint of Other Eqt Labor	\$	88,270
8840-2-9852-56-5210-8940	Maint of other Equip Exp	\$	246,283
8843-2-0000-56-5010-8940	Maint of other Equip -Labor	\$	8,440
8843-2-0000-56-5210-8940	Maint of other Equip Exp	\$	1,874
Total of Maintenance of Other Equipment Account 894 RR-EN-2-1 Line 34		\$	345,205

The filing reflects pro-forma known and measurable adjustments of \$2,095. See RR-EN-3.

Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit reviewed the O&M Maintenance of Other Equipment expense detail. Transactions included materials and supplies, purchase card payments, freight expenses and other. Audit reviewed the activity in the expense accounts and selected seven journal entries from account 8840-2-9852-56-5210-8940. Audit reviewed the supporting documentation which shows the charges were for maintenance on machinery, parts, and tools. No exceptions were noted.

Customer Accounting

The filed actual expenses of \$4,011,638 on Schedule RR-EN-2 and RR-EN-2-1 and the known and measurable adjustments of \$983,441 were verified to the following accounts:

Supervision

Audit verified the Supervision expense account total of \$243,201 to general ledger account 8840-2-9865-69-5010-9010 without exception. The figure is noted on the filing as account 901 on Schedule RR-EN-2-1 line 39. The filing did not reflect any known and measurable adjustments.

All activity contained in this account was related to payroll. Please refer to the Payroll portion of this report for additional detail.

Meter Reading Expenses

8840-2-0000-69-5010-9020	Meter reading expenses - labor	\$	430
8840-2-9852-69-5010-9020	Meter Reading - Labor	\$	247,853
8840-2-9852-69-5250-9020	Meter Reading Expenses	\$	18,719
8840-2-9866-69-5010-9020	Meter Reading Expenses - Labor	\$	27,293
8840-2-9866-69-5250-9020	Meter Reading Expenses	\$	6,929
8843-2-0000-69-5010-9020	Meter Reading Expenses - Labor	\$	22,147
Total Meter Reading Expense Account 902 RR-EN-2-1 Line 40		\$	323,371

Refer to the Payroll portion of this report for additional detail regarding the Labor

Audit reviewed the Meter Reading accounts and the majority of the expenses were for payroll. Approximately 8.5% of the expenses booked to the 902 account were for non-payroll items, Audit did not select any journal entries from the accounts for further review.

Customer Records and Collections

8840-2-0000-69-5010-9030	Customer records and collection expenses - labor	\$	1,050
8840-2-0000-69-5250-9030	Customer records and collection expenses	\$	4,802
8840-2-9852-69-5010-9030	Customer Records & Collection Labor	\$	131,386
8840-2-9852-69-5250-9030	Customer Records & Collection Expenses	\$	2,871
8840-2-9865-69-5010-9030	Customer Records & Collections Expenses - Labor	\$	1,434,544
8840-2-9865-69-5250-9030	Customer Records & Collections Expenses	\$	1,129,434
8840-2-9866-69-5010-9030	Customer Records & Collections Expenses - Labor	\$	9,655
8843-2-0000-69-5010-9030	Customer Records & Collections Expenses - Labor	\$	896
8843-2-0000-69-5250-9030	Customer Records & Collections Expenses	\$	20,051
Total Customer Records and Collection Expenses Account 903 RR-EN-2-1 Line 41		\$	2,734,690

Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit reviewed the detail in the customer records and collections expense accounts. Activity included financial services technology, purchase cards, postage and other.

Audit selected one journal entry from account 9940-2-9865-69-5210-9030 to review in detail. Audit reviewed one invoice total \$1,785 for credit services and the invoice was split between ENG and GSE using the 70/30 split. No exceptions were noted.

Uncollectible Accounts

8840-2-9865-80-8660-9040 Uncollectible Accounts	\$ 1,656,800
8843-2-9865-80-8660-9040 Uncollectible Accounts	\$ 23,971
Total Uncollectible Accounts Account 904 RR-EN-2-1 Line 42	<u>\$ 1,680,770</u>

The filing does not reflect any pro-forma known and measurable adjustments. Refer to the Revenue portion of this report for additional information on the Uncollectible Accounts.

Bad Debt Expense – Commodity

Audit verified the Bad Debt expense account total of \$(983,441) to general ledger account 8840-2-0000-80-8660-9041 without exception. The figure is noted on the filing as account 904.1 on Schedule RR-EN-2-1 line 43.

The filing reflects known and measurable adjustments of \$983,441 for Cost of Gas and LDAC. Audit did not select any journal entries to review as no expenses are included in the test year.

Miscellaneous Customer Accounts Expenses

Audit verified the Miscellaneous Customer Accounts expense account total of \$13,047 to general ledger account 8840-2-9865-69-5250-9050 without exception. The figure is noted on the filing as account 905 on Schedule RR-EN-2-1 line 44.

The filing does not reflect any pro-forma known and measurable adjustments.

There was only one journal entry booked to the account in 2019 for Neighbor Helping Neighbor. Supporting documentation showed the charge was for fiscal year 2019 services and the invoice total of \$18,639 was allocated using the 70/30 split between ENG and GSE. No exception was noted.

Customer Service and Informational & Sales Expenses

The filed actual expenses of \$663,477 on Schedule RR-EN-2 and RR-EN-2-1 were verified to the following accounts:

Informational and Instructional Advertising Expenses

8840-2-9865-69-5010-9090 Info & Insr Advertising - Labor	\$ 21,409
8840-2-9865-69-5390-9090 Info & Insr Advertising Expense	\$ 71,881
8843-2-0000-69-5390-9090 Info & Insr Advertising Expense	\$ 2,566
Total Informational & Instructional Advertising Account 909 RR-EN-2-1 Line 49	<u>\$ 95,856</u>

The filing does not reflect any pro-form know and measurable adjustments. Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit review the expense detail booked to the Information and Instructional Advertising Expense accounts. Activity included payments for education and community awareness programs, purchase card payments, travel and expense reimbursements and other. Audit selected one journal entry from account 8840-2-9865-69-5390-9090 to review in detail. Audit reviewed documentation showing that the journal entry selected was for scratch and sniff billing inserts for June. The invoice totaled \$5,624 and only the gas portion of the invoice, \$5,510 was charged to ENG. No exception was noted.

Customer Service Miscellaneous

Audit verified the Customer Service Miscellaneous expense account total of \$15,180 to general ledger account 8840-2-9865-69-5390-9100 without exception. The figure is noted on the filing as account 910 on Schedule RR-EN-2-1 line 50.

All activity in the account was for monthly rent payments paid to Ciborowski Family Trust. Payments were for rent for the months on January, February, April, May, June and December of 2019. Per ENG, these rent payments were misclassified and should have been charged to 9310, Rents. See the Leases section above and Audit Issue # 10 for more information.

Sales and Advertising

8840-2-0000-69-5010-9120	Demonstrating & selling exp (Major only)-Labor	\$	112
8840-2-9867-69-5010-9120	Demonstrating & Selling Exp Labor	\$	418,267
8840-2-9867-69-5390-9120	Demonstrating & Selling Expense	\$	31,281
Total Sales and Advertising Account 912 RR-EN-2-1 Line 51		\$	449,660

Refer to the Payroll portion of this report for additional detail regarding the Labor.

Audit reviewed the general ledger activity for the Demonstrating & Selling Expense account 8840-2-9867-69-5390-9120. 57%, or \$17,933, of the activity in the account was paid to Liberty Service Corp. Due to the immateriality of the other activity, totaling \$13,348, in the expense account, Audit did not select any journal entries to review in detail.

Advertising Expenses

8840-2-0000-69-5390-9130	Advertising Expenses	\$	(30)
8840-2-9865-69-5390-9130	Advertising Expenses	\$	26,514
Total Advertising Expenses Account 913 RR-EN-2-1 Line 52		\$	26,484

Audit reviewed the activity in the two expense accounts which contained payments to marketing agencies, graphic agencies, radio companies and others.

Audit selected three journal entries from account 8840-2-9865-69-5390-9130 to review in detail. Audit reviewed the documentation which was for radio ads, advertising for the 2019 baseball season and a Best of NH even sponsorship. **Audit Issue #12**

Miscellaneous Sales Expense

Audit verified the Miscellaneous Sales Expense account total of \$76,299 to general ledger account 8840-2-9867-69-5010-9160 without exception. The figure is noted on the filing as account 916 on Schedule RR-EN-2-1 line 53.

All activity booked to the account was for labor. Please see the Payroll portion of this audit report for additional detail.

Administrative and General

The filed actual expenses of \$8,719,450 on Schedule RR-EN-2 and RR-EN-2-1 were verified to the following general ledger accounts without exception:

Administrative and General Salaries

Audit verified the Administrative and General expense total to the following general ledger accounts:

8840-2-9800-69-5010-9200	A&G salaries - IT	\$	28,176
8840-2-9810-69-5010-9200	A&G salaries - HR	\$	198,599
8840-2-9810-69-7030-9200	LTIP Expense	\$	252,311
8840-2-9812-69-5010-9200	L&D Salaries	\$	29,954
8840-2-9815-69-5010-9200	A&G Salaries - Environmental/Health& Safety	\$	245,034
8840-2-9820-69-5010-9200	A&G salaries - Finance and Admin	\$	281,288
8840-2-9823-69-5010-9200	A&G salaries - Legal	\$	155,103
8840-2-9825-69-5010-9200	A&G Salaries - Purchasing	\$	139,159
8840-2-9830-69-5010-9200	A&G salaries - Regulatory	\$	434,026
8840-2-9850-69-5010-9200	A&G salaries - Operations	\$	104,447
8840-2-9860-69-5010-9200	A&G salaries - Executive	\$	472,950
8840-2-9865-69-5010-9200	Admin Labor	\$	25,710
8840-2-9868-69-5010-9200	Admin & General Salaries	\$	44,693
8843-2-9850-69-5010-9200	A&G salaries - Operations	\$	278,681
Total A&G Salaries Account 920 RR-EN-2-1 Line 58		\$	2,690,132

Audit reviewed the activity in the Administrative and General Salaries as part of the payroll review. See the section titled Payroll below for more information.

Administrative and General Salaries – LU Head Office

Audit reviewed all of the activity in the Administrative and General Salaries - LU accounts. Activity in the accounts were for payments to Liberty Utilities Canada, Liberty Utilities Service Corp, and Algonquin. Additional details can be found in the section titled Payroll below.

8840-2-9830-69-5010-9201	A&G Salaries - Regulatory LU Headoffice	\$	36,051
8840-2-9835-69-5010-9201	A&G Salaries LUC Energy procurement	\$	26,621
8840-2-9850-69-5010-9201	A&G Salaries - Operations LU Headoffice	\$	54,707
8840-2-9865-69-5010-9201	A&G Salaries - Customer Service LU Headoffice	\$	44,762
8840-2-9868-69-5010-9201	A&G Salaries-LUC Strategic plan lab alloc	\$	1,831
8840-2-9860-69-5010-9202	A&G Salaries - Executive APUC Headoffice	\$	491,563
8840-2-9800-69-5010-9204	A&G Salaries-IT LABS Head Office	\$	2,525
8840-2-9801-69-5010-9204	A&G Salaries - Transition LABS Headoffice	\$	105,879
8840-2-9810-69-5010-9204	A&G Salaries-HR LABS Head Office	\$	14,802
8840-2-9811-69-5010-9204	A&G Salaries - Payroll&HRIS LABS Headoffice	\$	13,899
8840-2-9812-69-5010-9204	A&G Salaries - Training&DevLABS Headoffice	\$	37,642
8840-2-9815-69-5010-9204	EHSS LABS Labor Corp. Account	\$	30,827
8840-2-9817-69-5010-9204	A&G Salaries - Comm LABS Head office	\$	30,558
8840-2-9821-69-5010-9204	LABS CAN ERM LABOR	\$	10,694
8840-2-9823-69-5010-9204	LABS CAN LEGAL LABOR	\$	8,631
8840-2-9825-69-5010-9204	A&G Salaries - Purchasing LABS Headoffice	\$	11,886
8840-2-9827-69-5010-9204	LABS CAN LEGAL LABOR	\$	63,668
8840-2-9860-69-5010-9204	A&G Salaries - Executive LABS Headoffice	\$	38,207
8840-2-9800-69-5010-9205	LABS CAN CORP IT LABOR	\$	26,267
8840-2-9820-69-5010-9205	LABS Corporate Service Labour allocation	\$	195,819
8840-2-9822-69-5010-9205	LABS Corporate Service Labour allocation	\$	32,264
8840-2-9823-69-5010-9205	LABS Corporate Service Labour allocation	\$	32,209
8840-2-9824-69-5010-9205	LABS Corporate Service Labour allocation	\$	6,379
8840-2-9828-69-5010-9205	A&G Salaries-LABS Compliance	\$	10,514
8840-2-9870-69-5010-9205	LABS Corporate Service Labour allocation	\$	15,511
8840-2-9800-69-5010-9206	LABS US Bus lab alloc-Corp IT	\$	87,957
8840-2-9815-69-5010-9206	LABS US Bus lab alloc-EHSS	\$	34,613
8840-2-9820-69-5010-9207	LABS US Corp lab alloc-Finance	\$	64,416
8840-2-9823-69-5010-9207	LABS US Corp lab alloc-Legal	\$	4,384
8840-2-9824-69-5010-9207	LABS US Corp lab alloc-Internal Audit	\$	99,103
8840-2-9827-69-5010-9207	LABS US Corp lab alloc-FP&A	\$	344
8840-2-9828-69-5010-9207	LABS US Corp lab alloc-Compliance	\$	15,405
8840-2-9816-69-5010-9208	LU Corp US Governance labor	\$	1,230
8840-2-9835-69-5010-9208	LU Corp US Energy Procurement labor	\$	374,102
8840-2-9850-69-5010-9208	LU Corp US Operations labor	\$	387,062
8840-2-9810-69-5010-9209	East Region Labor - HR	\$	106,289
8840-2-9815-69-5010-9209	East Region Labor - EHS	\$	5,954
8840-2-9820-69-5010-9209	East Region Labor - Finance	\$	279,711
8840-2-9823-69-5010-9209	East Region Labor - Legal	\$	13,814
8840-2-9835-69-5010-9209	East Region Labor -Energy Procurememt	\$	20,298
8840-2-9840-69-5010-9209	Regional Labor	\$	57,554
8840-2-9860-69-5010-9209	LU Region labor	\$	80,964
8840-2-9865-69-5010-9209	East Region Labor Customer Service	\$	151,563
Total A&G Salaries LU Head Office Account 920 RR-EN-2-1 Line 59		\$	3,128,482

Office Supplies and Expenses

8840-2-0000-69-5130-9210	Office supplies and expenses	\$	495
8840-2-9800-69-5130-9210	Office Supplies-IT	\$	113,695
8840-2-9810-69-5130-9210	Office Supplies-HR	\$	37,725
8840-2-9812-69-5131-9210	L&D Office Supplies & Exp	\$	2,325
8840-2-9815-69-5130-9210	Office Supplies-Environmental/Health& Safety	\$	107,602
8840-2-9820-69-5130-9210	Office Supplies-Finance and Admin	\$	47,611
8840-2-9823-69-5130-9210	Office Supplies-Legal	\$	16,783
8840-2-9825-69-5130-9210	Office Supplies-Purchasing	\$	25,891
8840-2-9830-69-5130-9210	Office Supplies-Regulatory	\$	27,630
8840-2-9835-69-5130-9210	Office Supplies-Energy Procurement	\$	133,053
8840-2-9850-69-5130-9210	Office Supplies-Operations	\$	10,534
8840-2-9852-69-5130-9210	Office Supplies	\$	18,148
8840-2-9853-69-5130-9210	Office Supplies & Exp	\$	3,434
8840-2-9854-69-5130-9210	Office Supplies & Expenses	\$	4,708
8840-2-9860-69-5130-9210	Office Supplies - Executive	\$	24,812
8840-2-9865-69-5130-9210	Office Supplies-Customer service	\$	9,564
8840-2-9867-69-5130-9210	Office Supplies	\$	3,027
8840-2-9868-69-5130-9210	Office Supplies Strategic Plan	\$	491
8843-2-0000-69-5130-9210	Office supplies and expenses	\$	44,930
8843-2-9850-69-5130-9210	Office Supplies	\$	1,329
8840-2-9800-69-5131-9211	Travel-IT	\$	4,736
8840-2-9810-69-5131-9211	Travel-HR	\$	6,520
8840-2-9815-69-5131-9211	Travel-EHSS	\$	20,805
8840-2-9820-69-5131-9211	Travel-Finance	\$	6,846
8840-2-9823-69-5131-9211	Travel	\$	18
8840-2-9824-69-5131-9211	Travel - Internal Audit	\$	2,449
8840-2-9825-69-5131-9211	Travel - Procurement	\$	109
8840-2-9830-69-5131-9211	Travel-Regulatory	\$	6,116
8840-2-9835-69-5131-9211	Travel - Energy Procurement	\$	6,875
8840-2-9840-69-5131-9211	Regional Travel	\$	4,951
8840-2-9850-69-5131-9211	Travel-Operations	\$	8,525
8840-2-9852-69-5131-9211	Travel	\$	2,521
8840-2-9853-69-5131-9211	Travel	\$	5,904
8840-2-9854-69-5131-9211	Travel	\$	18,738
8840-2-9860-69-5131-9211	Travel	\$	29,417
8840-2-9865-69-5131-9211	Travel-Customer Service	\$	(7,464)
8840-2-9867-69-5131-9211	Travel	\$	14,583
8840-2-9868-69-5131-9211	Travel	\$	2,465

8840-2-0000-69-5131-9212	Utilities	\$	(357)
8840-2-9810-69-5131-9212	Utilities - HR	\$	14,232
8840-2-9815-69-5131-9212	Utilities - EHSS	\$	28,140
8840-2-9820-69-5131-9212	Utilities - Finance	\$	46,764
8840-2-9823-69-5131-9212	Utilities - Legal	\$	8,133
8840-2-9825-69-5131-9212	Utilities - Procurement	\$	16,266
8840-2-9830-69-5131-9212	Utilities - Regulatory	\$	12,199
8840-2-9835-69-5131-9212	Utilities - Energy Procurement	\$	28,465
8840-2-9860-69-5131-9212	Utilities - Executive/ Business Development	\$	18,299
8843-2-0000-69-5131-9212	Utilities - Keene	\$	16,629
8840-2-9800-69-5131-9213	Communications - IT	\$	681,254
8840-2-9815-69-5131-9213	Communication	\$	2,871
8840-2-9850-69-5131-9213	Communication	\$	18,299
8840-2-9853-69-5131-9213	Communication	\$	145,726
8840-2-9854-69-5131-9213	Communication	\$	1,875
8840-2-9868-69-5131-9213	Communication	\$	2,117
8843-2-0000-69-5131-9213	Communications - IT	\$	23,237
8840-2-9810-69-5131-9214	Dues & Membership Fees	\$	11,437
8840-2-9815-69-5131-9214	Dues & Membership Fees	\$	5,973
8840-2-9820-69-5131-9214	Dues & Membership Fees	\$	364
8840-2-9852-69-5131-9214	Dues & Membership Fees	\$	4,694
8840-2-9854-69-5131-9214	Dues & Membership Fees	\$	37,573
8840-2-9860-69-5131-9214	Dues & Membership Fees	\$	109,699
8840-2-9868-69-5131-9214	Dues & Membership Fees	\$	7,350

8840-2-9800-69-5131-9215	Training	\$	17
8840-2-9810-69-5130-9215	Office supplies & exp HR LU Headoffice	\$	46,305
8840-2-9810-69-5131-9215	Training	\$	20,143
8840-2-9811-69-5130-9215	Office Supplies & exp - Payroll&HRIS LU HO	\$	2,586
8840-2-9812-69-5131-9215	L&D Training	\$	72,567
8840-2-9815-69-5130-9215	Office Supplies & Expense EHSS LU Head Office	\$	65
8840-2-9815-69-5131-9215	Training	\$	17,643
8840-2-9820-69-5130-9215	Office supplies & exp Fin & Adm LU Headoffice	\$	33
8840-2-9820-69-5131-9215	Training	\$	341
8840-2-9823-69-5131-9215	Training	\$	668
8840-2-9824-69-5130-9215	Office Supplies & Exp - Internal Audit LU HO	\$	128
8840-2-9830-69-5130-9215	Office supplies & exp Regulatory LU Headoffice	\$	42
8840-2-9830-69-5131-9215	Training	\$	1,688
8840-2-9850-69-5131-9215	Training	\$	668
8840-2-9852-69-5131-9215	Training	\$	1,024
8840-2-9854-69-5131-9215	Training-Engineering	\$	10,791
8840-2-9860-69-5131-9215	Training	\$	1,298
8840-2-9865-69-5130-9215	Office Supplies & Exp - Customer Svc. LU OH	\$	82
8840-2-9867-69-5131-9215	Training	\$	471
8840-2-9868-69-5131-9215	Training	\$	420
8843-2-9850-69-5131-9215	Training	\$	1,080

8840-2-9800-69-5130-9216	Meals & Entertain IT LU HO	\$	249
8840-2-9810-69-5130-9216	Meals	\$	224
8840-2-9815-69-5130-9216	Meals & Entertain. EHSS LU Head Office	\$	3,905
8840-2-9820-69-5130-9216	Meals & Entertain Fin & Adm LU HO	\$	1,025
8840-2-9820-69-5131-9216	Postage	\$	972
8840-2-9823-69-5130-9216	Meals	\$	111
8840-2-9823-69-5131-9216	Postage	\$	70
8840-2-9824-69-5130-9216	Meals& Entertain - Internal Audit LU HO	\$	401
8840-2-9825-69-5130-9216	Meals	\$	169
8840-2-9830-69-5130-9216	Meals & Entertain Regulatory LU HO	\$	66
8840-2-9830-69-5131-9216	Postage	\$	89
8840-2-9835-69-5130-9216	Meals & Entertainment	\$	331
8840-2-9850-69-5130-9216	Meals & Entertain Operations LU HO	\$	709
8840-2-9852-69-5130-9216	Meals	\$	292
8840-2-9853-69-5130-9216	Meals	\$	1,580
8840-2-9854-69-5130-9216	Meals & Entertainment	\$	2,529
8840-2-9860-69-5130-9216	Meals & Entertainment - Executive LU HO	\$	5,656
8840-2-9865-69-5130-9216	Meals & Entertainment - Customer Svc.LU OH	\$	3,229
8840-2-9867-69-5130-9216	Meals	\$	2,967
8840-2-9868-69-5130-9216	Meals	\$	1,569
8840-2-9868-69-5131-9216	Postage Strategic plan	\$	7
8840-2-9860-69-5130-9217	Office supplies & exp Executive APUC Headoffice	\$	1,151
Total Office Suppliease and Expenses Account 921 RR-EN-2-1 Line 60		\$	2,214,501

Audit reviewed all of the activity in the Office Supplies accounts. Activity included meals, utilities, travel & expense reimbursements, printing and other expenses.

Audit selected seventeen journal entries from the 921 accounts. From the 9210 accounts selected, Audit reviewed the documentation provided by EnergyNorth and noted payments for employee desktop computers which are under the capitalization threshold, employee clothing, fire extinguisher maintenance, postage and others.

Two invoices reviewed, for legal services, and training on how to deal with dog encounters, for \$6,890 and \$2,491 respectively, should be charged to outside services. **Audit Issue #10**

Audit also reviewed a travel and expenses reimbursement booked to account 9211, an annual membership booked to account 9214 and training course booked to account 9215.

Two additional invoices reviewed that were booked to account 9214, Dues and Membership Fees, were for an instructor lead training and PUC violation payments. These items

should be reclassified to account 9230, outside services for \$1,670 and 4263, Penalties for \$3,000. **Audit Issue #10**

Administrative Expenses Transferred

8840-2-9800-69-5010-9220	Admin Exp Tran CR - Credit IT	\$ (1,915)
8840-2-9800-69-5200-9220	Admin Expenses Transferred - Credit IT	\$ (146,602)
8840-2-9810-69-5010-9220	Admin Exp Tran CR - Credit HR	\$ (3,810)
8840-2-9810-69-5200-9220	Admin Expenses Transferred - Credit HR	\$ (145,427)
8840-2-9812-69-5200-9220	Admin Exp Transferred Credit- L&D	\$ (7,228)
8840-2-9815-69-5010-9220	Admin Exp Tran CR - Credit EH&S	\$ (12,754)
8840-2-9815-69-5200-9220	Admin Expenses Transferred - Credit	\$ (128,651)
8840-2-9820-69-5010-9220	Admin Exp Tran CR - Credit Finance	\$ (89,235)
8840-2-9820-69-5200-9220	Admin Expenses Transferred - Credit Finance	\$ (1,080,982)
8840-2-9823-69-5010-9220	Admin Exp Tran CR - Credit Legal	\$ (31,591)
8840-2-9823-69-5200-9220	Admin Expenses Transferred - Credit	\$ (239,188)
8840-2-9825-69-5010-9220	Admin Exp Tran CR - Credit Purchasing	\$ (194,963)
8840-2-9825-69-5200-9220	Admin Expenses Transferred - Credit Purchasing	\$ (498,656)
8840-2-9830-69-5010-9220	Admin Exp Tran CR - Credit Regulatory	\$ (63,761)
8840-2-9830-69-5200-9220	Admin Expenses Transferred - Credit	\$ (91,595)
8840-2-9835-69-5200-9220	Admin Expenses Transferred - Credit EE	\$ (756,401)
8840-2-9840-69-5200-9220	Admin Expenses Transferred - Credit BD	\$ (132,984)
8840-2-9850-69-5200-9220	Admin Expenses Transferred - Credit Oper	\$ (367,766)
8840-2-9852-69-5010-9220	Admin Credit	\$ (5,377)
8840-2-9852-69-5200-9220	Admin Credit	\$ (5,251,902)
8840-2-9853-69-5200-9220	Admin Expense Transferred	\$ (900,953)
8840-2-9854-69-5010-9220	Admin Exp Tran CR - Credit Engineering	\$ (16,166)
8840-2-9854-69-5200-9220	Admin Expenses Transferred - Credit Engineering	\$ (755,238)
8840-2-9860-69-5010-9220	Admin Exp Tran CR - Credit Exec	\$ (203,982)
8840-2-9860-69-5200-9220	Admin Expenses Transferred - Credit Exec	\$ (902,408)
8840-2-9865-69-5200-9220	Admin Expenses Transferred - Credit Customer Care	\$ (564,524)
8840-2-9866-69-5200-9220	Admin Expenses Transferred - Credit	\$ (16,533)
8840-2-9867-69-5010-9220	Admin Exp Tran CR - Credit Sales	\$ (315,850)
8840-2-9867-69-5200-9220	Admin Expenses Transferred - Credit Sales	\$ (437,285)
8840-2-9868-69-5010-9220	Admin Exp Transferred - Credit	\$ (17,177)
8840-2-9868-69-5200-9220	Admin Expenses Transferred - Credit	\$ (57,799)
Total Administrative Expenses Transferred Account 922 RR-EN-2-1 Line 61		\$ (13,438,703)

Audit reviewed the Administrative Expenses Transferred accounts and noted that all activity was for capitalization. Expenses are classified as capital based on the job number.

LU Labor Allocations Capitalized

8840-2-0000-69-5010-9221	LU Labor Alloc Capitalized	\$ (52,602)
8840-2-0000-69-5200-9222	LU Admin Alloc Capitalized	\$ (241,016)
8840-2-0000-69-5010-9223	APUC Labour Alloc Capitalized	\$ (157,693)
8840-2-0000-69-5200-9223	APUC Admin Alloc Capitalized	\$ (307,755)
8840-2-0000-69-5010-9224	LABS Labour Captil	\$ (118,445)
8840-2-0000-69-5200-9224	LABS Admin Alloc Capitalized	\$ (269,393)
8840-2-0000-69-5010-9225	LABS Corp. Service Labor Alloc Capitalized	\$ (102,303)
8840-2-0000-69-5200-9225	LABS Corp. Service admin Alloc Capitalized	\$ (276,746)
8840-2-0000-69-5010-9226	LABS US Bus labor capitalized	\$ (32,899)
8840-2-0000-69-5200-9226	LABS US Bus admin capitalized	\$ (74,576)
8840-2-0000-69-5010-9227	LABS US Corp labor capitalized	\$ (43,937)
8840-2-0000-69-5200-9227	LABS US Corp admin capitalized	\$ (131,739)
8840-2-0000-69-5010-9228	LU Corp US Lab capitalized	\$ (221,477)
8840-2-0000-69-5200-9228	LU Corp US Admin capitalized	\$ (97,365)
8840-2-0000-69-5010-9229	LU Region Lab capitalized	\$ (229,740)
8840-2-0000-69-5200-9229	LU Region Admin capitalized	\$ (577,984)
Total LU Labor Allocations Capitalized Account 922.1 RR-EN-2-1 Line 62		\$ (2,935,673)

The Admin accounts were reviewed and it was noted that activity was for capitalization based on job numbers. No journal entries were selected for review.

Outside Services Employed

8840-2-9800-69-5200-9230	Outsided services-IT	\$	118,172
8840-2-9801-69-5200-9230	Outside Services - Transition	\$	13,876
8840-2-9810-69-5200-9230	Outsided services-HR	\$	169,217
8840-2-9812-69-5200-9230	L&D Outside Services	\$	5,098
8840-2-9815-69-5200-9230	Outsided services-Environmental/Health& Safety	\$	70,024
8840-2-9820-69-5200-9230	Outsided services-Finance and Admin	\$	130,000
8840-2-9823-69-5200-9230	Outsided services-Legal	\$	102,873
8840-2-9824-69-5200-9230	Outside Services - Internal Audit	\$	47
8840-2-9830-69-5200-9230	Outsided services-Regulatory	\$	99,851
8840-2-9835-69-5200-9230	Outsided services-Energy Procurement	\$	216,091
8840-2-9840-69-5200-9230	Outsided services-Procurement/Supply Chain	\$	7,875
8840-2-9850-69-5200-9230	Outsided services-Operations	\$	9,774
8840-2-9852-69-5200-9230	Outside Services	\$	33
8840-2-9854-69-5200-9230	Outside Services	\$	78,000
8840-2-9860-69-5200-9230	Outsided services employed	\$	1,042
8840-2-9865-69-5200-9230	Outsided services-Customer service	\$	11,521
8840-2-9867-69-5200-9230	Outside Services	\$	14
8840-2-9868-69-5200-9230	Outside Services	\$	4,948
Total Outside Services Employed Account 923 RR-EN-2-1 Line 63		\$	1,038,455

Audit reviewed the activity in the Outside Services expense accounts. Audit notes that charges in this account include temporary employees, payments to Liberty Utilities Canada, claim payments, travel and expense payments, and other.

As the expenses charged to this account seem to cover a variety of items, not just outside services, Audit requested additional information from ENG regarding the use of this account. ENG's response noted that it is management's discretion to which account they choose when making the payment. In prior years these expenses were booked to a variety of places such as balance sheets accounts, CWIP, office supplies, mains & services, etc.

Audit selected sixteen journal entries in total to review in detail: five from account 8840-2-9810-69-52-923; four from account 8840-2-9815-69-5200-9230; one from account 8840-2-9823-69-5200-9230; two from account 8840-2-9830-69-5200-9230; three from account 8840-2-9835-69-5200-9230; and one from account 8840-2-9854-69-5200-9230. Audit reviewed documentation for a job fair, forecast database, training location rentals, background checks, and others.

Two invoice reviewed were booked to account 9230 and should be charged to other accounts; a \$78,000 payment to the PUC for violation fines should be charged to account 4263, Penalties, and a \$2,500 payment for a membership should be booked to account 9214, Dues and Membership Fees. **Audit Issue #10**

Audit reviewed three invoices from the Analysis Group in the amounts of \$99,311, \$20,367 and \$10,967 and one invoice for Vanasse Hangen Brustlin for the Lease Cost Integrated Resource Planning proceeding. **Audit Issue #11**

Audit reviewed two invoices booked to account 9230 that should be booked below the line; One invoice for Weight Watchers 26 week program in the amount of \$3,049 and one for employee recognition service awards in the amount of \$505. **Audit Issue #12**

Allocated LU Head Office

8840-2-0000-69-5200-9231	Outside services LU HO Allocations	\$	731,279
8840-2-0000-69-5200-9232	Outside services APUC HO Allocations	\$	1,050,678
8840-2-0000-69-5200-9234	LABS NonLabour Allocations	\$	679,320
8840-2-0000-69-5200-9235	LABS Corporate Service non-labour allocation	\$	970,307
8840-2-0000-69-5200-9236	LABS US Bus admin alloc	\$	231,474
8840-2-9811-69-5200-9236	LABS US Bus adm alloc-Total Rewards	\$	995
8840-2-0000-69-5200-9237	LABS US Corp admin alloc	\$	379,791
8840-2-9800-69-5200-9237	LABS US Corp Admin Allocations	\$	22
8840-2-9801-69-5200-9237	LABS US Corp Admin Alloc	\$	30
8840-2-9811-69-5200-9237	LABS US Corp Admin Allocations	\$	19,230
8840-2-9825-69-5200-9237	LABS US Corp Admin Allocations	\$	8,985
8840-2-9827-69-5200-9237	LABS US Corp Admin Allocations	\$	1,382
8840-2-9860-69-5200-9237	LABS US Corp Admin Allocations	\$	1,218
8840-2-0000-69-5200-9238	LU Corp US Admin alloc	\$	294,288
8840-2-9820-69-5200-9238	LU Corp US Admin Allocations	\$	343
8840-2-9822-69-5200-9238	LU Corp US Admin Allocations	\$	538
8840-2-9865-69-5200-9238	LU Corp US Admin Allocations	\$	8,193
8840-2-9870-69-5200-9238	LU Corp US Admin Allocations	\$	145
8840-2-0000-69-5200-9239	LU Region Admin alloc	\$	1,799,753
8840-2-9823-69-5200-9239	East Region Outside Services - Legal	\$	1,280
8840-2-9865-69-5200-9239	East Region Outside Services - Customer Service	\$	663
Total Allocated LU Head Office Account 923.1 RR-EN-2-1 Line 64		\$	6,179,915

All activity contained in 923.1 expense accounts were allocations from LABS US Corp, LU Corp, LU Head Office, APUC Head Office, etc. billings.

Audit reviewed the activity in the above noted accounts. Activity includes indirect billing from LABS Corp, LUC, APUC, etc. See the payroll portion of the audit report for a review of the APUC and Liberty Canada invoices.

Property Insurance

8840-2-9820-69-5280-9240 Insurance	\$	32,625
8843-2-0000-69-5280-9240 Insurance	\$	18,898
Total Property Insurance Account 924 RR-EN-2-1 Line 65	\$	51,523

Activity in the accounts include prepaid insurance expense and accruals and the associated reversals.

Injuries and Damages

8840-2-9820-69-5280-9250 Injuries and Damages	\$	665,363
8840-2-9823-69-5280-9250 Injuries and Damages	\$	50
8843-2-9820-69-5280-9250 Injuries and Damages	\$	148,766
Total Injuries and Damages Account 925 RR-EN-2-1- Line 66	\$	814,179

Activity in the accounts include prepaid insurance expense, general liability, and reclassifications from 8810 to 8840 and 8840 to 8843.

Cover sheets for all of the policies listed on the filing were not provided to Audit. However, it is understood that the cover sheets were requested within the context of data requests in this docket. Insurance policy information can be reviewed in Staff Data Request 2.45 and 2.46.

Employee Pensions and Benefits

8840-2-9810-69-5043-9260 Employee Pension & Benefits - 401K	\$	4,880
8840-2-9810-69-5044-9260 Group Benefits	\$	3,458,807
8843-2-9810-69-5044-9260 Group Benefits	\$	176,576
8840-2-0000-80-8551-9261 Non-service pension costs	\$	1,740,269
8840-2-0000-80-8551-9262 Non-service OPEB costs	\$	201,467
8840-2-9810-69-5043-9262 ESPP Expense	\$	40,974
8840-2-9810-69-5044-9262 FAS 106 Retiree Health Care	\$	28,192
8840-2-9820-69-5044-9262 FAS 106 (Retiree Health Care)	\$	123,269
8840-2-9810-69-5043-9263 Opt-Out Expense	\$	19,061
8840-2-9810-69-5043-9267 Pension	\$	603,584
8840-2-9820-69-5043-9267 Pension	\$	603,584
8840-2-9810-69-5043-9268 Pension Plan Expenses	\$	18,255
8840-2-9810-69-5044-9268 Group Life	\$	12,312
8840-2-9810-69-5043-9269 401K Match	\$	937,173
8843-2-9810-69-5043-9269 401K Match	\$	19,222
Total Employee Pensions and Benefits Account 926 RR-EN-2-1 Line 67	\$	7,987,623

Audit reviewed the activity in the 926 accounts. Activity included the accrual and reversal of benefits and the payroll tax and benefits clearing entry. See the Payroll Portion of this audit report for additional detail.

Regulatory Commission Expense

8840-2-9830-69-5610-9280	Regulatory Commission Expense	\$	806,833
8840-2-9868-69-5610-9280	Regulatory Comm Exp Strat Plan	\$	438
8843-2-0000-69-5610-9280	Regulatory Commission Expense	\$	6,648
Total Regulatory Commission Expenses Account 928 RR-EN-2-1 Line 68		\$	813,919

Audit reviewed the activity in the Regulatory Commission Expense accounts. The ENG January through June general ledger detail shows six months of expense booked for PUC assessment and Gas Pipeline Assessment for the monthly amounts of \$60,967 and \$12,984, respectively.

The Keene general ledger show activity for January through July in the amount of \$1,108 each. In August there is a credit booked for \$1,108 resulting in six months of activity being booked to the GL.

The July through December ENG general ledger shows six monthly charges for Energy North and Keene PUC Assessment. Three of the months payments were \$64,601 and the other three were \$49,221. There were three entries in the amount of \$5,280.33 for Gas Pipeline Assessment.

There were four additional entries booked to the 928 account; two noted they were PUC invoices and two were accounts payables. The two PUC charges in the amounts of \$3,253 and \$1,934, and one for Vanasse Hangen Brustlin in the amount of \$630 were for the IRP. **Audit Issue #11**

The fourth item was a \$438 charge for Chamber of Commerce dues in which Audit notes should be charged to account 9214, Dues and Membership Fees. **Audit Issue #10**

Audit requested supporting documentation for one journal entry from account 8840-2-9830-69-5610-9280. Audit reviewed the documentation for the \$147,664 charge payable to the PUC for the quarterly assessment. No exception was noted.

Miscellaneous General Expense

Audit verified the Miscellaneous General Expense total of \$1,146 to general ledger account 8840-2-9810-69-5615-9302 without exception. The figure is noted on the filing as account 930 on Schedule RR-EN-2-1 line 69. The filing does not reflect any pro-forma known and measurable adjustments.

Activity in the Miscellaneous General Expense account contained two journal entries; one for a purchase card payment and one for a travel and expense reimbursement. Due to the immateriality of the \$1,146 balance in the account, Audit did not select either entry to review in detail.

Rents

8840-2-0000-69-6125-9310	Rental Expense - Intercompany	\$	76,180
8840-2-9823-69-5110-9310	Rent Expense	\$	15,068
8840-2-9860-69-5110-9310	Rent Expense	\$	8,621
8840-2-9865-69-5110-9310	Rent Expense	\$	15,180
8843-2-0000-69-5110-9310	Rents	\$	58,902
Total Rents Account 931 RR-EN-2-1 Line 70		\$	173,951

Audit reviewed the activity in the rent expense accounts. Activity included payment for office space lease, parking spots, and payments for the training center. Please see the Lease portion of this report for details on the leases.

PAYROLL

During test year 2019, all EnergyNorth and Keene employees were employed by Liberty Utilities Service Corp.

Payroll is completed on a weekly basis for Union employees and on a bi-weekly basis for non-union employees.

The final payroll period of 2019 was paid on December 27. The final pay period dates for weekly employees began on Sunday, December 15 and ended on Saturday, December 21 and bi-weekly employees began Sunday, December 8 through Saturday, December 21. Audit reviewed both detailed payroll registers for that final pay period.

Through a reconciliation, Audit tied the weekly and bi-weekly final pay period total payroll to an Oakville payroll report and an HRIS payroll report. Both of the weekly and bi-weekly payroll registers equaled the Oakville reports but the HRIS reports showed a variance on the bi-weekly report. The variance, \$2.54, is *“a result of mismatch in Miscellaneous Earning Non-Taxable in HRIS and PR Register”*. As the variance is immaterial, no issue is noted.

The weekly and bi-weekly reconciliations contained a spreadsheet showing how much was charged to each general ledger account based on HRIS data. Audit was able to verify the final pay period charges of the 8840 and 8843 accounts to the EnergyNorth general ledger without exception.

Some payroll expenses are not allocated to a specific GL account but to “(blank)” on the HRIS report. The types of payroll expenses that are charged to this account are bi-weekly vacation time, holiday and some other codes.

The payroll expensed to “blank” is entered into account 8810-2-0000-20-2140-1847 - Payroll Clearing STAT every pay period. The payroll expenses in the clearing account are allocated to the appropriate companies’ general ledger. Audit reviewed the miscellaneous payroll codes that were expensed to the clearing account for the final pay period in December and allocated to Energy North, Keene and GSE. Audit verified the ENG and Keene general ledger to an allocation spreadsheet provided by ENG’s payroll department. A total of \$14,154 was allocated to seven ENG GL accounts and \$943 was allocated to one Keene GL account for weekly payroll. \$21,422 was allocated to fourteen EnergyNorth general ledger accounts and \$1,630 was allocated to one Keene GL account for bi-weekly payroll. No exceptions were noted.

Audit randomly selected four bi-weekly employees and four weekly employees for a review of timesheets.

Bi-weekly timesheets for the four employees were reviewed in detail. Audit was able to tie all four bi-weekly paid employees’ timesheets to the payroll register detail. All the hours on the timesheets matched the register. Types of pay included regular hours and vacation pay.

Vacation hours show up on the HRIS report as TNW (time not worked) and are booked directly to 8810-2-0000-20-2140-1847. ENG provided additional documentation and Audit was able to verify these hours were booked to the clearing account. No exception was noted.

Audit reviewed the four weekly paid employees’ timesheets in detail. Each employee’s hourly rate, based on job title, was verified to the Union Contract without exception. The types of pay employees were paid for included regular, Sunday premium, and meals.

All hours recorded on the four weekly employees’ timesheets were verified to the payroll register detail without exception. Sunday premium rates and meal rates paid to the employees were verified to the union contract without issue.

Schedule RR-EN-3-2 in the filing stated the total O&M payroll for 2019 was \$14,635,799. ENG provided a trial balance for the payroll, which summed to \$15,851,831. A reconciliation between the two numbers were provided. The reconciliation provided a column noting if the item was included in the RR-EN-3-2 or not. The “Yes” items summed to the RR-EN-3-2 amount of \$14,635,799 without exception. The “No” items were payroll amounts for the year but not included on the Schedule due to them being capital or corporate allocations. Audit randomly selected journal entries from each quarter and verified the activity to the general ledger. The general ledger activity for each journal entry also includes Construction Work in Progress, Store Expense Undistributed and Miscellaneous Bill Clearing. These items were correctly removed on the TB as the payroll amount of \$14,635,799 is for O&M only.

The Dayforce Payroll Register Report shows a total payroll of \$31,662,429 for the year. The payroll register reflects all payroll for NH, which includes GSE and ENG. Due to this, Audit was not able to directly tie the Schedule RR-EN-3-2 to the Dayforce report. EnergyNorth previously noted during the GSE rate case audit, in Docket DE16-383, that the Dayforce report will not tie directly to the filing Schedule as Dayforce is only NH employees where Schedule represents all payroll charged to NH.

GSE's payroll is processed through Ceridian. Audit reviewed the Ceridian contract in detail, which noted the contract terms and fees charged.

Union contracts and Payroll Policies and Procedures were obtained and reviewed.

Liberty Utilities and Algonquin Payroll

Audit requested two intercompany invoices with portions expensed to A&G Salaries: one invoice from Algonquin Power & Utilities Corp and one from Liberty Utilities Canada Corp to review in detail. Invoices were provided along with the allocation to ENG.

The March 2019 APUC invoice shows executive labor in the amount of \$110,838 CAD and the exchange rate of \$1.3206, making the total in US Dollars \$83,930. 70% of the \$83,930, or \$58,751 was allocated to ENG. The full allocation amount was booked to account 8840-2-9860-69-5010-9202, which audit was able to verify to the detail GL without exception.

Audit reviewed the LABS Canada Direct bill for May 2019 in the amount of \$315,832 US Dollars. The invoice detail shows a total for each line item, such as IT Labor, Payroll Meals, EHS Travel, etc. The total for the line items is in CAD and the exchange rate used was \$1.3378, resulting in a USD total for each item. The GL coding is then provided for the US totals in which items for 8810 are fully booked to Liberty NH and the remaining expenses are split 70/30 between ENG and GSE.

Audit reviewed the 70% calculations and verified them to the noted general ledger accounts without exception.

East Region employees' pay and payroll taxes are paid by LUSC. These costs are allocated to NH via indirect expense.

Temporary Employees

EnergyNorth employed temporary employees through Balance Professionals during 2019. Per ENG, a total of \$56,316 was paid to Balance Professionals for temporary employees. Audit's review of the general ledger shows a total of \$47,898 being booked to ENG. There were no journal entries booked to Keene's GL for temporary employees in 2019.

End of Year Accruals

Payroll

Audit received the payroll accruals booked for weekly and bi-weekly payroll for the days worked in December 2019 but not paid until January 2020. As the final pay in 2019 was for the period ending 12/21/19, the payroll accrual was for the period of 12/22/19 through 12/31/19.

An Excel spreadsheet provided by Liberty shows the total GSE and ENG payroll accrual for weekly and bi-weekly employees to be \$767,464 based on actual hours worked. Liberty provided the supporting data, which contained the payroll information of each employee for the ten days accrued. Two pivot tables of the data were provided; one breaks the accrual amount down by day and the second breaks the accrual amount down by job.

Out of the \$767,464 NH payroll accrual, \$283,950 was directly allocated to ENG and \$10,163 was directly allocated to Keene. An additional \$185,241 and \$6,332, for ENG and Keene respectively, was allocated through the Payroll Clearing STAT account. Audit verified both the direct allocated payroll and the clearing account accrual to the general ledger without exception.

The payroll accrual entries were reversed on January 1, 2020.

Vacation

A total of \$182,144 was accrued for ENG and \$10,220 was accrued for Keene vacation at the end of 2019. The vacation accrual amount is calculated using actual numbers. The vacation hours that each employee has available as of 12/31/19 were multiplied by their hourly rate to determine the accrual amount.

Audit reviewed the spreadsheet used to calculate the accrual amount. Listed by employee, the spreadsheet notes the total vacation days given for the year, less days used, resulting in the amount of days to be accrued. The days are converted to hours, based on an 8-hour day, and then multiplied by the employee's hourly rate. The spreadsheet contained a pivot table noting the dollar amounts allocated to each GL account for the accrual.

The entries were not reversed on January 1, 2020 as vacation accruals are not reversed.

Employee Benefits

Audit requested a listing of all payments made for employee benefits such as health, dental, retirement and others. ENG provided a listing of all group benefits journal entries. Because all employees are employed by Liberty Utilities Service Group, the full amount of the benefits is expensed to company 8810. A 30/70 allocation is done and 70% of the charges are allocated to 8840.

Audit reviewed the Liberty Utilities, 8810, general ledger employee benefits entries from December 2019. Audit recalculated 70% of each entry and tied the amount to the following ENG 8840 and Keene 8843 general ledger account entries:

8840-2-9810-69-5040-4080	Social Security Taxes	\$ 46,445.41
8843-2-9810-69-5040-4080	Social Security Taxes	\$ 3,381.55
8840-2-9810-69-5044-9260	Group Benefits	\$ 581.53
8840-2-9810-69-5041-4080	Federal Unemployment Taxes	\$ 15.59
8843-2-9810-69-5041-4080	Federal Unemployment Taxes	\$ 0.46
8840-2-9810-69-5041-4082	State Unemployment Taxes	\$ 87.18
8843-2-9810-69-5041-4082	Tx Oth Inc Tx St Unemployment Tax	\$ 2.56
8840-2-9810-69-5042-4080	Medicare	\$ 15,367.60
8843-2-9810-69-5042-4080	Medicare	\$ 790.85
8840-2-9810-69-5043-9262	ESPP Expense	\$ 2,027.75
8840-2-9810-69-5043-9263	Opt-Out Expense	\$ 1,023.04
8840-2-9810-69-5043-9268	Pension Plan Expenses	\$ 5,683.90
8840-2-9810-69-5043-9269	401K Match	\$ 220,201.10
8843-2-9810-69-5043-9269	401K Match	\$ 1,588.28
8840-2-9810-69-5044-9260	Group Benefits	\$ 767,939.22
8843-2-9810-69-5044-9260	Group Benefits	\$ 14,373.58
8840-2-9810-69-5044-9268	Group Life	\$ 764.12

No exception was noted with the allocation of the employee benefits to GSE's general ledger.

Retirement Plan

Audit requested a listing of payments that were made in 2019 to fund the retirement plan. ENG provided a summary of pension contributions, which shows the NH total being \$445,000 each quarter. ENG's portion is \$345,000 or 77.5% of the NH total. The summary of pension contributions also shows quarterly national cash balance amounts in which ENG's portion is \$286,990 for all four quarters.

Audit reviewed in detail the general ledger account 8840-2-0000-20-2930-2285, Long Term Pension Obligations, with a beginning balance of (\$14,564,941) and an ending balance of (\$14,127,112). Audit was able to verify the quarter two, three and four ENG allocations of \$345,000 and \$286,990 without exception. The GL shows the first quarter allocations as \$445,000 and \$408,340, which includes the allocation amounts for GSE. The GL shows that on October 31, 2019 the quarter one pension contribution amounts for GSE of \$100,000 and \$121,350 were reclassified leaving the proper allocated amount in the general ledger account.

Other activity within the account were monthly pension accruals in the amounts of \$67,557.50.

Incentive Plan

In the filing requirements, beginning on Bates page I-121, are the details of all officer and executive incentive plans. Additional incentive plan information was provided to Staff as Data

Request 2-22. Included in this information was a breakdown of bonus program expenses for the test year and the three preceding years.

Severance Pay

Liberty noted that a total of \$7,875 of severance was paid in 2019. They noted that *“severance was initially booked to the 8810-2-0000-20-2140-1847 and spread 30/70 to 8830/8840-2-9830-69-5010-9200 respectively”*.

A total of \$5,512.50 was booked to ENG’s account 8840-2-9830-69-5010-9200, A&G Salaries – Regulatory.

Audit was unable to verify the amounts to the GL detail as the severance is paid through payroll and not as a separate line item.

General Taxes

The filed ENG actual expenses of \$17,740,545 on Schedule RR-EN-2-1 were verified to payroll and property tax expense accounts:

ENG/KN Payroll Tax	\$1,625,755
ENG/KN Property Tax	\$12,404,863
ENG/KN Income Tax	<u>\$3,709,928</u>
Total	\$17,540,545

ENG/KN Payroll Taxes

8840-2-9810-69-5040-4080 Social Security Taxes	\$1,241,073
8840-2-9810-69-5041-4080 Federal Unemployment Taxes	\$ 9,715
8840-2-9810-69-5042-4080 Medicare	\$ 303,239
8840-2-9810-69-5041-4082 State Unemployment Taxes	\$ 21,792
8843-2-9810-69-5040-4080 KN Social Security Taxes	\$ 39,720
8843-2-9810-69-5041-4080 KN Federal Unemployment Taxes	\$ 286
8843-2-9810-69-5042-4080 KN Medicare	\$ 9,290
8843-2-9810-69-5041-4082 KN State Unemployment Taxes	<u>\$ 641</u>
Total	\$1,625,755
Total filing per schedule RR-EN-2-1 line 83	

The filing reflects pro-forma known and measurable adjustments of \$382,609. See RR-EN-2-1

Audit requested a copy of the W2 payroll tax return, the quarterly federal returns and the state unemployment returns. All items were provided to Audit.

Audit reviewed the four weekly and two bi-weekly January 2019 payroll registers. Every pay period the payroll taxes and benefits are booked to 8810 and cleared at the end of the month.

Audit summed the six payroll registers and tied the employer social security, employer medicare, federal unemployment tax and NH unemployment tax amounts to the 8810 account.

The monthly 8810 tax amounts are then allocated to 8830 and 8840 using the 70/30 split. Audit verified that the Medicare, unemployment taxes and social security amounts charged to 8840 and 8843 was 70% of the total. 2% of the ENG's 70% is allocated to Keene. The 70% allocation and 2% allocation for January was verified to the general ledger without exception.

ENG provided the Liberty Utilities Service Corp Ceridian tax account reconciliation for all four quarters. This file contains the quarterly tax summary, summary of deposits and filings, and the state withholding and unemployment taxes. Also provided was a W-2 Management Report from Dayforce. Audit summed the FIT total wages, taxable social security wages, and taxable medicare wages from the four quarterly reports and tied them to the Dayforce YTD report without exception. These wages are for the whole service corporation and not specific to NH. Audit was unable to verify the NH specific tax amounts to the quarterly filing or W-2 Management Report.

ENG provided the New Hampshire Unemployment Summary of Deposits and Filings for all four quarters. Audit reviewed the fourth quarter filing (October 1-December 31, 2019) in detail. Audit was able to verify the unemployment tax amount from the filing to the NH payroll 8810 journal entry detail for the weeks where only weekly payroll was paid. The weeks that both weekly and bi-weekly payroll is paid, was not able to be verified by Audit. The four quarterly filings total \$39,753 in state unemployment taxes due. 70% of this amount would be \$27,827. Audit was unable to verify the ENG and Keene 4082 GL account balance of \$22,433 to the unemployment filings; however, as the GL amount is less than the tax filings amount, no issue is present.

EnergyNorth/KN Property Taxes

On June 21, 2019, the Governor signed HB 700, which established a methodology for valuing utility distribution assets, codified as RSA 72:8-d-e. A portion of the law established a five-year phase in period to fully transition to the new assessment of utility property. The new valuation methodology means municipalities will be using the Department of Revenue Administrations figures after the full five-year phase in period.

The first property tax year of the phase in period began with the April 1, 2020 municipal property tax bill. This requires properties to use an 80% municipal valuation and 20% state property valuation. The law also requires the Commission to establish a process recovery mechanism for utilities to recover property taxes paid by a utility. To date there has not been a Commission Order regarding a property tax recovery mechanism. The municipalities will likely challenge the first few years of the new valuation formula law as revenue could be severely impacted. EnergyNorth in the filing testimony is seeking to utilize the property tax recovery mechanism passed into law in the rate case. If the Commission grants a recovery mechanism, a deferral account for property taxes would have to be created.

Audit was provided with property tax bills for thirty communities and the State of NH Utility Property tax. The tax bills represented the entire test period with the second half bill for 2018 covering January 2019 to March 2019, the first half 2019 issuance covering April 2019 to September 2019 and half of the second 2019 issuance covering the October 2019 to December 2019 period.

Filing Schedule RR-EN-3-7 reflects property taxes, account 884x-2-0000-69-5680-4080 for EnergyNorth and Keene. The property tax expense reflected on the filing is \$12,404,863. The filing schedule reflects a proforma increase of \$443,281, representing the 2019 first half and second half-municipal and state property tax bills summed together. This resulted in a proformed test year total of \$12,848,143. The municipal total of \$10,181,736 plus the state utility property tax of \$2,666,407 sum to \$12,848,143.

Audit verified the reported test year 2019-expense and prepayment figures to the general ledger accounts below on Filing Schedule RR-EN-2-1 and the 2019 annual report:

8840-2-0000-10-1240-1650 Prepays	\$ 125,764
8843-2-0000-10-1240-1650 KN Prepays	\$ 26,654
8840-2-0000-10-1240-1653 Prepaid Taxes-Mun-Property-Oper	\$ 4,837,872
8843-2-0000-10-1240-1653 KN Prepaid Taxes-Mun-Property	<u>\$ 178,618</u>
Total per 2019 Annual Report	\$5,065,842
8840-2-9820-69-5680-4080 Property Taxes	\$12,226,244
8843-2-0000-69-5680-4080 KN Property Taxes	<u>\$ 178,618</u>
Total Property Taxes per RR-EN-2-1	\$12,404,863

The Company indicated there were no abatements during the test year for EnergyNorth/Keene.

Audit requested and was provided with all municipal property tax invoices for the years 2018 and 2019, as well as the State of New Hampshire utility property tax invoices. The result of that review is demonstrated below:

½ of 2018 second issue municipal	\$2,314,456	
Complete 2019 first issue municipal	\$4,788,673	
½ of 2019 second issue municipal	<u>\$2,741,567</u>	
Subtotal municipal	\$9,844,567	
EnergyNorth NH Utility Property Tax	\$2,650,975	
Keene NH Utility Property Tax	<u>\$ 15,431</u>	
2019 State of NH Utility Property tax	<u>\$2,666,408</u>	
Subtotal property tax expensed	\$12,510,975	\$106,112 higher than expensed

The calculated property tax expense for the year is \$106,112 more than the amount booked to the general ledger. However, Audit noted an increase in the property tax expense

based on a proformed expense of \$12,848,143. This is an increase of \$443,281 over the general ledger property tax test year expense of \$12,404,863. Refer to Filing Schedule RR-EN-3-7. The proformed property tax figure is based on the 2019 first and second installment payments summed together.

Based on a review of the actual municipal property tax invoices there is a significant error for the 2019 first half issuance for the Town of Pembroke. The Filing Schedule RR-EN-3-7 indicates the amount is \$774,000 when the actual property tax bill was \$67,304. This is a difference of \$706,696. The Company indicated the 2019 First Half Issuance for Pembroke should have been \$77,400 not \$774,000. This variance greatly affects the proformed figure.

Audit Issue # 7

The Company books property taxes to the prepaid account using a property tax schedule for 2018 and 2019 based on Fiscal and Calendar Towns for January-June 2019 and July-December. The amounts were reconciled in December 2019. The monthly debit entry for Calendar Towns is \$72,997 and \$1024, 834 for Fiscal Towns. This is \$1,097,831 per month for both entries for January-June 2019. The monthly debit entry for July-December 2019 for Calendar towns is \$63,000 and \$896,187 for Fiscal Towns. This is \$959,187 per month. Keene is considered a Fiscal town but has its own property tax schedule that follows the same methodology as EnergyNorth. The Company's Accounts Payable department determines whether a town is a Fiscal or Calendar town.

For, towns that are on a calendar year basis, the latest property tax bill is used to record the property tax expense for the next 6 months (assuming the time covered on the invoice is 6 months. The towns of Allenstown, Auburn, Bedford, Belmont, Boscawen, Canterbury, Gilford, Goffstown, Hollis, Litchfield, Milford, Northfield, Pembroke, and Tilton. Towns on the fiscal year basis, the property tax expense is calculated by taking the balance of the prepaid property tax expense, calculate the actual months of prepaid taxes and the difference represents property tax expense for the month. The towns of Amherst, Berlin, Bow, Concord, Derry, Franklin, Hooksett, Hudson, Laconia, Londonderry, Loudon, Manchester, Merrimack, Nashua, Sanbornton, and NH DRA are on the Fiscal Year Calendar.

The recurring monthly entries are offset with credits to two accounts:

January-June 2019

Property Tax Expense 8840-2-9820-69-5680-4080	\$1,097,831
Tax Accrual-Municipal Property 8840-2-0000-20-2530-2364	\$63,000
Prepaid Taxes-Mun-Property-Oper 8840-2-0000-10-1240-1653	\$896,187

July-December-December 2019

Property Tax Expense 8840-2-9820-69-5680-4080	\$959,187
Tax Accrual-Municipal Property 8840-2-0000-20-2530-2364	\$72,997
Prepaid Taxes-Mun-Property-Oper 8840-2-0000-10-1240-1653	\$1,024,834

KN January-June 2019

Property Tax Expense 8843-2-9820-69-5680-4080	\$15,167
Prepaid Taxes-Mun-Property-Oper 8843-2-0000-10-1240-1653	\$15,167

KN July-December 2019

Property Tax Expense 8843-2-9820-69-5680-4080	\$14,779
Prepaid Taxes-Mun-Property-Oper 8843-2-0000-10-1240-1653	\$14,779

All entries in the Tax Accrual account netted to zero at year-end for EnergyNorth/Keene. The Prepaid Taxes account for EnergyNorth began the year with \$5,123,545, and reflected total debits of \$12,347,858 and credits of \$4,837,872, for a year-end balance of \$1,068,427. The Prepaid Taxes account for Keene began the year with \$87,136, and reflected total debits of \$172,631 and credits of \$178,618 for a year-end balance of \$81,149.

Audit reviewed the general ledger activity and noted that actual payments made to specific municipalities are debited to the prepaid account, and credited to 88X0-2-0000-20-2810-2606, Liberty Energy New Hampshire for EnergyNorth/Keene.

Adjustments to the prepaid account and accrual account were booked in June and December, based on actual payments made. The final entry in the Tax Accrual account for EnergyNorth was a debit of \$752,980 which zeroed the account and was offset to the Prepaid Taxes account. The final entry in the Tax Accrual account for Keene was a debit of \$3,857 which zeroed the account and was offset to the Prepaid Taxes account.

The Company included State Education Tax in the property tax expense that should not have been included. The amounts represent state education tax over \$50. The following properties from the 2018-second issuance included the state education tax Derry Parcel 35-102, Milford Parcel 036-183, Milford Parcel 055-077, Nashua Parcel 000PC-00005, and Keene Parcel 583-03800-0001000, Keene Parcel 11603900-00000, Keene Parcel 00000- 58201400, and Keene Parcel 04702002-0000. **Audit Issue # 8**

The following properties from the 2019 first issuance Bedford Parcel 1-1-A, Berlin Parcel 00404-00051.0-000LI, Manchester Parcel 0009A-0075, Manchester Parcel 0752-0001, Milford Parcel 055-077, Milford Parcel 036-183 and Keene Parcel 583-03800-0001000, Nashua Parcel 000PC-00005 Keene Parcel 11603900-00000, Keene Parcel 00000- 58201400, and Keene Parcel 04702002-0000.

The following properties from the 2019 second issuance Bow Parcel 0-9-99, Derry Parcel 35-102, Milford Parcel 036-183, Milford Parcel 055-077, Nashua Parcel 000PC-00005, Keene Parcel 11603900-00000, Keene Parcel 00000- 58201400, and Keene Parcel 04702002-0000

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Derry	35-102	2018 2 nd	\$3,217
Milford	036-183	2018 2 nd	\$73
Milford	055-007	2018 2 nd	\$4,563
Nashua	000PC	2018 2 nd	\$6,076
Keene	58303800	2018 2 nd	\$2,887
Keene	11603900	2018 2 nd	\$423
Keene	5821400	2018 2 nd	\$312
Keene	04702002	2018 2 nd	<u>\$1,333</u>
Total			\$18,884

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Bedford	1-1-A	2019 1 st	\$11,322
Berlin	Only	2019 1 st	\$592
Manchester	0999A-0075	2019 1 st	\$106,795
Manchester	0752-0001	2019 1 st	\$2,457
Milford	055-007	2019 1 st	\$9,386
Milford	036-183	2019 1 st	\$146
Nashua	000PC	2019 1 st	\$12,152
Keene	58303800	2018 2 nd	\$1,443
Keene	11603900	2018 2 nd	\$254
Keene	5821400	2018 2 nd	\$156
Keene	04702002	2018 2 nd	<u>\$666</u>
Total			\$145,369

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Bow	0-9-99	2019 2 nd	\$5,330
Derry	35-102	2019 2 nd	\$4,095
Milford	036-183	2019 2 nd	\$63
Milford	055-007	2019 2 nd	\$4,821
Nashua	000PC	2019 2 nd	\$4,379
Keene	58303800	2018 2 nd	\$2,795
Keene	11603900	2018 2 nd	\$491
Keene	5821400	2018 2 nd	\$303
Keene	04702002	2018 2 nd	<u>\$1,247</u>
Total			\$23,524

Total all three Issuances \$187,777

Note: Some of the parcel numbers have been shortened from the actual on the chart due to space limitations. The chart only included state education tax above \$50 as anything below that is an immaterial balance.

EnergyNorth State Utility Taxes

The estimated state property tax payments are due quarterly for EnergyNorth. During 2019, quarterly estimates of \$605,097 were paid, based on the prior year's notice of valuation \$2,420,267 for EnergyNorth in April, June, September, and December. In December 2019, the notice of valuation indicated that the actual tax was \$2,650,975 or \$662,744 quarterly. On December 31, 2019 a true up payment was made for \$230,708, bringing the total paid for the 2019 final tax period to the actual \$2,650,975 as indicated on the 2019 valuation notice.

Keene State Utility Taxes

The estimated state property tax payments are due quarterly for Keene. During 2019, quarterly estimates of \$3.858 were paid, based on the prior year's notice of valuation \$15,431 for EnergyNorth in April, June, September, and December. In December 2019, the notice of valuation indicated that the actual tax was \$15,431 that was unchanged compared to the prior year.

Cast Iron/Bare Steel (CIBS) Related Property Tax (EnergyNorth)

The Filing Schedule RR-EN-3-1 notes there is a \$1,612,633 CIBS Revenue Adjustment required by the Commission in DG 20-049 that represented the revenue requirement in the 2020 CIBS Filing. The revenue adjustment is so the Company does not double collect property taxes and additions related to CIBS.

Property Tax Expense Non-Utility Property

In the DG 17-048 rate case, the Company stated that it owns non-utility operations located on 14 Broken Bridge Road Parcel 109/1/3 and Sewall's Falls Road Parcel 202z/21 in Concord, NH. Audit reviewed the tax invoices for Concord, which included the two non-utility property locations. The City of Concord bills quarterly therefore the tax year and the test-year amounts are the same. These tax payments are also included in the total property tax expense.

Audit Issue # 9

Below is the total property tax expense for the two locations based on the actual invoices:

14 Broken Bridge Road	\$2,408
Sewall's Falls Road	<u>\$1,106</u>
Total	\$3,514

Federal and State Income Taxes

Tax Sharing Agreement

On January 1, 2020, a Tax Sharing Agreement went into effect, executed by the President of Liberty Utilities (America) Co. The agreement represents that the consolidated returns will be compiled, with the members providing to the Parent the equivalent tax payment as if the member had filed individually. The agreement Schedule A reflected a listing of 39 original members, of

which Liberty Utilities (EnergyNorth Natural Gas) Corp was one. Each has a specific Employer Identification Number.

Federal Income Taxes

Audit requested copies of the Company's 2018 and 2019 federal income tax returns as well as state returns. The Company indicated that the Keene division is considered part of EnergyNorth for tax purposes, thus does not have any individual returns to provide. Copies of the 2018 federal and state returns were provided and a 2018 proformed federal return. The Company indicated that the 2019 federal return will be filed by the end of -October and the 2019 New Hampshire BPT/BET state return will be filed in mid-November.

The 778 page 2018 federal tax return was provided to Audit as part of the review of the EnergyNorth rate case. KPMG LLP electronically filed the 2018 return with the IRS on October 15, 2019. The overall taxable income was a loss for Liberty Utilities (America) Co and Subs with an overpayment in the amount of \$5,001,573 identified. The overpayment was credited to the 2019 estimated tax. The consolidated schedule 1120 page 1, Statement 3 reflects the ENG (and Keene) portion as a net gain of \$2,951,018 based on:

Gross sales	\$ 157,530,005	does not agree with GL and FERC
Cost of goods sold	\$(71,867,076)	
Interest Dividend Income	\$ 471,152	agrees with FERC and GL
Net loss from Form 4797	\$ (61,505)	
Other Income	\$ 39,843	
Salaries and Wages	\$ (26,442,049)	
Repairs and Maintenance	\$ (20,112,503)	
Bad Debts	\$ (738,880)	
Rents	\$ (174,188)	
Taxes and Licenses	\$ (10,503,492)	
Interest	\$ (7,511,888)	
Charitable Contributions	\$ (42,911)	
Deprecation	\$ (12,877,966)	
Pension/Profit Sharing	\$ (10,683)	
Other Deductions	<u>\$ (4,746,841)</u>	
Taxable Income	\$ 2,951,018	

The Gross Sales for 2018 on the annual report summed to \$157,495,294 while the tax return the figure was \$157,530,005. This resulted in a \$34,711 difference that is due to exclusion of \$21,412 booked to account 415 Revenues from Merchandise, Jobbing, and Contract Work and \$13,298 included in account 417 Revenues from Non-Utility Operations.

The overall net income per the general ledger and annual report for 2018 was \$8,441,307 ENG/KN. The overall net income per the general ledger and annual report for 2019 was \$10,870,625.

There was no Alternative Minimum Taxable Income for 2018 for EnergyNorth/Keene.

Schedule M2, statement 114 reflects the following:

Balance at beginning of year \$73,213,674
Net income per books \$12,508,146
Balance at end of year 2018 \$85,721,820 unappropriated retained earnings per proforma 2018 ENG 1120 return.

There was a \$1,127,679 AMT carryforward for Liberty Utilities (Americas) and Subsidiaries.

Schedule L, statement 59 Beginning and statement 65 Ending, of the 2018 federal return summarized ENG/Keene:

	<u>Beginning</u>	<u>Ending</u>
Cash	\$ 289,591	\$ (242,935)
Trade Notes and A/R <u>Note 1</u>	\$ 40,238,442	\$ 41,834,453
Less Allowance for Bad Debt	\$ (2,548,805)	\$ (2,046,276)
Inventories <u>Note 2</u>	\$ 8,541,718	\$ 10,965,314
Other Current Assets <u>Note 3</u>	\$ 6,198,389	\$ 11,163,972
Other Investments <u>Note 4</u>	\$ 0	\$ 3,047,227
Bldgs and Other Depreciable Assets	\$ 469,927,930	\$ 526,273,737
Less Accumulated Depreciation	\$ (55,456,904)	\$ (71,661,080)
Land	\$ 852,305	\$ 852,305
Intangible Assets	\$ 28,396,167	\$ 28,396,167
Other Assets <u>Note 5</u>	<u>\$ 78,135,183</u>	<u>\$ 72,616,055</u>
Total Assets	\$574,574,016	\$621,198,939
Accounts Payable	\$ 55,096,601	\$ 85,501,445
Other Current Liabilities <u>Note 6</u>	\$ 22,867,428	\$ 23,072,502
Mortgages <u>Note 7</u>	\$ 159,161,091	\$ 159,190,351
Other Liabilities <u>Note 8</u>	\$ 141,959,846	\$ 143,880,258
Additional Paid in Capital	\$ 124,147,058	\$ 124,147,058
Retained Earnings-App.	\$ 73,213,674	\$ 3,047,227
Retained Earnings-Unapprop.	\$ 0	\$ 85,721,820
Adjustment to Shareholder Equity	<u>\$ (1,871,682)</u>	<u>\$ (3,361,722) Note 9</u>
Total Liabilities and Equity	\$ 574,574,106	\$ 621,198,939

Overall, the tax reported balance sheet \$621,198,939 does not agree with the annual report (or general ledger) for year-end 2018, which reflects a balance sheet total of \$582,501,666,001 ENG and Keene. Temporary and Permanent differences were identified within the tax worksheets provided by the corporate tax division in Oakville.

Note 1-Statement 69 reflects the Trade Notes and Accounts Receivable to be the sum of:

	Beginning	Ending
Accounts Receivable	\$39,825,931	\$41,834,453
Income Tax Receivables	<u>\$ 412,511</u>	<u>\$ 0</u>
	\$40,238,442	\$41,834,453

Note 2- Statement 74 reflects Inventories to be the sum of:

	Beginning	Ending
Inventories	\$ 8,541,718	\$10,965,314

Note 3-Statement 78 reflects Other Current Assets to be the sum of:

	Beginning	Ending
Prepays/Clearing	\$ 4,062,320	\$ 5,326,580
Current Regulatory Assets	<u>\$ 2,136,069</u>	<u>\$ 5,837,392</u>
	\$6,198,389	\$11,163,972

Note 4-Statement 82 reflects Other Investments

	Beginning	Ending
Investments in Subsidiaries	0	\$3,047,227

Note 5-Statement 85 reflects Other Assets to be the sum of:

	Beginning	Ending
Other Assets	\$ 617,419	\$ 587,372
Other Regulatory Assets	<u>\$77,517,764</u>	<u>\$72,028,683</u>
	\$78,135,183	\$72,616,055

Note 6- Statement 92 Reflects Other Current Liabilities

	Beginning	Ending
Current Portion Oth. LTD	\$ 5,983,797	\$ 2,989,771
Accrued Liabilities	\$14,545,731	\$12,358,522
Current Portion-Reg. Liab.	\$ 2,148,371	\$ 7,444,680
Other Current Liabilities	<u>\$ 279,529</u>	<u>\$ 279,529</u>
	\$22,867,428	\$23,072,502

Note 7-Statement 98 reflects Other Liabilities to be the sum of:

	Beginning	Ending
Mortgages, Notes, and Bonds Payable	\$159,161,091	\$159,161,351

Note 8-Statement 102 reflects Other Liabilities to be the sum of:

	Beginning	Ending
Post Retirement Pension Benefits	\$21,059,396	\$20,306,135
Deferred Income Taxes Payable	\$59,896,629	\$25,212,770
Regulatory Liability	\$31,649,402	\$68,466,633
Other Long Term Liabilities	<u>\$29,354,419</u>	<u>\$29,354,419</u>
	\$141,959,846	\$143,880,258

Note 9-Statement 102 reflects Other Liabilities to be the sum of:

	Beginning	Ending
Other Comprehensive Income	\$ (1,871,682)	\$ (3,361,722)

Pro forma federal tax return for ENG was provided for 2018. Audit verified that the reported ENG portions of the Liberty Utilities (America) Co. federal tax return agree with the pro-forma ENG stand-alone federal tax return.

State Income Taxes

The Company provided a copy of the Liberty Utilities (America) Co. & Subs BET/NH-1120-WE statewide tax return for the calendar year 2018. The return identified 39 subsidiaries, each with its individual employer identification number. The taxes are prepared by KPMG in Oakville Ontario Canada.

The 2018 Liberty Utilities (America) Co. & Subs information was provided on November 18, 2019. The BET was overpaid by \$112,823, with the overpayment applied to the 2019 estimated tax. The overpayment was the result of:

The calculated BET	\$ 375,487
Less tax paid w/application for extension	\$(100,000)
Less carryover from prior tax period	<u>\$(388,310)</u>
Net overpayment applied to 2019 estimated tax	\$(112,823)

Audit reviewed the 2018 return and noted the combined tax liability due to NH Department of Revenue (DRA) was \$375,487.

Audit reviewed the ENG general ledger account 8840-2-0000-80-8720-4090, State Income Tax expense and noted only one entry for December that was the \$225,931 tax provision state income tax expense for 2019. The offset for the same amount was booked to the Income Tax Receivable account # 8840-2-0000-10-1163-1430

The 2018 NH Business Profits Tax Return indicated that there is a net operating loss deduction to be carried forward for \$2,951,018, at the Liberty Utilities (America) Co level. Use of a portion of the NOLD resulted in a loss for the year. The net loss noted on statement 3, \$2,951,018 for ENG agrees with the federal return.

General ledger accounts associated with federal and state income taxes:

There are no longer any quarterly off the book tax entries as identified in previous audit reports. Below are the accounts on the books of both ENG 8840 and Keene 8843. Audit was provided with the tax worksheets from Oakville for 2018 and 2019. The 2019 tax returns have not been filed yet.

8840-2-0000-10-1930-2830 Accum Def Inc Taxes Other Reg Asset (debit)	\$593,229
8840-2-0000-20-2965[2830 ADIT Liability-(Long Term)	\$58,583,670
8840-2-0000-20-2730-2830 ADIT-Current	\$0
8843-2-0000-20-2965-2830 ADIT-Long Term	(\$0.23)
Net Accumulated Deferred Income Tax verified to annual report	\$57,990,441

8840-2-0000-20-2142-2830 Excess ADIT Regulatory Liability-Short Term	(\$314,773)
8840-2-0000-20-2910-2830 Excess ADIT Regulatory Liab-Long Term	(\$37,525,847)

The Excess ADIT accounts relate to the Tax Cuts and Jobs Recovery Act passed in 2017 that lowered the corporate tax rate from 35% to 21%. These accounts were included in account # 254 Other Regulatory Liabilities on the 2019 annual report. Please see the Liabilities section for more information about the Other Regulatory Accounts as to why the short-term account was never transferred to the long-term account. **Audit Issue-#5**

Activity within the 2965-2830 account and the 1930-2830 account was reviewed and verified to tax worksheets prepared by Oakville. Offsetting entries were noted to Deferred State Income Tax Expense, Deferred Federal Income Tax Expense, and OCI FAS 158-Pension, account #8840-2-0000-30-3800-2192.

The 2019 activity within the 8840-2-0000-20-2730-2830 reflected the offsetting penny entries booked to account 8840-2-0000-10-1230-1903. Further review was not conducted.

The 2019 activity within Keene Account 8843-2-0000-20-2965-2830 ADIT-Long was under a quarter and further review was not conducted.

The 2019 activity related to the 2142-2830 Short and 2910-2830 Long Term Excess ADIT accounts was only balances that were brought forward. The short term account was never transferred to the long term account. The Company indicated they could not explain why the transfer never happened.

8840-2-0000-80-8710-4090 Federal Income Tax expense	\$ 0
8840-2-0000-80-8720-4090 State Income Tax expense	<u>\$225,931</u>
Total Verified to the PUC annual report account 409	\$225,931

The 2019 activity related to the balance for NH State NHBPT/BET Tax.

The Keene division did not reflect any activity in the Federal/State Income Tax expense accounts.

8840-2-0000-80-8760-4101 Def SIT Expense	\$	0
8840-2-0000-80-8760-4104 Def FIT Expense	\$3,483,997	
8843-2-0000-80-8760-4101 Keene SIT Expense	\$	0
8843-2-0000-80-8760-4104 Keene FIT Expense	\$	0
Total verified to PUC annual report account 410	\$3,483,997	

The only activity relates to June and a 2019 year-end balance brought forward. The tax worksheets indicate the balance is a result of net operating loss carryforward.

The \$3,709,928 Income Tax Expense on Filing Schedule RR-EN-2-1 is comprised of the two accounts above, the combined sum of account 409 and account 410.

Penalties

Audit reviewed the ENG account 8840-2-0000-69-7450-4263, Penalties, for the test year. The year-end balance of \$1,997, properly reflected below the line on the PUC annual report, account 426 included \$500 related to NHPUC Safety, \$916 related to the Town of Loudon, and \$581 related to penalties related owed IRS balances from CP 161 notices sent to the Company.

The Keene accounts 8843-2-0000-69-7450-4263 and 8843-2-9850-69-7450-4263 reflected zero balances.

Audit Issue # 1

Compliance with FERC- See Pages 7, 38, 48, 59, 60, 64

Background

The Company utilizes a chart of accounts and provided the information as part of the filing.

Issue

The accounts used by ENG and Keene do not comply with FERC in the following instances, when compared to the PUC annual report:

8840-2-0000-10-1910- 1141 Goodwill	\$28,151,896 dr
8843-2-0000-10-1910- 1141 Goodwill	\$ 67,207 dr
Annual Report page 9 account 116	
8840-2-0000-10-1545-4554 Interco Invstmnt APIC NH Gas	\$ 3,047,227 dr
Annual Report page 9 account 123	
8843-2-0000-30-3045-4554 Interco APIC NH Gas Keene	\$ (3,047,227) cr
Annual Report page 10 account 219	
8840-2-0000-10-1163- 1755 Deferred Reserve EE	\$ 139,499 dr
8840-2-0000-10-1163- 1756 Lost Revenue EE Mechanism	\$ 12,563 dr
8840-2-0000-10-1163- 1757 Deferred NHDAS Special Contract	\$ 1,437,250 dr
8843-2-0000-10-1163- 1755 Deferred Reserve EE	\$ 0
8843-2-0000-10-1163- 1756 Deferred RLIAPP	\$ (1,647) cr
Annual Report page 9 account 174	1,587,665 dr
8840-2-0000-20-2170-2603 I/C Interest Payable – LU CO.	\$ 2,937,095 cr
8840-2-0000-20-2810-2079 Due to Liberty Utilities Canada	\$ 251,259 cr
8840-2-0000-20-2810-2596 Due to APUC	\$ 229,583 cr
8840-2-0000-20-2810-2603 Due to LU Co.	\$123,669,594 cr
8840-2-0000-20-2810-2606 Due to Liberty Energy NH	\$ (29,436,497) dr
8843-2-0000-20-2810-2606 Due to Liberty Energy NH	\$ 9,187,490 cr
8843-2-0000-20-2810-2607 Due to EnergyNorth	\$ (462) dr
8840-2-0000-20-2810-2626 Due to Liberty Utilities America Co.	\$ 78,316 cr
8840-2-0000-20-2810-2635 Due to Cogsdale NH	\$ 1,350,685 cr
8843-2-0000-20-2810-2635 Due to Cogsdale-NH-Keene	\$ (1,161,971) dr
8840-2-0000-20-2810-2639 Due from Liberty Utilities (Central)	\$ 1,793,986 cr
8840-2-0000-20-2810-2655 Due from/to Keene	\$ 462 cr
Annual Report page 10, Account 234	\$108,899,542 cr
8840-2-0000-30-3050-4551, Intercompany CS - Energy North	\$121,647,057
8840-2-0000-30-3050-4552, Intercompany CS - Energy North	\$ 2,500,000
Annual Report, page 10, Account 201	\$124,147,058

Recommendation

Consistent with FERC, the Goodwill account should be posted to account 116. The accounts booked to FERC account 175 Derivatives should be booked to account 174 Miscellaneous Current and Accrued Assets. The “Due to” accounts should be booked to account 234 Accounts Payable to Associated Companies. The Investment in Subsidiary Companies has a zero GL balance and should be reported as such on the annual report. The Intercompany accounts (455x) are not FERC accounts and should not be reflected as part of the common stock. This eliminates the perceived inconsistency of the annual report.

Company Comment

Although some of the GL Accounts are not consistent with FERC accounts, they are reported accurately in the Annual Report. The use of such differing account numbers is allowed in the FERC Chart of Accounts.

APUC has multiple companies whose financial transactions must be consolidated at the corporate level. The vast nature of the companies using the same account segments for different purposes makes it extremely difficult to match FERC accounting in all instances on the local books.

Please refer to The Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions the Federal Power Act Definitions Section 3. Number Systems, Part C states that “...however, if a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, such reference to the prescribed account numbers may be omitted from the various sources of original entry. Moreover, each utility using different account numbers for its own purposes shall keep readily available a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein. It is intended that the utility’s records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.”

Given the discussion above, the Company suggests that this should not be an audit issue.

Audit Comment

Audit appreciates the FERC reference, but reminds the Company, that despite the above statement that “APUC has multiple companies whose financial transactions must be consolidated at the corporate level. The vast nature of the companies using the same account segments for different purposes makes it extremely difficult to match FERC accounting in all instances on the local books,” the Liberty Utilities (EnergyNorth Natural Gas) Corp must comply with the USoA as prescribed in the NH Puc 507.08. Audit understands that the rule does reference the FERC. However, as included in the FERC reference above, “**Moreover, each utility using different account numbers for its own purposes shall keep readily available a list**

of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein. It is intended that the utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts."
Emphasis added by PUC Audit.

Regarding the reflection of \$3,047,227 on the balance sheet asset and liability lines, as noted in the DG 17-048 Audit Report, Audit recommended that the Due to EnergyNorth liability on Keene's general ledger, \$3,047,227 be moved to Other Paid-in Capital to more accurately reflect the stock purchase. The Company concurred with the Audit recommendation. The APIC account 8843-2-0000-30-3045-4554, noted above is accurately reflected on the PUC Annual report as part of the APIC of the Company, but should not be considered Common Stock within the filing. Further, the account string does not agree with FERC account 219.

For clarification, Audit verified the \$3,047,227 within the ledgers for both EnergyNorth and Keene, since 1/2/2015 to be:

EnergyNorth:

Effective January 2, 2015, the following journal entries were booked on the ENG ledger, to reflect the purchase of NH Gas in accordance with DG 14-155, Order 25,736, and the Purchase and Sale agreement of \$3million plus or minus adjustments for net working capital:

8840-2-0000-20-2810-2655	Due from/to Keene	\$ 3,047,227
8840-2-0000-20-2810-2603	Due to LU Co	\$ (3,047,227)

The entry posted the Purchase price plus working capital adjustments of the NH Gas. Originally posted as an amount due from Keene and offset as a payable to LU Corp

In 2018, the EnergyNorth account classification was moved as follows:

8840-2-0000-10-1510-1231	Invstmnt in Subsidiaries	\$ 3,047,227
8840-2-0000-20-2810-2655	Due from/to Keene	\$ (3,047,227)

The entry reflected the "Due from Keene" was more appropriately considered an investment in subsidiaries.

Another 2018 EnergyNorth journal entry was then posted:

8840-2-0000-10-1545-4554	Interco Invstmnt APIC NH Gas Keene	\$ 3,047,227
8840-2-0000-10-1510-1231	Invstmnt in Subsidiaries	\$ (3,047,227)

The above 2018 entry reclassified out of the investment in subsidiaries into an Intercompany Investment Additional Paid in Capital account as a debit. The account structure of -10-15XX is how Liberty identifies assets for NH PUC reporting purposes.

The 4554 account is used for consolidation purposes, as there is a credit balance in the Keene 4554 account, as adjusted in 2018.

Keene

The posting of the Keene assets and liabilities on the ledger for Keene, effective January 2, 2015 included:

8843-2-0000-20-2810-2607	Due to EnergyNorth	\$ (3,047,227)
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The credit entry above was part of the "day one" entries that moved NH Gas to Liberty Keene's general ledger

In conjunction with the Audit report issued in DG 17-048, the Company agreed to move the Due to EnergyNorth to an Other Paid in Capital acct.

8843-2-0000-20-2810-2607	Due to EnergyNorth	\$3,047,227
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8843-2-0000-30-3045-4554	Interco APIC - NH Gas Keene	\$ (3,047,227)
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The above Keene entry, posted in 2018, cleared the Due to EnergyNorth liability and credited the Keene Intercompany Additional Paid in Capital acct.

Liberty Utilities Corp

The related journal entry required on books of LU Co effective January 2, 2015 was

Due from EnergyNorth	\$3,047,227	
Cash		\$ (3,047,227)

Audit understands the flow of the entries. The issue of using the Algonquin account numbers, rather than the FERC, remains. At the end of the test year, the balances were noted in:

8840-2-0000-10-1545- 4554	Interco Invest APIC NH Gas Keene	\$ 3,047,227 debit, AR #123
8843-2-0000-30-3045- 4554	Interco APIC-NH Gas Keene credit	\$ <u>3,047,227</u> credit, AR #219
For <u>consolidation purposes</u> , the 4554 account nets to		\$ -0-

For Annual Report purposes, the location in accounts #123 and 219, is understood, but the Company is reminded to use the FERC accounts or provide a reconciliation of all accounts.

Audit Issue # 2
Granite State Electric charges booked to EnergyNorth-See Pages 8 and 100

Background

Audit reviewed the detailed general ledger of EnergyNorth.

Issue

During the audit it was discovered that Granite State Electric expenses were erroneously booked to EnergyNorth's general ledger.

- \$888 was booked to ENG account 8840-2-9825-51-5436-8740 for GSE's portion of the September lease payment.
- \$1,181 was booked to 8840-2-9854-56-5435-8700 for onboarding electric and gas manuals. The invoice notes \$491 was for electric manuals.

Recommendation

Audit recommends reducing the filing Revenue Requirement model to reflect the expense from ENG to GSE.

Company Comment

The Company agrees that \$888 and \$491 were recorded to EnergyNorth in error and will adjust the Revenue Requirement model accordingly in the Corrections and Updates filing.

Audit Comment

Audit concurs with the Company.

Audit Issue #3
Retirements not booked-See Page 32

Background

The Main Replacement City/State Business Case for this project was a blanket authorization in 2019 for the main service and replacement totaling \$275,000. This particular work order was for main replacement and three service replacements on Richardson Court in Keene, from May through September 2019 and posted to the CPRs October 31, 2019 and the general ledger account 8843-376 – T& D Mains and account 8843-380 - Services

Issue

The Company provided a spreadsheet of retirements for ENG and Keene. For this particular main and service replacement, no retirements were found on the retirement documentation.

Recommendation

From the previous audit, the Company's retirement process was backlogged. The Company is encouraged to complete the process as soon as possible, and to quantify what the impact is on the instant rate case.

Company Response

The processes of unitizing a job and recording associated retirements are not directly linked in the Great Plains system which means there can be a delay in receiving and posting of retirements. This was the case with job 431908-37607.

The job was unitized in the last quarter of 2019 but the retirements were not identified until later. Retirements are provided by field personnel on a quarterly basis, and Plant Accounting processes them soon after. The retirements for the services and main removed from service on job 431908-37607, which total \$609.40, will be recorded in 2020.

The previous backlog of retirements has been addressed and recorded by Plant Accounting. This effort was completed as of mid-2019. Plant Accounting currently has a year backlog which should be resolved by the end of Q1 2021.

Audit Comment

Audit requests copies of the appropriate journal entries as soon as they are posted. Audit will also review the 2020 retirements in detail with the Company's 2020 Annual Report to be filed by March 31 2021.

Audit Issue # 4
Unapplied Payments Aging List Variance See Page 71

Background

The Company has a variance when comparing the unapplied payments aging list to the general ledger for EnergyNorth.

Issue

Audit reviewed the December 31, 2019 Unapplied Payments aging list with a \$1,726,673 ending balance. The Company needs to explain why there is a \$3,936 difference on the December 31, 2019 EnergyNorth unapplied payments aging list compared to the \$1,730,609 general ledger ending balance.

Recommendation

The Company should explain the \$3,936 variance between the aging list and GL. The Company should make any necessary adjustments to the filing and annual report.

Company Comment

Of the \$3,936 variance between the aging list and the general ledger (GL), \$3,552 were unapplied payments from National Grid brought over from the 2012 acquisition. Liberty was not provided sufficient details at that point, and through the years since then, has reached out to National Grid for additional information. National Grid has not been able to identify the source of the payments. The remaining \$384 relates to a check received in August 2015 from the US Treasury with no information as to the purpose of the refund. A follow up call did not yield any new information. Since the source(s) of these payments have not been identified, these amounts are not reflected in the aging list which is generated from Cogsdale, the Company's customer information system, but are reflected in the general ledger. As unapplied payments do not impact the revenue requirement calculation and the write off will happen in 2020 the Company does not need to make any adjustments to the filing and the 2019 annual report. The Company will write-off the amounts discussed above by year-end 2020.

Audit Comment

Audit appreciates that the Company was able to explain the variance between the unapplied payments aging list and the GL. While this may not reflect adjustments to the revenue requirements on the filing schedule, it is concerning after 8 years have passed since the merger from National Grid the Company is still making adjustments. It is also concerning the Company received a refund check from the U.S Treasury in August 2015 but they do not know for what it is. Audit appreciates the Company is going to write off the balances so the GL and unapplied payments aging list will be reconciled going forward.

Audit Issue #5
Remaining Balance on Short-Term Account See Pages 73, 77, and 139

Background

The Excess ADIT Reg Liability – Short-Term account, 8840-2-0000-20-2142-2830, has a balance of \$314,773 that has remained on the account since July 2018 and was never reclassified to account 8840-2-0000-20-2910-2830, Excess ADIT Regulatory Liability - Long Term.

Issue

The Company was not able to provide an explanation as to how the original amount of \$314,773 was booked to the account.

Recommendation

The Company needs to provide the support for the \$314,773 balance that has remained on the Short-Term account since July 2018.

Company Comment

To the best of the Company's knowledge, the amount recorded in the account in July 2018 was a preliminary estimate of the current portion of the Excess ADIT at that point in time. Calculations related to the impact of the Tax Cuts and Jobs Act were under review by the Commission throughout 2018 (See Docket Nos. DG 17-048 and IR 18-001). As the determination of the disposition of the total Excess ADIT balance will only be determined as a result of this current rate case (see Order No. 26,187 in Docket No. DG 17-048 (November 2, 2018)), the short-term amount at the end of the 2019 test year should have been adjusted to what was expected to be flowed back to customers over the succeeding twelve-month period. As relates to this rate case, the Company proposed to begin flowing back Excess ADIT at a rate of \$1,297,126 per year, effective with the implementation of temporary rates on October 1, 2020. Three months of that annual amortization would be \$324,281.50. The Company suggests that the \$314,773 is not materially different when compared to the over \$37 million balance of total Excess ADIT. Once the final determination of the disposition of the total Excess ADIT is made in this rate case, the short term/long term balance will be reallocated based on that determination and the short term balance will be equal to one year of amortization.

Audit Comment

Audit appreciates the explanation by the Company as to why the \$314,773 short-term balance stayed on the books of the Company and was not transferred to the long-term account. Audit understands the Commission Order 26,187 ordered any excess flow back to customers in excess ADIT based on the Tax Cuts and Jobs Act passed on December 2017 over the succeeding 12-month period. Once the final determination of Excess ADIT is determined in the rate case the Company should make any necessary adjustments.

Audit Issue #6
Rental Income See Pages 84

Background

The Filing Schedule RR-EN-2 excluded Rental Income that should have been included.

Issue

The Filing Schedule RR-EN-2 reflects total test year revenue of \$157,010,959. The 2019 Annual Report Revenue summed to \$157,020,559. This \$9,600 difference relates to rental income booked to account # 8840-2-0000-40-4295-4821. The rental income relates to the \$800 X 12 months' rent the Company receives from the INAT Gas Special Contract.

Recommendation

The Filing Schedule RR-EN-2 should be adjusted by \$9,600 to \$157,020,559 include the monthly INAT Gas Rental Income booked to account # 8840-2-0000-40-4295-4821

Company Comment

The Company agrees to adjust the Revenue Requirement model by \$9,600 in the Corrections and Update filing.

Audit Comment

Audit concurs with the Company.

Audit Issue # 7
EnergyNorth/Keene Property Tax See Page 131

Background

The actual property tax bills reviewed by Audit sum to \$12,510,975. The filing schedule RR-EN-3-7 reflects test year expenses of \$12,404,863, and proformed property tax expense of \$12,848,143.

Issue

½ of 2018 second issue municipal	\$2,314,456	
Complete 2019 first issue municipal	\$4,788,673	
½ of 2019 second issue municipal	<u>\$2,741,567</u>	
Subtotal municipal	\$9,844,567	
EnergyNorth NH Utility Property Tax	\$2,650,975	
Keene NH Utility Property Tax	<u>\$15,431</u>	
2019 State of NH Utility Property tax	<u>\$2,666,408</u>	
Subtotal property tax expensed	\$12,510,975	\$106,112 higher than expensed

Based on Audit's calculation and the December 2019 Notice of Value and Tax bill from the NH DRA the property tax expense for the year should be \$12,510,976 for the year. This is \$106,112 greater than the 12,404,863 booked to the GL. The difference is largely based on the timing difference based on the January-June 2019 and July-December 2019 Company property tax schedules the Company uses to calculate fiscal and calendar towns municipal property tax expense.

On Filing Schedule RR-EN-3-7, the proformed property tax expense is \$12,848,143. This figure is based on the 2019 1st and 2019 municipal and property tax amounts summed together based on a property tax schedule used by a consultant. Audit verified the \$2,606,408 State Property Tax Expense to be correct based on the actual NH DRA bill. Based on a review of the actual property tax invoices to the Filing Audit noticed a large variance related to the Town of Pembroke 2019 first half issuance.

The filing Schedule RR-EN-3-7 indicates the 2019 first half issuance for Pembroke was \$774,000 when the Company indicates it was a typo and should have been \$77,400. Based on the Pembroke Adjustments the Filing Schedule RR-EN-3-7 should reflect \$12,151,543 using the Company's calculations. Based on a review of the actual amounts owed on the 2019 municipal property tax bill first and second half issuances Audit determined the total proformed property tax expense to be \$12,193,644.

Recommendation

The sum of proforma noted on RR-EN-3-7 should be decreased by (\$654,499) to \$12,193,644. The property tax expense booked to the GL on RR-EN-3-7 should be increased by \$106,112 to \$12,510,975.

Company Comment

The Company agrees that the first tax installment for the Town of Pembroke should have been \$67,304 rather than the \$774,000 reported on Schedule RR-EN-3-7. Audit Staff also identified that the proformed property tax expense on Schedule RR-EN-3-7 was the sum of the two tax installments rather than multiplying the second installment by two as has been done in the past. The Company does not agree that the proformed property expense should be \$12,193,644 but does agree that the proformed property tax expense should be calculated by multiplying the second installment by two and will make the appropriate calculations.

The Company will make these adjustments to the Revenue Requirement model in the Corrections and Update filing.

Audit Comment

Audit appreciates the response by the Company specifically the error regarding the 2019 First Issuance for Pembroke. Since property taxes are a direct pass through cost onto customers that generally increase and the Company is seeking a recovery mechanism to recoup property taxes, it is extremely important the Company work with Commission Gas Staff to provide the correct proformed property tax expenses on Filing Schedule RR-EN-3-7.

Based on the current filing schedule RR-EN-3-7 multiplying the 2019-second issuance by two would result in a \$12,462,797 proformed property tax expense. This is (\$385,346) lower than the current \$12,848,143 proformed amount the Filing Schedule. The 12,462,797 proformed property tax expense is much closer to the actual 2019 \$12,510,975 property tax expense calculated by Audit. This \$48,178 difference is because of timing and adjustments needed to be made to remove State Education tax for the Town of Nashua.

Audit Issue # 8
State Education Tax See Page 132

Background

Liberty pays municipal property taxes as well as a Statewide Utility property tax expense. Because of the statewide tax, the municipalities are not supposed to include the state education tax portion of the rate on Liberty's municipal tax bills.

Audit Issue

The Company included the State Education Tax in the property tax expense. This is not supposed to be assessed on utility property at the municipal level. The 2018-second issuance represents the January – March period, the 2019 1st issuance represents the April through September, and the 2019 second issuance represents October through December. Audit considered state education tax below \$50 to be immaterial. Audit calculated state education tax to remove by deducting 50% of the 2018-second issuance total, 100% 2019 1st issuance total, and 50% 2019 2nd half issuance total amounts on the actual tax bills.

Audit reviewed JE # 1310286 that removed \$19,649 in state education tax related to Nashua, Bow, and several small properties in Concord. The Company should clarify any state education tax already removed related to Bow and Nashua as they are included below.

The following towns included statewide education property tax.

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Derry	35-102	2018 2 nd	\$3,217
Milford	036-183	2018 2 nd	\$73
Milford	055-007	2018 2 nd	\$4,563
Nashua	000PC	2018 2 nd	\$6,076
Keene	58303800	2018 2 nd	\$2,887
Keene	11603900	2018 2 nd	\$423
Keene	5821400	2018 2 nd	\$312
Keene	04702002	2018 2 nd	<u>\$1,333</u>
Total			\$18,884

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Bedford	1-1-A	2019 1 st	\$11,322
Berlin	Only	2019 1 st	\$592
Manchester	0999A-0075	2019 1 st	\$106,795
Manchester	0752-0001	2019 1 st	\$2,457
Milford	055-007	2019 1 st	\$9,386
Milford	036-183	2019 1 st	\$146
Nashua	000PC	2019 1 st	\$12,152
Keene	58303800	2018 2 nd	\$1,443
Keene	11603900	2018 2 nd	\$254
Keene	5821400	2018 2 nd	\$156
Keene	04702002	2018 2 nd	<u>\$666</u>
Total			\$145,369

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Bow	0-9-99	2019 2 nd	\$5,330
Derry	35-102	2019 2 nd	\$4,095
Milford	036-183	2019 2 nd	\$63
Milford	055-007	2019 2 nd	\$4,821
Nashua	000PC	2019 2 nd	\$4,379
Keene	58303800	2018 2 nd	\$2,795
Keene	11603900	2018 2 nd	\$491
Keene	5821400	2018 2 nd	\$303
Keene	04702002	2018 2 nd	<u>\$1,247</u>
Total			\$23,524

Total all three Issuances \$187,777

Note: Some of the parcel numbers have been shortened from the actual on the chart due to space limitations.

Audit Recommendation

The Company should ensure the towns cease to assess the Statewide Education portion of the property tax rate.

The filing should be updated to reduce the Property Tax expense calculation, by ensuring that the proforma figures do not include the Statewide Education portion of the invoices.

Company Response

From the list of property taxes listed on this audit issue, only Nashua assessed Liberty for the state education tax on their property tax bills. For all of the other property tax bills listed, while the state education tax rate was shown on the bills, the billed amounts did not include the state education tax rate in the calculation of the property taxes due. The tax bills received in December 2019 were not part of the property tax expense for the 2019 test year. Liberty has contacted Nashua to remove the state education tax bill and has sought a refund for the state education taxes paid within the past year.

For the Keene property, parcel number 5821400, the lessor, R&M Realty, is not a utility so the lessor is appropriately assessed the state education tax. Liberty, in turn, pays the property taxes in accordance with the terms of the lease. As a result of the above discussion, the only items at issue are the following:

Date of receipt	Town	Parcel	Tax valuation	Rate Tax	Total tax bill	State Ed Rate	State Education tax included	2019 Property tax expense	Property tax adjustment
Dec'18	Nashua	000PC	5899200	21.21	125,122.03	2.06	6,076.18	99,332.03	4,823.76
Jul'19	Nashua	000PC	5899200	21.21	62,561.02	2.06	12,152.35	62,561.02	12,152.35
Total amount to be adjusted									16,976.11

The Corrections and Update filing will be adjusted for \$16,976.11.

Audit Comment

Audit appreciates the research the Company conducted in clarifying any necessary statewide education tax that needs to be removed. Audit Staff is encouraged that only a \$16,976.11 adjustment for the City of Nashua is necessary. Audit did diligently review the actual property tax invoices that included the state education tax on the actual bills. The Company Accountant, in most instances, would write in a tax rate in black marker on what they paid so it was difficult to determine whether the state education portion of the tax bill was removed or not. The Company should remove the \$16,976.11 in state education tax for Nashua from the filing.

Audit Issue # 9
EnergyNorth Non-Utility Property Tax See Page 134

Background

In the prior Audit Report DG 17-048 Audit Issue # 20 indicated the Company owned non-utility property in Concord that should not have been included in the property tax expense.

Issue

The Company stated that it owns non-utility operations located on 14 Broken Bridge Road Parcel 109/1/3 and Sewall's Falls Road Parcel 202z/21 in Concord, NH. Audit reviewed the tax invoices for Concord, which included the two non-utility property locations. The City of Concord bills quarterly therefore the tax year and the test-year amounts are the same.

Below is the total property tax expense for the two locations based on the actual invoices:

14 Broken Bridge Road	\$2,408
Sewall's Falls Road	<u>\$1,106</u>
Total	\$3,514

Liberty also owns a small parcel at 13 Broken Bridge Road, held in account 105, Plant Held for Future Use. The parcel in account 105 is \$31,436.60, so any related property tax expense would be minimal. Audit did not test for that.

Recommendation

The Company should reduce the ENG property tax expense in the filing by \$3,514 in tax paid on non-utility property.

Company Comment

The Company concurs with Audit's recommendation and will adjust the Revenue Requirement model accordingly in the Corrections and Update filing.

Audit Comment

Audit concurs with the Company.

Audit Issue #10
Misclassified Operating and Maintenance Expenses-See Pages 11, 100, 101, 116, 117, 119
and 120

Background

Audit reviewed the 2019 detail general ledger and made journal entry selections in which supporting documentation was requested. EnergyNorth provided the appropriate documentation for all selections.

Issue

During Audit's review of the requested documentation, it was determined that the expenses were misclassified and should have been charged to a different expense account.

1. \$85,000 in PUC violation payments were booked above the line and should have been charged to account 4263, Penalties
2. The lease payments of 116 N Main Street were charged to account 9100 and should have been charged to 9310
3. Legal services were charged to 9210, Office Supplies and should have been booked to 9230 Outside Services
4. \$1,670 was booked to account 9214, Dues and Membership Fees for and instructor lead symposium and should be booked to outside services, 9230
5. An employee training session was booked to office supplies account 9210 and should be outside services, 9230
6. Annual membership dues were booked to outside services and should be booked to 9214, Dues and Membership Fees
7. Chamber of Commerce dues were booked to 9280, Regulatory Commission Expenses and should be booked to 9214, Dues and Membership Fees

Recommendation

Audit recommends adjusting the filing to reflect the following adjustments:

1. The following PUC fines should be moved to account 4263
 - a. 8840-2-9853-51-5444-7350 \$ 3,500
 - b. 8840-2-9852-51-5436-8740 \$ 500
 - c. 8840-2-9854-69-5131-9214 \$ 3,000
 - d. 8840-2-9854-69-5200-9230 \$78,000
2. \$15,180 moved from 8840-2-9865-69-5390-9100 to 9310
3. \$6,890 in legal services should be moved from 8840-2-9823-69-5130-9210 to account 9230
4. \$1,670 should be moved from 8840-2-9815-69-5131-9214 to 9230
5. \$2,491 should be moved from 8840-2-9815-69-5130-9210 to 9230
6. \$2,500 should be moved from 8840-2-9815-69-5200-9230 to 9214
7. \$438 should be moved from 8840-2-9868-69-5610-9280 to 9214

Audit notes that moving a charge from one expense account to another expense account (items two through seven) will not impact the income statement and will not affect the filing.

Company Comment

Regarding item 1, the Company agrees that the amounts should have been recorded below the line and will adjust the revenue requirement schedules accordingly in the Corrections and Updates filing for the \$85,000 total.

With respect to items 2 through 7, the Company notes the recommended alternative account classifications for the various items and will strive to avoid similar classification issues going forward.

Audit Comment

Audit concurs with item #1. Regarding items #2 through #7, Audit understands the 2019 books are closed and reclassification of the expenses will not impact the revenue requirement. Audit agrees with the Company striving to avoid similar classification issues in the future.

Audit Issue #11
Least Cost Integrated Resource Planning Expenses- Pages 120 and 122

Background

Audit reviewed the 2019 detail general ledger and made journal entry selections in which supporting documentation was requested. EnergyNorth provided the appropriate documentation for all selections.

Issue

During Audit's review, they identified several expenses booked to O&M accounts for the Least Cost Integrated Resource Planning proceeding.

1. A total of \$120,218 was included in the O&M expenses for the Granite Bridge project.
 - a. 8840-2-9830-69-5200-9230 \$ 99,311
 - b. 8840-2-9835-69-5200-9230 \$ 20,367
 - c. 8840-2-9830-69-5200-9230 \$ 540
2. A total of \$16,764 was included in O&M expenses for IRP
 - a. 8840-2-9835-69-5200-9230 \$ 10,947
 - b. 8840-2-9830-69-5610-9280 \$ 3,253
 - c. 8840-2-9830-69-5610-9280 \$ 1,934
 - d. 8840-2-9830-69-5610-9280 \$ 630

The first three items relate to the Granite Bridge Project as discussed in supplemental Company testimony in docket DG 17-152. The last four items relate to environmental impacts of Liberty's LCIRP.

Recommendation

Audit recommends the above noted expenses be deferred and petitioned for recovery through the Cost of Gas filing.

Audit understands that in prior years the IRP expenses were deferred. A change of policy took place and in the test year and the IRP charges were expensed as incurred.

Company Comment

Upon review of prior information, the Company has determined that prior years' costs for the IRP were included in the expenses of the Energy Procurement department. If the costs had been deferred, there would have been a request to recover the costs accompanied by a ruling in a Commission order. No such orders were identified. For a period of time with the current IRP docket, a deferral account had been established and certain costs had been recorded to that account, including some of those listed above. However, during 2019 it was determined by the

Company that costs related to the IRP should be expensed rather than deferred as the IRP is a recurring docket. Each year, costs are incurred either in preparing the IRP filing, working through the IRP proceeding, or preparing for the next filing. As time has progressed, the requirements for the contents of the Company's IRP filing have increased.

The testimony referenced above was filed on June 28, 2019, and was required by Order No. 26,225 (March 13, 2019) in Docket No. DG 17-152 as well as subsequent discussion by the parties to that proceeding. A necessary part of that testimony dealt with the emissions, public health, and environmental impacts of the Company's proposed Granite Bridge Project, an alternative that was analyzed as part of the LCIRP, which is consistent with the governing IRP statutes.

Regarding the recommendation to defer the costs and request recovery through the Cost of Gas filing, the Company notes that such a request would necessitate a change to the Company's tariff as IRP costs are currently not part of what is allowed to be recovered through the Cost of Gas component of rates.

Audit Comment

Audit appreciates the information supplied by the Company regarding the change to the accounting during the test year. Audit recommends that the Staff at the Commission and the Company determine the most appropriate manner of accounting for any costs related to the IRP dockets. The overall \$136,982 identified above should be considered during the instant rate case, and the conclusion to include as regular recurring expenses or not should be determined during the course of this proceeding.

Audit Issue #12

Operating and Maintenance Expenses to be Booked below the Line – Pages 103, 110, 120

Background

Audit reviewed the 2019 detail general ledger and made journal entry selections in which supporting documentation was requested. EnergyNorth provided the appropriate documentation for all selections.

Issue

During Audit's review of the supporting documentation it was determined that some of the expenses should be booked below the line:

1. \$1,989 booked to account 8840-2-9852-51-5435-8800, Other Expenses for an employee's retirement
2. \$3,000 booked to account 8840-2-9865-69-5390-9130, Advertising Expenses, for a Best of NH event sponsorship
3. \$505 booked to account 8840-2-9810-69-5200-9230 for gift cards, watch and other items for employee recognition
4. \$3,049 booked to account 8840-2-9810-69-5200-9230 for a 26 week weight watcher program

Recommendation

Audit recommends EnergyNorth adjust the filing for the current rate case for the above noted expenses. In future years, the types of expenses noted above should be booked below the line.

Company Comment

The charges above are all of an allowable nature and relate to things such as employee service recognition, employee wellness, or contributions for conventions and meetings. These items are certainly not excessive in nature and should be considered valid expenditures. The employee-related costs are low cost ways of maintaining employee morale and improving employee engagement. Having engaged employees is vital to the success of the Company and helps provide better service to customers. In addition, programs like a Weight Watcher program improve employee wellness and help control health insurance costs. The Audit Staff cites to no rules or rulings in support of the recommendation and, therefore, the recommendations appear to be arbitrary and of a subjective nature. Thus, it is difficult from a Company perspective to agree to recommendations of a subjective nature when no authoritative guidance is cited.

Audit Comment

Audit understands that these types of costs are related to employee morale and keeping employees healthy. Audit does reiterate that these expenses should be booked below the line as they are not necessary expenses for which the rate payers should be charged, rather, these expenses should be borne by shareholders.

Liberty Utilities (EnergyNorth)
Track Changes
Rate Year Ending December 31, 2020

Ref	Version	Rev Req	Increase	Change from prior	Step Increase Total	Change from prior	NOTES
1	September 10, 2020 Model, as corrected	101,306,034	6,451,180	-	5,680,641	-	Staff Request TS 3-7
2	Exclude GSE Related Costs	101,304,648	6,449,795	(1,386)	5,680,641	-	Audit Issue #2
3	Include Short Term EDIT	101,283,022	6,428,168	(21,626)	5,680,641	-	Audit Issue #5
4	Include Account 482.1 in Revenues	101,283,039	6,418,586	17	5,680,641	-	Audit Issue #6
5	Correct Pembroke Property Tax	100,572,920	5,708,467	(710,119)	5,647,754	(32,887)	Audit Issue #7
6	Calculate Property Tax on Second Half Only	100,895,826	6,031,373	322,906	5,647,754	-	Audit Issue #7
7	Nashua Education Tax Removal	100,904,084	6,039,631	8,258	5,646,985	(769)	Audit Issue #8
8	Non-Utility Plant Property Tax Removal	100,900,553	6,036,100	(3,531)	5,646,985	-	Audit Issue #9
9	Remove NHPUC Penalty Expenses	100,815,142	5,950,688	(85,412)	5,646,985	-	Audit Issue #10, Staff Request 3-69 (k)
10	Include EDIT Gross-up in Rate Base	99,849,659	4,985,205	(965,483)	5,646,985	-	Staff Request 2-49
11	Exclude Lobbying Expense	99,846,644	4,982,191	(3,015)	5,646,985	-	Staff Request 3-69 (a) & (k)
12	Correct Keene Cost Adjustment	99,849,477	4,985,023	2,833	5,646,985	-	Staff Request 1-6 (a)
13	Remove Charitable Contributions from ADIT/EDIT	99,834,462	4,970,008	(15,015)	5,646,985	-	Staff Request 3-22
14	CBIZ, E&Y and KPMG Adjustment	99,828,113	4,963,660	(6,349)	5,646,985	-	Staff Request 3-23
15	Remove Non-Recoverable Advertising Expenses	99,787,005	4,922,551	(41,109)	5,646,985	-	Staff Request TS-3-21
16	CNG Station Revenue Requirement Adjustment	99,786,984	4,933,718	(20)	5,646,985	-	Staff Request TS 3-6
17	Update Increase Related to Indirect Expenses in COG	99,786,984	4,933,718	-	5,646,985	-	Increase assigned to COG changed to \$2,033,855
18							

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-7

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Ref. Exhibit 3, Column "System Total," Line 26 and Exhibit 5, p. 1, Column "Permanent Proposed Revenue at 8/1/2021," "Line "Proposed Revenue Increase" Both these exhibits show a requested revenue increase of \$6,408,931. Please provide:

- a. A revised version of Rates - 5 (Bates II 496-497) that reflects this revenue increase request (and without any requested step adjustment);
- b. A revised Schedule RR-EN-2 (Bates II-133) that reflects this revenue increase request (and without any requested step adjustment);
- c. A revised Petition for Permanent and Temporary Rates, Attachment 1, p. 2 of 4 that corresponds to this revenue increase request (and without any requested step adjustment).

RESPONSE:

In preparing the response to this request, the Company found that the previous RATES model that was provided to the Commission and OCA on September 11, 2020, double counted the removal of the revenue collected from the COG. The Company also found that this double count of the removal of the revenue collected from the COG has been included within the RATES model since 2010. EnergyNorth records a credit for reporting purposes in FERC Account No. 846 to reflect revenues received from production related indirect costs being allocated to the COG. When calculating the going forward production related indirect costs included in the COG, this credit should be removed. The updated revenue requirement model removes this credit as a COG & LDAC adjustment, on a new line in Schedule RR-EN-2-1, for the amount recorded during the test year, \$1,993,587. The filed FCOS classified the credit as production as a reduction to indirect costs recovered in the COG (*see* Bates II-386, Attachment KAS-3, page 7 of 14, "indirect expenses") understating the production costs includable in the COG by the amount of the credit. The adjusted requested revenue increase, before any corrections and updates, is \$6,451,180.

- a. Please see Attachment Staff TS 3-7.a.xlsm for a revised version of the rates model that reflects the \$6,451,180 revenue increase.

Docket No. DG 20-105 Request No. Staff TS 3-7

- b. Please see Attachment Staff TS 3-7.b.xlsx for a revised version of the revenue requirement model that reflects the \$6,451,180 revenue increase. The cells that have changed since the September 11, 2020, version are highlighted in yellow.
- c. Please see Attachment Staff TS 3-7.c.xlsx for a revised Petition for Permanent and Temporary Rates, Attachment 1, p. 2 of 4 that corresponds to this revenue increase request.

Although not requested, the Company is also providing a revised version of the FCOS model as Attachment Staff TS 3-7.d.xlsm. The cells that have changed since the September 11, 2020, version are highlighted in yellow.

Docket No. DG 20-105
Attachment DBS/KAS-1
Schedule RR-EN-2
Page 1 of 1

Liberty Utilities (EnergyNorth)
Operating Income Statement - EnergyNorth
Test Year With Known and Measurable Changes

Source		RR-EN-3				RR-1		
Line	Account	Test Year Ended December 31, 2019	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments	Test Year at Current Rates	Proposed Increase	Distribution Operating Income with Proposed Increase
1	Revenue							
2	Operating Revenue	\$ 157,984,809	\$ (72,649,313)	\$ 85,335,497	\$ 1,362,763	\$ 86,698,260	\$ 4,388,337	\$ 91,086,597
3	Decoupling	4,965,231	-	4,965,231	-	4,965,231	-	4,965,231
4	COG Revenue (credit to Account 846)	-	1,993,587	1,993,587	-	1,993,587	2,062,843	4,056,430
5	Other Revenue	1,197,776	-	1,197,776	-	1,197,776	-	1,197,776
6		\$ 164,147,816	\$ (70,655,726)	\$ 93,492,090	\$ 1,362,763	\$ 94,854,853	\$ 6,451,180	\$ 101,306,034
7								
8	Operating Expenses							
9	Operations and Maintenance - Gas	\$ 70,188,045	\$ (68,365,777)	\$ 1,822,267	\$ (138,439)	\$ 1,683,828		\$ 1,683,828
10	Operations and Maintenance - Distribution	14,187,750	-	14,187,750	182,041	14,369,791		14,369,791
11	Customer Accounting	4,011,638	983,441	4,995,080	45,731	5,040,811		5,040,811
12	Sales and New Business	663,477	-	663,477	11,141	674,618		674,618
13	Administrative & General	8,719,450	-	8,719,450	(530,336)	8,189,114		8,189,114
14	Depreciation and Amortization	25,339,396	(3,025,052)	22,314,344	597,567	22,911,910		22,911,910
15	Taxes other than Income Taxes	14,030,617	-	14,030,617	784,558	14,815,175		14,815,175
16	Income Taxes	3,709,928	-	3,709,928	1,519,347	5,229,275	1,746,980	6,976,254
17		\$ 140,850,302	\$ (70,407,388)	\$ 70,442,914	\$ 2,471,608	\$ 72,914,522	\$ 1,746,980	\$ 74,661,502
18								
19								
20	Utility Net Income	\$ 23,297,514	\$ (248,338)	\$ 23,049,176	\$ (1,108,845)	\$ 21,940,331	\$ 4,704,201	\$ 26,644,532
21								
22	Rate Base			\$ 356,687,174		\$ 356,687,174		\$ 356,687,174
23								
24	Rate of Return on Rate Base			6.46%		6.15%		7.47%

Docket No. DG 20-10
 Schedule RR-EN-2-
 Page 1 of

Liberty Utilities (EnergyNorth)
 Operating Income Statement - Detail - EnergyNorth
 Test Year With Known and Measurable Changes

Source									
RR-EN-3									
RR-EN-3									
Line	Account	Account Number	Test Year Ended December 31, 2019	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments	Test Year At Current Rates	Labor	Labor Pro Forma
1	OPERATION AND MAINTENANCE EXPENSES								
2	O&M - Gas Production								
3	Operation Supervision and Engineering	710	\$ 976,663	\$ -	\$ 976,663	\$ 20,392	\$ 997,056	\$ 944,645	\$ 965,02
4	Liquefied Petroleum Gas Expenses	717	-	-	-	-	-	-	-
5	Liquefied Petroleum Gas	728	-	-	-	-	-	-	-
6	Gas Mixing Expense	733	185,703	-	185,703	(114,984)	70,719	185,703	189,71
7	Miscellaneous Production Expenses	735	514,254	-	514,254	(43,853)	470,400	-	-
8	Maintenance of Production Equipment	742	119,531	-	119,531	-	119,531	-	-
9	Natural Gas City Gate Purchases	804	1,458,035	(1,458,035)	-	-	-	-	-
10	Other Gas Purchases	805	67,686,807	(67,686,807)	-	-	-	-	-
11	Gas Withdrawn from Storage	808	1,214,522	(1,214,522)	-	-	-	-	-
12	Operation Labor and Expenses	841	-	-	-	-	-	-	-
13	Other Expenses	846	(1,967,471)	1,993,587	26,116	6	26,122	263	26
14	<i>Total O&M - Gas Production</i>		\$ 70,188,045	\$ (68,365,777)	\$ 1,822,267	\$ (138,439)	\$ 1,683,828	\$ 1,130,611	\$ 1,155,01
15									
16	O&M - Distribution Expenses								
17	Measuring and Regulating Station Expenses (Transmission)	857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Maintenance of Mains (Transmission)	863	-	-	-	-	-	-	-
19	Operation Supervision and Engineering	870	536,299	-	536,299	7,153	543,453	331,359	338,51
20	Distribution Load Dispatching	871	575,530	-	575,530	12,414	587,944	575,068	587,48
21	Mains Services Expenses	874	5,633,309	-	5,633,309	75,511	5,708,819	3,497,946	3,573,42
22	Measuring and Regulating Station Expenses - General	875	-	-	-	-	-	-	-
23	Measuring and Regulating Station Expenses - Industrial	876	-	-	-	-	-	-	-
24	Meter and House Regulator Expenses	878	1,118,308	-	1,118,308	22,429	1,140,737	1,038,978	1,061,40
25	Customer Installations Expenses	879	629,292	-	629,292	13,454	642,746	623,226	636,68
26	Other Expenses	880	1,717,919	-	1,717,919	18,651	1,736,570	864,000	882,62
27	Rents	881	10,618	-	10,618	-	10,618	-	-
28	Maintenance Supervision and Engineering	885	-	-	-	-	-	-	-
29	Maintenance of Structures and Improvements	886	147,555	-	147,555	2,592	150,147	120,051	122,64
30	Maintenance of Mains	887	2,660,338	-	2,660,338	17,605	2,677,943	815,525	833,12
31	Maintenance of Measuring and Regulating Station Expenses	889	-	-	-	-	-	-	-
32	Maintenance of Services	892	462,357	-	462,357	4,448	466,805	206,069	210,51
33	Maintenance of Meters and House Regulators	893	351,020	-	351,020	5,689	356,709	263,554	269,24
34	Maintenance of Other Equipment	894	345,205	-	345,205	2,095	347,300	97,049	99,14
35	<i>Total O&M - Distribution</i>		\$ 14,187,750	\$ -	\$ 14,187,750	\$ 182,041	\$ 14,369,791	\$ 8,432,825	\$ 8,614,86
36	<i>Total O&M - Gas Production and Distribution</i>		\$ 84,375,795	\$ (68,365,777)	\$ 16,010,018	\$ 43,601	\$ 16,053,619	\$ 9,563,437	\$ 9,769,88
37									
38	Customer Accounts Expenses								
39	Supervision	901	\$ 243,201	\$ -	\$ 243,201	\$ 5,250	\$ 248,451	\$ 243,201	\$ 248,45
40	Meter Reading Expenses	902	323,371	-	323,371	6,427	329,798	297,723	304,15
41	Customer Records and Collection Expenses	903	2,734,690	-	2,734,690	34,054	2,768,744	1,577,532	1,611,58
42	Uncollectible Accounts	904.0	1,680,770	-	1,680,770	-	1,680,770	-	-
43	Bad Debt Expense - Commodity	904.1	(983,441)	983,441	-	-	-	-	-
44	Miscellaneous Customer Accounts Expenses	905	13,047	-	13,047	-	13,047	-	-
45	<i>Total Customer Accounting</i>		\$ 4,011,638	\$ 983,441	\$ 4,995,080	\$ 45,731	\$ 5,040,811	\$ 2,118,456	\$ 2,164,18
46									
47	Customer Service and Informational & Sales Expenses								
48	Cust Assistance	908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49	Informational and Instructional Advertising Expenses	909	95,856	-	95,856	462	96,318	21,409	21,87
50	Cust Service Misc	910	15,180	-	15,180	-	15,180	-	-
51	Sales & Advertising	912	449,660	-	449,660	9,032	458,691	418,379	427,41
52	Advertising Expenses	913	26,484	-	26,484	-	26,484	-	-
53	Miscellaneous Sales Expenses	916	76,299	-	76,299	1,647	77,946	76,299	77,94
54	<i>Total Customer Service and Informational & Sales Expenses</i>		\$ 663,477	\$ -	\$ 663,477	\$ 11,141	\$ 674,618	\$ 516,086	\$ 527,22
55	<i>Total Customer Accounts, Customer Service and Informational</i>		\$ 4,675,116	\$ 983,441	\$ 5,658,557	\$ 56,872	\$ 5,715,429	\$ 2,634,542	\$ 2,691,41
56									
57	Administrative and General Expenses								
58	A&G Salaries	920.0	\$ 2,690,132	\$ -	\$ 2,690,132	\$ 52,626	\$ 2,742,757	\$ 2,437,821	\$ 2,490,44
59	A&G Salaries - LU Head Office	920.1	3,128,482	-	3,128,482	-	3,128,482	Allocated costs	-
60	Office Supplies and Expenses	921	2,214,501	-	2,214,501	(10,202)	2,204,299	-	-
61	Administrative Expenses Transferred	922.0	(13,438,703)	-	(13,438,703)	233,952	(13,204,750)	Allocated costs	-
62	LU Labor Allocations Capitalized	922.1	(2,935,673)	-	(2,935,673)	-	(2,935,673)	-	-
63	Outside Services Employed	923.0	1,038,455	-	1,038,455	-	1,038,455	-	-
64	Allocated LU Head Office	923.1	6,179,915	-	6,179,915	-	6,179,915	-	-
65	Property Insurance	924	51,523	-	51,523	-	51,523	-	-
66	Injuries and Damages	925	814,179	-	814,179	-	814,179	-	-
67	Employee Pensions and Benefits	926	7,987,623	-	7,987,623	(727,193)	7,260,431	-	-
68	Regulatory Commission Expenses	928	813,919	-	813,919	(36,883)	777,036	-	-
69	Miscellaneous General Expenses	930	1,146	-	1,146	-	1,146	-	-
70	Rents	931	173,951	-	173,951	(42,637)	131,314	-	-
71	Maintenance of General Plant	932	-	-	-	-	-	-	-
72	<i>Total Administrative & General</i>		\$ 8,719,450	\$ -	\$ 8,719,450	\$ (530,336)	\$ 8,189,114	\$ 2,437,821	\$ 2,490,44
73	Total Operation and Maintenance Expenses		\$ 97,770,361	\$ (67,382,336)	\$ 30,388,025	\$ (429,863)	\$ 29,958,162	\$ 14,635,799	\$ 14,951,74
74									

Docket No. DG 20-10
Schedule RR-EN-2-
Page 2 of

Liberty Utilities (EnergyNorth)
Operating Income Statement - Detail - EnergyNorth
Test Year With Known and Measurable Changes

		Source		RR-EN-3				RR-EN-3	
Line	Account	Account Number	Test Year Ended December 31, 2019	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments	Test Year At Current Rates	Labor	Labor Pro Forma
75	DEPRECIATION AND AMORTIZATION EXPENSE								
76	Depreciation Expense	403	\$ 18,173,439	\$ -	\$ 18,173,439	\$ 1,836,152	\$ 20,009,591		
77	Amortization - Intangibles	405	3,435,643	-	3,435,643	(128,313)	3,307,330		
78	Regulatory Debits - Amortization of Regulatory Assets	407.3	705,261	-	705,261	186,853	892,115		
79	Regulatory Credits - Amortization of Regulatory Liabilities	407.4	3,025,052	(3,025,052)	-	(1,297,126)	(1,297,126)		
80	Total Depreciation and Amortization Expense		\$ 25,339,396	\$ (3,025,052)	\$ 22,314,344	\$ 597,567	\$ 22,911,910		
81									
82	TAXES OTHER THAN INCOME TAXES								
83	Taxes other than Income Taxes - Payroll Taxes	408	\$ 1,625,755	\$ -	\$ 1,625,755	\$ 382,609	\$ 2,008,364		
84	Taxes other than Income Taxes - Property Taxes	408	12,404,863	-	12,404,863	401,949	12,806,811		
85	Total Taxes other than Income Taxes		\$ 14,030,617	\$ -	\$ 14,030,617	\$ 784,558	\$ 14,815,175		
86									
87	FEDERAL / STATE INCOME TAXES								
88	Income Tax Expense	409-410	\$ 3,709,928	\$ -	\$ 3,709,928	\$ 1,519,347	\$ 5,229,275		
89	Subtotal - Income Tax		\$ 3,709,928	\$ -	\$ 3,709,928	\$ 1,519,347	\$ 5,229,275		
90									
91									
92									
93	TOTAL EXPENSES		\$ 140,850,302	\$ (70,407,388)	\$ 70,442,914	\$ 2,471,608	\$ 72,914,522	\$ 14,635,799	\$ 14,951,74
94									
95	REVENUES								
96	Operating Revenue		\$ 157,984,809	\$ (72,649,313)	\$ 85,335,497	\$ 1,362,763	\$ 86,698,260		
97	Decoupling		4,965,231	-	4,965,231	-	4,965,231		
98	COG Revenue (credit to Account 846)			1,993,587	1,993,587	-	1,993,587		
99	Other Revenue		1,197,776	-	1,197,776	-	1,197,776		
100	Total Revenue		\$ 164,147,816	\$ (70,655,726)	\$ 93,492,090	\$ 1,362,763	\$ 94,854,853		
101									
102	UTILITY NET INCOME		\$ 23,297,514	\$ (248,338)	\$ 23,049,176	\$ (1,108,845)	\$ 21,940,331		
103									
104	TOTAL RATE BASE	RR-EN-5	\$ 356,687,174		\$ 356,687,174		\$ 356,687,174		
105									
106	Income Tax Rate		13.74%		13.86%		19.25%		
107									
108	Rate of Return		6.53%		6.46%		6.15%		

Audit Issue # 2
Granite State Electric charges booked to EnergyNorth-See Pages 8 and 100

Background

Audit reviewed the detailed general ledger of EnergyNorth.

Issue

During the audit it was discovered that Granite State Electric expenses were erroneously booked to EnergyNorth's general ledger.

- \$888 was booked to ENG account 8840-2-9825-51-5436-8740 for GSE's portion of the September lease payment.
- \$1,181 was booked to 8840-2-9854-56-5435-8700 for onboarding electric and gas manuals. The invoice notes \$491 was for electric manuals.

Recommendation

Audit recommends reducing the filing Revenue Requirement model to reflect the expense from ENG to GSE.

Company Comment

The Company agrees that \$888 and \$491 were recorded to EnergyNorth in error and will adjust the Revenue Requirement model accordingly in the Corrections and Updates filing.

Audit Comment

Audit concurs with the Company.

Audit Issue #5
Remaining Balance on Short-Term Account See Pages 73, 77, and 139

Background

The Excess ADIT Reg Liability – Short-Term account, 8840-2-0000-20-2142-2830, has a balance of \$314,773 that has remained on the account since July 2018 and was never reclassified to account 8840-2-0000-20-2910-2830, Excess ADIT Regulatory Liability - Long Term.

Issue

The Company was not able to provide an explanation as to how the original amount of \$314,773 was booked to the account.

Recommendation

The Company needs to provide the support for the \$314,773 balance that has remained on the Short-Term account since July 2018.

Company Comment

To the best of the Company's knowledge, the amount recorded in the account in July 2018 was a preliminary estimate of the current portion of the Excess ADIT at that point in time. Calculations related to the impact of the Tax Cuts and Jobs Act were under review by the Commission throughout 2018 (See Docket Nos. DG 17-048 and IR 18-001). As the determination of the disposition of the total Excess ADIT balance will only be determined as a result of this current rate case (see Order No. 26,187 in Docket No. DG 17-048 (November 2, 2018)), the short-term amount at the end of the 2019 test year should have been adjusted to what was expected to be flowed back to customers over the succeeding twelve-month period. As relates to this rate case, the Company proposed to begin flowing back Excess ADIT at a rate of \$1,297,126 per year, effective with the implementation of temporary rates on October 1, 2020. Three months of that annual amortization would be \$324,281.50. The Company suggests that the \$314,773 is not materially different when compared to the over \$37 million balance of total Excess ADIT. Once the final determination of the disposition of the total Excess ADIT is made in this rate case, the short term/long term balance will be reallocated based on that determination and the short term balance will be equal to one year of amortization.

Audit Comment

Audit appreciates the explanation by the Company as to why the \$314,773 short-term balance stayed on the books of the Company and was not transferred to the long-term account. Audit understands the Commission Order 26,187 ordered any excess flow back to customers in excess ADIT based on the Tax Cuts and Jobs Act passed on December 2017 over the succeeding 12-month period. Once the final determination of Excess ADIT is determined in the rate case the Company should make any necessary adjustments.

Audit Issue #6
Rental Income See Pages 84

Background

The Filing Schedule RR-EN-2 excluded Rental Income that should have been included.

Issue

The Filing Schedule RR-EN-2 reflects total test year revenue of \$157,010,959. The 2019 Annual Report Revenue summed to \$157,020,559. This \$9,600 difference relates to rental income booked to account # 8840-2-0000-40-4295-4821. The rental income relates to the \$800 X 12 months' rent the Company receives from the INAT Gas Special Contract.

Recommendation

The Filing Schedule RR-EN-2 should be adjusted by \$9,600 to \$157,020,559 include the monthly INAT Gas Rental Income booked to account # 8840-2-0000-40-4295-4821

Company Comment

The Company agrees to adjust the Revenue Requirement model by \$9,600 in the Corrections and Update filing.

Audit Comment

Audit concurs with the Company.

Audit Issue # 7
EnergyNorth/Keene Property Tax See Page 131

Background

The actual property tax bills reviewed by Audit sum to \$12,510,975. The filing schedule RR-EN-3-7 reflects test year expenses of \$12,404,863, and proformed property tax expense of \$12,848,143.

Issue

½ of 2018 second issue municipal	\$2,314,456	
Complete 2019 first issue municipal	\$4,788,673	
½ of 2019 second issue municipal	<u>\$2,741,567</u>	
Subtotal municipal	\$9,844,567	
EnergyNorth NH Utility Property Tax	\$2,650,975	
Keene NH Utility Property Tax	<u>\$15,431</u>	
2019 State of NH Utility Property tax	<u>\$2,666,408</u>	
Subtotal property tax expensed	\$12,510,975	\$106,112 higher than expensed

Based on Audit's calculation and the December 2019 Notice of Value and Tax bill from the NH DRA the property tax expense for the year should be \$12,510,976 for the year. This is \$106,112 greater than the 12,404,863 booked to the GL. The difference is largely based on the timing difference based on the January-June 2019 and July-December 2019 Company property tax schedules the Company uses to calculate fiscal and calendar towns municipal property tax expense.

On Filing Schedule RR-EN-3-7, the proformed property tax expense is \$12,848,143. This figure is based on the 2019 1st and 2019 municipal and property tax amounts summed together based on a property tax schedule used by a consultant. Audit verified the \$2,606,408 State Property Tax Expense to be correct based on the actual NH DRA bill. Based on a review of the actual property tax invoices to the Filing Audit noticed a large variance related to the Town of Pembroke 2019 first half issuance.

The filing Schedule RR-EN-3-7 indicates the 2019 first half issuance for Pembroke was \$774,000 when the Company indicates it was a typo and should have been \$77,400. Based on the Pembroke Adjustments the Filing Schedule RR-EN-3-7 should reflect \$12,151,543 using the Company's calculations. Based on a review of the actual amounts owed on the 2019 municipal property tax bill first and second half issuances Audit determined the total proformed property tax expense to be \$12,193,644.

Recommendation

The sum of proforma noted on RR-EN-3-7 should be decreased by (\$654,499) to \$12,193,644. The property tax expense booked to the GL on RR-EN-3-7 should be increased by \$106,112 to \$12,510,975.

Company Comment

The Company agrees that the first tax installment for the Town of Pembroke should have been \$67,304 rather than the \$774,000 reported on Schedule RR-EN-3-7. Audit Staff also identified that the proformed property tax expense on Schedule RR-EN-3-7 was the sum of the two tax installments rather than multiplying the second installment by two as has been done in the past. The Company does not agree that the proformed property expense should be \$12,193,644 but does agree that the proformed property tax expense should be calculated by multiplying the second installment by two and will make the appropriate calculations.

The Company will make these adjustments to the Revenue Requirement model in the Corrections and Update filing.

Audit Comment

Audit appreciates the response by the Company specifically the error regarding the 2019 First Issuance for Pembroke. Since property taxes are a direct pass through cost onto customers that generally increase and the Company is seeking a recovery mechanism to recoup property taxes, it is extremely important the Company work with Commission Gas Staff to provide the correct proformed property tax expenses on Filing Schedule RR-EN-3-7.

Based on the current filing schedule RR-EN-3-7 multiplying the 2019-second issuance by two would result in a \$12,462,797 proformed property tax expense. This is (\$385,346) lower than the current \$12,848,143 proformed amount the Filing Schedule. The 12,462,797 proformed property tax expense is much closer to the actual 2019 \$12,510,975 property tax expense calculated by Audit. This \$48,178 difference is because of timing and adjustments needed to be made to remove State Education tax for the Town of Nashua.

Audit Issue # 8
State Education Tax See Page 132

Background

Liberty pays municipal property taxes as well as a Statewide Utility property tax expense. Because of the statewide tax, the municipalities are not supposed to include the state education tax portion of the rate on Liberty's municipal tax bills.

Audit Issue

The Company included the State Education Tax in the property tax expense. This is not supposed to be assessed on utility property at the municipal level. The 2018-second issuance represents the January – March period, the 2019 1st issuance represents the April through September, and the 2019 second issuance represents October through December. Audit considered state education tax below \$50 to be immaterial. Audit calculated state education tax to remove by deducting 50% of the 2018-second issuance total, 100% 2019 1st issuance total, and 50% 2019 2nd half issuance total amounts on the actual tax bills.

Audit reviewed JE # 1310286 that removed \$19,649 in state education tax related to Nashua, Bow, and several small properties in Concord. The Company should clarify any state education tax already removed related to Bow and Nashua as they are included below.

The following towns included statewide education property tax.

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Derry	35-102	2018 2 nd	\$3,217
Milford	036-183	2018 2 nd	\$73
Milford	055-007	2018 2 nd	\$4,563
Nashua	000PC	2018 2 nd	\$6,076
Keene	58303800	2018 2 nd	\$2,887
Keene	11603900	2018 2 nd	\$423
Keene	5821400	2018 2 nd	\$312
Keene	04702002	2018 2 nd	<u>\$1,333</u>
Total			\$18,884

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Bedford	1-1-A	2019 1 st	\$11,322
Berlin	Only	2019 1 st	\$592
Manchester	0999A-0075	2019 1 st	\$106,795
Manchester	0752-0001	2019 1 st	\$2,457
Milford	055-007	2019 1 st	\$9,386
Milford	036-183	2019 1 st	\$146
Nashua	000PC	2019 1 st	\$12,152
Keene	58303800	2018 2 nd	\$1,443
Keene	11603900	2018 2 nd	\$254
Keene	5821400	2018 2 nd	\$156
Keene	04702002	2018 2 nd	<u>\$666</u>
Total			\$145,369

<u>Town</u>	<u>Parcel</u>	<u>Date</u>	<u>State Ed. Tax</u>
Bow	0-9-99	2019 2 nd	\$5,330
Derry	35-102	2019 2 nd	\$4,095
Milford	036-183	2019 2 nd	\$63
Milford	055-007	2019 2 nd	\$4,821
Nashua	000PC	2019 2 nd	\$4,379
Keene	58303800	2018 2 nd	\$2,795
Keene	11603900	2018 2 nd	\$491
Keene	5821400	2018 2 nd	\$303
Keene	04702002	2018 2 nd	<u>\$1,247</u>
Total			\$23,524

Total all three Issuances \$187,777

Note: Some of the parcel numbers have been shortened from the actual on the chart due to space limitations.

Audit Recommendation

The Company should ensure the towns cease to assess the Statewide Education portion of the property tax rate.

The filing should be updated to reduce the Property Tax expense calculation, by ensuring that the proforma figures do not include the Statewide Education portion of the invoices.

Company Response

From the list of property taxes listed on this audit issue, only Nashua assessed Liberty for the state education tax on their property tax bills. For all of the other property tax bills listed, while the state education tax rate was shown on the bills, the billed amounts did not include the state education tax rate in the calculation of the property taxes due. The tax bills received in December 2019 were not part of the property tax expense for the 2019 test year. Liberty has contacted Nashua to remove the state education tax bill and has sought a refund for the state education taxes paid within the past year.

For the Keene property, parcel number 5821400, the lessor, R&M Realty, is not a utility so the lessor is appropriately assessed the state education tax. Liberty, in turn, pays the property taxes in accordance with the terms of the lease. As a result of the above discussion, the only items at issue are the following:

Date of receipt	Town	Parcel	Tax valuation	Rate Tax	Total tax bill	State Ed Rate	State Education tax included	2019 Property tax expense	Property tax adjustment
Dec'18	Nashua	000PC	5899200	21.21	125,122.03	2.06	6,076.18	99,332.03	4,823.76
Jul'19	Nashua	000PC	5899200	21.21	62,561.02	2.06	12,152.35	62,561.02	12,152.35
Total amount to be adjusted									16,976.11

The Corrections and Update filing will be adjusted for \$16,976.11.

Audit Comment

Audit appreciates the research the Company conducted in clarifying any necessary statewide education tax that needs to be removed. Audit Staff is encouraged that only a \$16,976.11 adjustment for the City of Nashua is necessary. Audit did diligently review the actual property tax invoices that included the state education tax on the actual bills. The Company Accountant, in most instances, would write in a tax rate in black marker on what they paid so it was difficult to determine whether the state education portion of the tax bill was removed or not. The Company should remove the \$16,976.11 in state education tax for Nashua from the filing.

Audit Issue # 9
EnergyNorth Non-Utility Property Tax See Page 134

Background

In the prior Audit Report DG 17-048 Audit Issue # 20 indicated the Company owned non-utility property in Concord that should not have been included in the property tax expense.

Issue

The Company stated that it owns non-utility operations located on 14 Broken Bridge Road Parcel 109/1/3 and Sewall's Falls Road Parcel 202z/21 in Concord, NH. Audit reviewed the tax invoices for Concord, which included the two non-utility property locations. The City of Concord bills quarterly therefore the tax year and the test-year amounts are the same.

Below is the total property tax expense for the two locations based on the actual invoices:

14 Broken Bridge Road	\$2,408
Sewall's Falls Road	<u>\$1,106</u>
Total	\$3,514

Liberty also owns a small parcel at 13 Broken Bridge Road, held in account 105, Plant Held for Future Use. The parcel in account 105 is \$31,436.60, so any related property tax expense would be minimal. Audit did not test for that.

Recommendation

The Company should reduce the ENG property tax expense in the filing by \$3,514 in tax paid on non-utility property.

Company Comment

The Company concurs with Audit's recommendation and will adjust the Revenue Requirement model accordingly in the Corrections and Update filing.

Audit Comment

Audit concurs with the Company.

Audit Issue #10
Misclassified Operating and Maintenance Expenses-See Pages 11, 100, 101, 116, 117, 119
and 120

Background

Audit reviewed the 2019 detail general ledger and made journal entry selections in which supporting documentation was requested. EnergyNorth provided the appropriate documentation for all selections.

Issue

During Audit's review of the requested documentation, it was determined that the expenses were misclassified and should have been charged to a different expense account.

1. \$85,000 in PUC violation payments were booked above the line and should have been charged to account 4263, Penalties
2. The lease payments of 116 N Main Street were charged to account 9100 and should have been charged to 9310
3. Legal services were charged to 9210, Office Supplies and should have been booked to 9230 Outside Services
4. \$1,670 was booked to account 9214, Dues and Membership Fees for and instructor lead symposium and should be booked to outside services, 9230
5. An employee training session was booked to office supplies account 9210 and should be outside services, 9230
6. Annual membership dues were booked to outside services and should be booked to 9214, Dues and Membership Fees
7. Chamber of Commerce dues were booked to 9280, Regulatory Commission Expenses and should be booked to 9214, Dues and Membership Fees

Recommendation

Audit recommends adjusting the filing to reflect the following adjustments:

1. The following PUC fines should be moved to account 4263
 - a. 8840-2-9853-51-5444-7350 \$ 3,500
 - b. 8840-2-9852-51-5436-8740 \$ 500
 - c. 8840-2-9854-69-5131-9214 \$ 3,000
 - d. 8840-2-9854-69-5200-9230 \$78,000
2. \$15,180 moved from 8840-2-9865-69-5390-9100 to 9310
3. \$6,890 in legal services should be moved from 8840-2-9823-69-5130-9210 to account 9230
4. \$1,670 should be moved from 8840-2-9815-69-5131-9214 to 9230
5. \$2,491 should be moved from 8840-2-9815-69-5130-9210 to 9230
6. \$2,500 should be moved from 8840-2-9815-69-5200-9230 to 9214
7. \$438 should be moved from 8840-2-9868-69-5610-9280 to 9214

Audit notes that moving a charge from one expense account to another expense account (items two through seven) will not impact the income statement and will not affect the filing.

Company Comment

Regarding item 1, the Company agrees that the amounts should have been recorded below the line and will adjust the revenue requirement schedules accordingly in the Corrections and Updates filing for the \$85,000 total.

With respect to items 2 through 7, the Company notes the recommended alternative account classifications for the various items and will strive to avoid similar classification issues going forward.

Audit Comment

Audit concurs with item #1. Regarding items #2 through #7, Audit understands the 2019 books are closed and reclassification of the expenses will not impact the revenue requirement. Audit agrees with the Company striving to avoid similar classification issues in the future.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 3

Date Request Received: 12/16/20
Request No. Staff 3-69

Date of Response: 1/4/21
Respondent: Kristen Condon

REQUEST:

Dues and Subscriptions. Follow-up to Staff 2-36. For each of the following, please provide (a) a copy of the invoice, (b) whether the organization conducts lobbying activities and how the Company has excluded the costs associated with those activities from the amount included in the rate request, and (c) a statement of how the dues and subscription provide benefits to customers.

- a. American Gas Association - \$84,423.03
- b. Bossanova Systems - \$33,507.00
- c. Critical Incident Preparedness - \$1,669.50
- d. Empire Labs - \$4,694.00
- e. Inside Sources LLC - \$2,500
- f. Libcan - \$13,656.20
- g. LUSC - \$4,923.64
- h. New England Canada Business Council - \$3,533.25
- i. New England Council - \$3,500.00
- j. NH Business for Social Responsibility - \$1,250.00
- k. NHPUC - \$3,000.00
- l. Northeast Gas Association - \$16,375.00

RESPONSE:

Please note that all of the attachments referenced in this response are provided in Attachment Staff 3-69.zip.

- a. American Gas Association
 - a) See Attachment Staff 3-69.a.a for a copy of the invoice.
 - b) The American Gas Association does conduct lobbying activities. The 2019 membership invoice indicates that an estimated 3.5% of the dues amount is associated

with lobbying activities, however that amount was not transferred out of operating costs and charged below the line to political contributions. An adjustment of \$2,954.81 will be included in the Corrections and Updates filing later in the proceeding.

- c) Membership in the AGA provides the Company with access to industry knowledge and research and the opportunity to share best practice experience with other entities within the gas industry.
- b. Bossanova Systems
 - a) See Attachment Staff 3-69.b.a for a copy of the invoice. This invoice is associated with software maintenance renewals and was incorrectly charged to Dues and Subscriptions. The cost should have been included as an Operations expense. Although the cost should be in a different expense account, such reclassification would have no impact to the revenue requirement calculation.
 - b) Not applicable as this is not a Dues and Subscriptions cost.
 - c) Not applicable as this is not a Dues and Subscriptions cost.
- c. Critical Incident Preparedness
 - a) See Attachment Staff 3-69.c.a for a copy of the invoice. This invoice is associated with safety training provided at an employee safety seminar and was incorrectly charged to Dues and Subscriptions. The cost should have been included as an Operations expense. Although the cost should be in a different expense account, such reclassification would have no impact to the revenue requirement calculation.
 - b) Not applicable as this is not a Dues and Subscriptions cost.
 - c) Not applicable as this is not a Dues and Subscriptions cost.
- d. Empire Labs
 - a) See Attachment Staff 3-69.d.a for a copy of the invoice from Energy Solutions Center billed through Empire Liberty.
 - b) Energy Solutions Center does not conduct lobbying activities, therefore no adjustment for lobbying costs was necessary.
 - c) Membership in ESC provides the Company with access to industry knowledge and research and the opportunity to share best practice experience with other entities within the gas industry.
- e. Inside Sources LLC
 - a) See Attachment Staff 3-69.e.a for a copy of the invoice.
 - b) To the best of the Company's knowledge Inside Sources does not conduct lobbying activities, and the invoice does not indicate any lobbying activity, therefore no adjustment for lobbying costs was necessary.

- c) Being a sponsor of the Inside Sources website allows the Company exposure to developing issues in New Hampshire and across the country.
- f. Libcan
 - a) See Attachment Staff 3-69.f.a for copies of eight invoices comprising the total charge. The invoices are for North American Energy Standards Board, BLR, VelocityEHS, Gartner and LinkedIn.
 - b) To the best of the Company's knowledge none of the listed organizations conduct lobbying activities, and the invoices do not indicate any lobbying activity, therefore no adjustments for lobbying costs were necessary.
 - c) Association with these various organizations provides the Company with a variety of tools to enhance productivity, attract new employees, manage company resources, and provide access to leading research, industry insight, compliance, and risk management solutions.
- g. LUSC
 - a) See Attachment Staff 3-69.g.a for a copy of the invoice from The Coalition for Renewable Natural Gas and an employee expense reimbursement billed through LUSC.
 - b) The RNG Coalition does conduct lobbying activities; however, this invoice was for sponsorship of the RNG 2019 Conference, not lobbying, so no adjustment for lobbying costs was necessary.
 - c) The Company's sponsorship and attendance at this event offered an opportunity to unite and network with leaders, educators, advocates, developers and decision makers within the Natural Gas industry, providing great benefits to customers.
- h. New England Canada Business Council
 - a) See Attachment Staff 3-69.h.a for copies of the invoices.
 - b) New England-Canada Business Council does not conduct lobbying activities, therefore no adjustment for lobbying costs was necessary.
 - c) Membership in NECBC provides the Company with a strong understanding and personal involvement in the business, political, and cultural issues that exist between the United States and Canada and promotes a strong network across the border.
- i. New England Council
 - a) See Attachment Staff 3-69.i.a for a copy of the invoice.
 - b) The New England Council does conduct lobbying activities. The 2019 membership invoice indicates that an estimated 1.29% of the dues amount is associated with lobbying activities, however that amount was not transferred out of operating costs and charged below the line to political contributions. An adjustment of \$45.15 will be included in the Corrections and Updates filing later in the proceeding.

- c) Membership in the NEC provides the Company with access to a unique and diverse business and governmental community in the Northeast with the current focus on job creation and economic growth.
- j. NH Business for Social Responsibility
 - a) See Attachment Staff 3-69.j.a for a copy of the invoice.
 - b) New Hampshire Businesses for Social Responsibility does not conduct lobbying activities, therefore no adjustment for lobbying costs was necessary.
 - c) Membership in NHBSR provides the Company with solutions designed to support and enhance corporate knowledge, collaboration, and action on social responsibility issues important to its customers and its goal to be a socially responsible company.
- k. NHPUC
 - a) See Attachment Staff 3-69.k.a for a copy of the invoice. This invoice is associated with a Notice of Probable Violation and was incorrectly charged to Dues and Subscriptions. The cost should have been recorded below the line as a Penalty. The adjustment of \$3,000.00 will be included in the Corrections and Updates filing later in the proceeding.
 - b) Not applicable as this is not a Dues and Subscriptions cost.
 - c) Not applicable as this is not a Dues and Subscriptions cost.
- l. Northeast Gas Association
 - a) See Attachment Staff 3-69.l.a for a copy of the invoice.
 - b) To the best of the Company's knowledge Northeast Gas Association does not conduct lobbying activities, and the invoice does not indicate any lobbying activity, therefore no adjustment for lobbying costs was necessary.
 - c) Membership in NGA provides the Company with the opportunity to collaborate and network with others in the region with a focus on education and training, technology research and development, operations, planning, and increasing public awareness of natural gas in the Northeast.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 2

Date Request Received: 10/27/20
Request No. Staff 2-49

Date of Response: 11/10/20
Respondent: David Simek
Kenneth Sosnick

REQUEST:

EADIT: Adjustment 3 – Amortization of Excess Accumulated Deferred Income Taxes (EADIT). Order No. 26,187 on Rehearing states at page 15: Liberty shall include in its next distribution rate case, a proposal for addressing the impact of tax law changes on its accumulated deferred income tax balances.

- a) Please explain why the EADIT balance in rate base is reflected “less gross-up.”
- b) Please explain why the EADIT balance amortized in income tax expense is reflected with gross-up.

RESPONSE:

- a) EADIT balance in rate base should be reflected with gross up, which is \$37,755,439 per Attachment Staff 2-42.xlsx. This is an oversight and the Company will make a formal revision to the EADIT balance in rate base as part of the Corrections and Updates filing that will be made following the discovery period in this case.
- b) Total EADIT after gross up is recorded on the balance sheet as Regulatory Liability - EADIT. The amount of \$37,755,439 will be amortized over the remaining life of the asset, which is 28.93 years. Note that although the annual amortization of EADIT includes gross up, the amount that offsets to the deferred income tax expense will only reflect EADIT before gross up.

Using amounts in Attachment Staff 2-42.xlsx as a reference:

EADIT before Gross Up	(27,530,133)
Gross Up	(10,225,306)
EADIT after Gross Up	(37,755,439)

The annual amortization entry over 28.93 years will be as follows:

Dr. Regulatory Liab - EADIT	1,305,062
Cr. Deferred Income tax expense	(951,612)
Cr. Deferred tax liability	(353,450)

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Annual amortization offsetting to income tax expense will be \$951,612, which reflects EADIT before gross up (\$27,530,133 divided by 28.93).

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 1

Date Request Received: 10/1/20
Request No. Staff 1-6

Date of Response: 10/16/20
Respondent: William Clark
Mark Stevens

REQUEST:

Ref. Liberty/NHDAS special contract term 2.10, “If the costs that Liberty reasonably incurs under Sections 2.1, 2.2, 2.4, 2.5, and 2.7 are greater than the not-to-exceed amounts in Section 2.9, then NHDAS agrees to take all reasonable steps to obtain the funds necessary to reimburse Liberty, including, but not limited to, seeking Governor and Executive Council approval of an amendment to the not-to-exceed amount in this agreement.” Please describe the steps NHDAS took to obtain the funds necessary to reimburse Liberty for costs Liberty reasonably incurred under the contract – including costs above the not-to-exceed amount.

RESPONSE:

After approximately two years of gathering data (which included final invoices, costs to demobilize, and related items), as well as meetings, conversations, and negotiations, DAS ultimately agreed in November 2019 to pay \$569,004 above the Special Contract amount, which was reduced to a supplemental agreement between Liberty and DAS. DAS then sought and obtained Governor and Council approval of that supplemental agreement in January 2020. DAS paid that amount in early 2020.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-22

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

ADIT. Response Staff 3-41. ADIT includes \$89,185 related to charitable contributions that were disallowed in prior years when the Company was in a loss tax year. Please confirm that the Company will remove this “below-the-line” item from its CORRECTIONS AND UPDATE filing. If the Company, does not remove it, please explain why it is appropriate to include this item in ADIT in a distribution rate case.

RESPONSE:

The Company confirms that it will remove the \$89,185 of charitable contributions from the determination of the ADIT in the Corrections and Updates filing. That adjustment will increase ADIT by \$24,151 (\$89,185 x 27.08%) and increase Excess ADIT by \$14,594.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-23

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Indirect Allocation Account 923 outside Services. Response to Staff OCA 1-26 and OCA 4-9b Liberty Utilities Canada Corp Indirect Allocation. Several invoices reflect payment for services that are outside the test year:

- i. Attachment OCA 4-9.b.ii 1 CBIZ Cottonwood: 1stQ 2018 Actuarial and Administrative Services – \$170,000
- ii. Attachment OCA 4-9.b.ii 2 CBIZ Cottonwood: 2ndQ 2018 Actuarial and Administrative Services – \$170,000
- iii. Attachment OCA 4-9.b.ii 3 CBIZ Cottonwood: 3rdQ 2018 Actuarial and Administrative Services – \$56,305
- iv. Attachment OCA 4-9.b.ii 4 CBIZ Cottonwood: 3rdQ 2018 Actuarial and Administrative Services – \$42,433.5
- v. Attachment OCA 4-9.b.ii 5 E&Y out of pocket expenses 2018 – \$15,136.55
- vi. Attachment OCA 4-9.b.ii 6 KPMG Tax Compliance – invoice dated 11/7/18 – \$440,206
- vii. Attachment OCA 4-9.b.ii 7 American Job Exchange – services in 2018 and 2019

For each of the items, please provide the following:

- a. An explanation for why those charges are reflected in the Test Year
- b. The amount allocated to the Company's rate request in this preceding

RESPONSE:

i.-iv. CBIZ Cottonwood

- a. The four invoices are for 2018 and were not recorded until January of 2019. This follows the typical billing pattern from CBIZ Cottonwood. Typically, CBIZ Cottonwood bills come in after the quarter ends so in any year there will be one bill for the fourth quarter of the previous year and three quarters for the current year. The four invoices referenced above total \$21,025.20 (EnergyNorth's portion of the total costs) that relates to 2018 and

Docket No. DG 20-105 Request No. Staff TS 3-23

should be removed from the test year. However, the billing for 2019 lagged a bit longer. The 2019 general ledger, while including the fourth quarter 2018 charges, only included the first and second quarters of 2019. The third and fourth quarters of 2019 were not recorded until April 2020. To reflect the full 2019 test year costs, those charges should be included. Please see below for the details of the costs:

Invoice	time frame	charge type	NH amount	EnergyNorth					
Jan-19									
18073	Qtr. 1 2018	Special	10,012.00	7,008.40	}	\$21,025.20	Remove from Test Year		
18228	Qtr. 2 2018	Special	10,012.00	7,008.40					
10011101	Qtr. 3 2018	Pension Plan	4,162.00	2,913.40					
10011099	Qtr. 3 2018	Retiree Health	5,850.00	4,095.00					
Mar-19									
10014323	Qtr.4 2018	Retiree Health	5,850.00	4,095.00					
10014326	Qtr.4 2018	Pension Plan	4,162.00	2,913.40					
Jul-19									
10019370	Qtr. 1 2019	Pension Plan	4,162.00	2,913.40					
10019367	Qtr. 1 2019	Retiree Health	5,850.00	4,095.00					
Nov-19									
10022982	Qtr. 2 2019	Retiree Health	5,850.00	4,095.00					
10022984	Qtr. 2 2019	Pension Plan	4,162.00	2,913.40					
Apr-20									
10034890	Aug - Dec 2019	4 Factor Special	17,173.39	17,173.39	}	\$26,832.50	2019 costs to be added to test year		
10026853B	July - Sept 2019	4 Factor Special	678.63	678.63					
10026854B	July - Sept 2019	4 Factor Special	1,477.28	1,477.28					
10032823, 10032824B	Oct - Dec 2019	4 Factor Special	5,225.88	5,225.88					
10032821, 10032822B	Oct - Dec 2019	4 Factor Special	2,277.32	2,277.32					

- b. As stated above, although \$21,025.20 of the CBIZ Cottonwood costs relate to 2018 and should be removed from the filing, \$26,832.50 of 2019 costs that were recorded in April 2020 should be included in the filing, resulting in a net increase of \$5,807.30 of costs that need to be added to the filing. Liberty will include this adjustment in its Corrections and Updates filing.

v.-vi. E&Y and KPMG

- a. E&Y and KPMG are part of an audit accrual set up to anticipate the current year's invoices, so typically, depending on the timing of the receipt of invoices, costs for one year will be paid in the following year. For example, for E&Y costs in question, the 2019 general ledger included 2018 "Out of Pocket" costs and, similarly, the 2020 general ledger includes 2019 "Out of Pocket" costs. This was due to the timing of the receipt of the invoices. However, the costs in question were not included in the accrual at the end of 2018 and, therefore, should be removed from the filing. The KPMG costs was similarly not included in the 2018 accrual. The amounts on both invoices included entities beyond EnergyNorth and also were reported on the invoices in Canadian dollars, so the amounts to be removed from the rate filing are provided in part b. below
- b. For the amount in question for E&Y, the \$15,136.55 in \$CAD was \$11,269.02 in \$USD. EnergyNorth's portion of that cost was \$4,829.58, and that amount will be adjusted out of the revenue requirement in the Corrections and Updates filing.

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As for KPMG, EnergyNorth's portion of the total invoice was only \$9,800CAD (see page 2 of Attachment OCA 4-9.bii 6), which converted to \$7,296.01USD. That amount will be adjusted out of the revenue requirement in the Corrections and Updates filing.

vii. America's Job Exchange

- a. The invoice is for the upcoming year and, thus, is a prepaid item. However, the amount falls below the Company's threshold for recording prepayments (EnergyNorth's portion of the invoice), so the annual cost to EnergyNorth is \$1,545.75. The contract period began in January 2018. The first bill was for 12 months but the period indicated on the invoice was March 2018 through February 2019. After the vendor became aware of the error, its subsequent invoice included the two months of January and February 2018, along with the ten-month period of March through December 2019, to get the billing back on to a calendar year basis. To demonstrate the alignment of the invoices with calendar years, the third invoice for calendar year 2020, which covered the months of January through December 2020, is being provided. All invoices were for 12 months of coverage. Please see Attachment Staff TS 3-23.vii.a.1 through Attachment Staff TS 3-23.vii.a.3.
- b. The amount included in the rate request is \$1,545.75. As each of the years 2018, 2019, and 2020 only includes 12 months of costs, there is no adjustment necessary for this item.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-21

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Advertising. Reference New Hampshire Code of Administration Rules, PART Puc 510 and response to Staff 3-68. The rules define what can be recovered associated with promotional, political, or institutional advertising.

- a. How does the Company record and track the advertising expenses that are eligible for recovery from ratepayers and those that are not?
- b. Please confirm that the advertising expenses, for which the Company seeks recovery, are in compliance with the rules.
- c. Staff 3-68 sought the type of advertising, invoice, and campaign for several specific vendors. The response indicates that several vendors provided promotional advertising.
 - i. Capstar Radio – EE, promotional
 - ii. Comcast – EE, promotional
 - iii. New Hampshire – gas conversion, promotional
 - iv. New Hampshire Play – gas conversion, promotional
 - v. Spectrum – promotional
- d. Please explain how each promotional-related advertising is in compliance with the rules and how recovery in distribution rates is appropriate.
- e. Please explain why EE advertising is recovered in distribution cost of service instead of through the EE surcharge as a component of LDAC rates.

RESPONSE:

- a. The Company records and tracks its recoverable advertising expenses to segregate them from those that are not recoverable through the use of two separate jobs, 8840-9865-909MM and 8840-9865-913MM. Costs coded to those jobs are recorded in accounts 909 and 913, respectively. The segregation of costs between those accounts follows the FERC Chart of Accounts. Specifically, account 909 is for informational and instructional advertising expenses, “which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect health and safety, to

encourage environmental protection, to utilize their gas equipment safely and economically, or to conserve natural gas.”

Account 913 is for “expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility.”

For FERC accounting purposes, both accounts 909 and 913 are above-the-line accounts which means for FERC purposes they are recoverable costs. However, the Commission’s rules on the recoverability of certain advertising costs at Puc 510, et seq. have restrictions on the recoverability of certain types of advertising that correlate to the types of costs the Company records in account 913.

Use of the two separate job codes described above allows the Company to separately track the recoverable costs (account 909) from the unrecoverable costs (account 913).

- b. Due to the number of invoices that would need to be reviewed, a cutoff was used for those \$1,000 and above. The Company has reviewed all the costs included in account 909 above \$1,000 and, with the exception of the following items, confirms that they are in compliance with the Commission’s rules regarding advertising expenses.
- Two invoices to Comcast totaling \$14,084.01. These expenses were incorrectly noted as EE costs in the response to Staff 3-68. The costs were for institutional advertising related to community work performed by the Company and its employees. Institutional advertising is one of the categories of costs precluded from recovery by the Commission and the invoices were coded incorrectly.
 - A portion (25%) of the costs of a newsletter with a total invoice cost of \$1,369.50. The newsletter was two pages, and a portion of one of the pages included information about a sales referral program. This one a one-time event. The amount to adjust the filing is \$342.38.

For the costs in account 913, please see the response to part d. below.

- c. There was no question posed.
- d. The promotional-related advertising costs included in the Company’s revenue requirement should not have been included. Those costs were all included in account 913. Referring back to part a. above, that account tracks the types of costs that are non-recoverable pursuant to the Commission’s rules. However, as account 913 is an above-the-line account for FERC accounting purposes, it was included in the determination of the revenue requirement when the financial schedules were put together for the rate case. The Company is having internal discussions regarding potentially establishing new job codes for NHPUC unrecoverable advertising costs that would post to account 426 (below-the-line) to more clearly recognize the incongruity between FERC accounting rules and the prohibitions on certain advertising cost recovery contained in the Commission’s administrative rules and assure exclusion of the costs going forward.

As the costs in account 913 should not have been included in the Company’s revenue requirement calculation, the \$26,484 in account 913 (see Schedule RR-EN-2-1, page 1 of 2, line 52 on Bates II-134 of the filing) will be removed as part of the Corrections and Updates filing. This includes items identified in part c. of this question, with the

Docket No. DG 20-105 Request No. Staff TS 3-21

exception of the Comcast invoices that were include in account 909 as described in part b. above.

- e. EE advertising costs are not recovered through the distribution cost of service. They are recovered through the EE component of the LDAC surcharge. The Capstar Radio advertising costs should have been forwarded to the Energy Efficiency department for processing, but were inadvertently coded to account 913. The Comcast advertising expenses were incorrectly noted as EE costs in the response to Staff 3-68.

As a summary of this response, the total advertising costs that the Company will remove from the rate request as part of its Corrections and Updates filing is \$40,910.39, comprised of \$14,426.39 from account 909 and \$26,484 from account 913.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-6

Date of Response: 2/24/21
Respondent: Steven Mullen

REQUEST:

Ref. OCA DR 1-4 attachment e-2, excel tab 'CNG Station Revenue Requirement' column (a) lines 1-40. Please reconcile with Order No. 26,122, Appendix 2, p. 1 of 1, Revenue Requirement for iNATGAS investment and explain the differences.

RESPONSE:

Please see Attachment Staff TS 3-6.xlsx for a calculation of the differences for each line item as well as notes explaining the differences.

In preparing this response, it was discovered that there was a cell reference error in Attachment OCA 1-4.e.2.xlsx as both the Annual Tax Depreciation on line 15 and the Annual Book Depreciation on line 18 included the Contingency on line 9 rather than the AFUDC on line 10. The amounts have been corrected and included in an additional column labeled "Corrected OCA 1-4.e.2." The result of those corrections was a minor increase to the revenue requirement of \$11,187.

RR-5 Liberty Utilities (Granite State Electric) Corp.

Final Rate Base

RR Balances at Dec. 31, 2018

Schedule RR-5 (CU)				
Line	Description	Balance Historic Year Ended Dec. 31, 2018	Ref.	Pro Forma Rate Base
<i>Source:</i>				
1	Utility plant in service			
2	Utility plant	232,503,131	RR-5-4	232,503,131
3	Depreciation reserve	(93,623,954)	RR-5-4	(93,623,954)
4	Net Utility plant	138,879,177		138,879,177
5				0
6	Materials and Supplies	1,877,163	RR-5-1	2,286,935
7	Cash Working Capital		RR-5-3	2,423,196
8	Plant in service, Not classified	15,227,964		0
9	Accumulated Deferred FIT	(14,944,899)	RR-5-5	(33,721,366)
10	Excess Accumulated Deferred FIT	0	RR-5-5	(5,640,070)
11	Customer deposits	(1,278,349)	RR-5-1	(1,203,653)
12	Other Rate Base items	881,878		(35,854,958)
13	Rate Base	139,761,056		103,024,219
		139,761,056		103,024,219

(1) Adjustment to show excess ADIT resulting from tax reform separate from the Accumulated Deferred FIT balance

RR-3-05 Liberty Utilities (Granite State Electric) Corp.

Final Adjustments to Test Year

AD Adjustment 05

Adjustments due to Tax Reform

Schedule RR-3-05 (CU)

Line	Account	Description	Account	Amount
1				
2	Adjust for Amortization of Excess ADIT due to Tax Reform ⁽¹⁾	Adjustment to reduce Federal Income Tax Expense	409	(196,018)
3				
4	Other Known and Measurable Changes			(196,018)

(1) Annual amortization of excess ADIT as a result of tax reform; amortized over calculated weighted average remaining life of 20.87 years

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 3

Date Request Received: 12/16/20
Request No. Staff 3-40

Date of Response: 1/4/21
Respondent: Steven Mullen

REQUEST:

EADIT. Follow-up to Staff DR 2-50. Discuss the Company's rationale for proposing to amortize all EADIT balances, regardless of whether they are governed by IRS normalization rules (i.e., Protected Property), using the Reverse South Georgia Method (RSGM). Explain how an amortization period of 28.93 years applies to Non-Property related balances.

RESPONSE:

Since the majority of the ADIT balance is attributed to property related adjustments, the Company is proposing to amortize the entire EADIT over the 28.93-year period. As many of the unprotected assets are plant-related it is reasonable to use the same amortization period for the entire EADIT including unprotected balances. In addition, as some of the unprotected items result in regulatory assets that would be collected from customers over a period of time, by including those items in the entire amount of EADIT being amortized over the 28.93-year period, those items will be recovered from customers over a longer period of time than they otherwise could be recovered.

Also, using the same amortization period for the entire EADIT will make tracking of the amortization easier for both the Company and the regulator. The Company notes that the approach of amortizing the protected and unprotected items over a uniform period of time using the remaining life of the underlying unprotected assets is the same approach that was proposed and approved in Granite State Electric's recent rate case, Docket No. DE 19-064.

SUPPLEMENTAL

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-16

Date of Revised Response: 3/12/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Salaries and Wages. Reference Staff 3-65 that requested the actual merit increase for 2020 with supporting documentation. The response stated that the information would be available at the end of February 2021. Please confirm the specific date that the information will be available, and provide the information at that time.

RESPONSE:

The actual merit increase for 2020 will be 2%, which will go into effect with the pay date of March 5, 2021. Confidential Attachment Staff TS 3-16 provides the supporting analysis.

The above figure and Confidential Attachment Staff TS 3-16 contain information that is confidential personnel information protected by RSA 91-A:5, IV. Therefore, pursuant to that statute and Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket. A redacted version of Confidential Attachment Staff TS 3-16 will not be provided because the vast majority of the information is confidential.

SUPPLEMENTAL RESPONSE:

Since the March 5, 2021, date has passed, the Company confirms that the 2% figure above is no longer confidential. However, the Company's assertion of confidentiality as to Confidential Attachment Staff TS 3-16 remains as stated above.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-15

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Salaries and Wages. Reference Schedule RR-EN 3-2 and Staff 2-8 that requested all detail workpapers. A workpaper for the Salary and Wage expense was not provided. Please provide the workpapers that support the Wages and Salaries adjustment. Specifically include the workpaper that supports the Vacancy Adjustment of \$211,691.

RESPONSE:

The salary and wage adjustment is detailed in the Company's response to Staff 2-8. Schedule RR-EN-2-1 shows the account numbers of the labor amount that totals to the \$14,635,799 shown on line 1 of Schedule RR-EN-3-2. Please see Confidential Attachment Staff TS 3-15.xlsx for the workpaper that supports the Vacancy Adjustment of \$211,691.

Confidential Attachment Staff TS 3-15.xlsx contains a list of the salaries of specific job positions, from which one could determine the compensation of specific employees. This information is confidential personnel information protected by RSA 91-A:5, IV. Therefore, pursuant to that statute and Puc 203.08(d), the Company has a good faith basis to seek confidential treatment of this information and will submit a motion seeking confidential treatment prior to the final hearing in this docket.

**ENNG Distribution Rate Case
Vacancy Adjustment
2019 Test Year**

	Open Vacancy
2017	\$331,165
2018	\$327,271
2019	<u>\$646,754</u>
Average	\$435,064
2019 Open Vacancy Amount	\$646,754
Open Vacancy Adjustment	-\$211,691

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 2

Date Request Received: 10/27/20
Request No. Staff 2-8

Date of Response: 11/10/20
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Ratemaking Adjustments: Please provide detailed workpapers showing and explaining the calculations supporting all proposed ratemaking adjustments. Include a comprehensive narrative explanation of each adjustment. Provide a clear audit trail within the workpapers and to the filed testimony and exhibits.

RESPONSE:

- a. Revenue Adjustments – see the response to Staff 2-47 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 9, lines 3 – 14.
- b. Salary and Wage Expense – see Schedule RR-EN-3-2 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 10, line 1 – page 11, line 2.

The salary and wage adjustment annualizes wage increases for both 2019 and 2020. The process for completing the adjustment is as follows:

- 1) First, test year Liberty Utilities New Hampshire (“LU NH”) labor charged to EnergyNorth was taken from Schedule RR-EN-2-1.
- 2) Next, an adjustment was made for vacancies.
- 3) Third, because the first two months of 2019 did not contain the 2019 annual wage increase, the first step was to annualize 2019 without the 2019 wage increase. This was done mathematically by dividing the adjusted labor by 12.3 to establish a monthly rate, then multiplying that amount by the 3 percent wage increase, and then multiplying that amount times two for the two missing months. The annualization result was an additional \$71,394 in 2019 labor as if the 3 percent labor increase had been in effect all year.
- 4) Fourth, the 3 percent wage increase for 2020 was calculated by taking the annualized 2019 LU NH amount on line 6 and multiplying it by 3 percent.
- 5) Fifth, because the wage increase for 2020 does not go into effect until March 2020, the calculated 3 percent wage increase was reduced by two twelfths. The result is an additional \$362,388 of LU NH labor for 2020.

- 6) This process was repeated for Liberty Utilities Allocated Labor.
 - 7) Next, labor as recorded was compared to labor as calculated.
 - 8) Finally, the difference was allocated among the various operation and maintenance accounts based on the account's pro rata share of labor in the test year.
- c. Payroll Tax Expense Adjustment – see RR-EN-3-3 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 11, lines 3 – 8.

Payroll tax expense was adjusted based on the ratio of recorded test year labor to recorded test year payroll tax expense. The resultant rate was 11.11 percent. This 11.11 percent was then multiplied times the as adjusted labor expense resulting in an adjusted payroll tax expense of \$2,008,364. This amount was compared to the payroll tax as recorded. The difference between the recorded amount and the adjusted amount is the adjustment to payroll tax on schedule RR-EN-3.

- d. Pension and Benefits Expense – see RR-EN-3-4 and Attachment Staff 2-8.1 (RR-EN-3-4-WP) and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 11, line 9 – page 12, line 11.
- 1) For Benefits, the 401(k) Match as recorded was compared to the Test Year labor as calculated on RR-EN-3-2 to calculate a 401(k) Match rate. This rate was then multiplied times the ProForma labor amount. The Test Year and ProForma 401(k) match amounts were compared and the difference is included as the benefits adjustment. No other benefit categories were adjusted from the Test Year amounts.
 - 2) For Pension expense, the test year as recorded amount was compared to the sum of the Pension Amortization from DG 17-048 (\$2,055,680), the most recent Pension Cash Benefit Plan net periodic cost (\$1,200,500), and the most recent Pension Defined Benefit Plant net periodic cost (-\$872,222). The difference (-\$563,479) is included as the adjustment to pension expense.
 - 3) For FAS 106 (Retiree Health Care), the test year recorded amount (\$352,928) was compared to the most recent net periodic cost (\$236,312). The difference (-\$116,616) is included as the adjustment for FAS 106 expense.
 - 4) For Other expenses, plan costs for 401(k), ESPP, and Pension Plan Expenses were all excluded from the ProForma Pension and Benefits amount.
 - 5) The ProForma amount is then adjusted to reflect the removal of a representative level that would be capitalized.
 - 6) The net of the adjustments for Benefits, Pensions, FAS 106, and the removal of Other expenses (-\$710,183) is included as the adjustment to Account No. 926, Employee pensions and benefits on Schedule RR-EN-3.
- e. Depreciation Expense – see RR-EN-3-5 and Attachment Staff 2-8.2 (RR-EN-3-5WP1) and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 12, line 12 – page 13, line 13.

The depreciation expense adjustment was calculated by taking the trial balance amounts by FERC Plant Account, adding Account No. 106 - Construction Completed Not

Classified (RR-EN-3-05WP1), removing Decoupling IT amounts over \$50,000 (\$185,436) and multiplying the sum by the applicable depreciation rate. The depreciation expense as recorded was compared to the depreciation expense as calculated (inclusive of the remaining depreciation reserve imbalance amount $1/6^{\text{th}}$ of the approved \$9,213,530). The difference (\$1,836,152) is included as the adjustment to depreciation expense on Schedule RR-EN-3. This amount does not include an adjustment to amortization expense as that adjustment is handled elsewhere. See the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 7, lines 5 – 11 and the response to Staff 2-53.

- f. Accumulated Reserve Adjustment – see RR-EN-3-5, Attachment Staff 2-8.3 (RR-EN-3-5WP2), and Attachment Staff 2-8.4 (RR-EN-3-5WP3) and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 7, lines 5 – 11.

Accumulated reserve amounts were taken from the fixed asset subledger (RR-EN-3-5-WP3). The reserve amounts by plant account were adjusted to remove accumulated amortization for the excluded Normal Weather Adjustment-related IT costs over \$50,000. Additionally, amounts in Account Nos. 108.4 and 242.0 were removed from the accumulated reserve (RR-EN-3-5-WP2). Account 242 was allocated among the various Mains account based on the unadjusted accumulated reserve amounts at the end of the Test Year. The net remaining accumulated reserve amounts were carried through to RR-EN-5.

- g. Amortization Expense – see RR-EN-3-6, the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 13, line 14 – page 14, line 7, and the response to Staff 2-53.
- h. Property Tax Expense – see RR-EN-3-7 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 14, lines 8 – 11.

ProForma property tax expense was calculated by taking the 2019 actual property tax payments made in 2019 compared to the 2019 property tax as recorded in the test year. The difference (\$443,281) is included as an adjustment to Account No. 408.1. Please note, the amount for the first half of the property tax payment for Pembroke is overstated and will be corrected in a future filing.

- i. Income Tax Expense – see RR-EN-3-8 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 14, lines 12 – 18.

The income tax expense adjustment was calculated by comparing the normalized pre-tax income as proposed, removing the interest expense, and applying the composite income tax rate for EnergyNorth (27.08%). This amount was compared to the recorded Test Year income tax expense. The difference (\$821,185) is included as an adjustment to Account Nos. 409 and 410, shown together on RR-EN-2-1.

- j. Income Tax Effect on Proposed Adjustments – see RR-EN-3-9 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 14, lines 12 – 18.

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The sum of the proposed adjustments that effect the calculation of income taxes is multiplied by the composite tax rate for EnergyNorth (27.08%). The resultant amount (\$128,718) is included as an adjustment to Account Nos. 409 and 410, shown together on RR-EN-2-1.

- k. Other Adjustments – see RR-EN-3-10 and the Direct Testimony of David B. Simek and Kenneth A. Sosnick, page 15, lines 1 – 10.
- 1) Adjustment for PUC Annual Assessment – sum of the amounts charged to EnergyNorth shown on lines 2, 3, 5 and 6, per the EnergyNorth FY 2020 PUC Assessment were compared to the amount recoded in the test year as reported on the Annual Report. The difference (-\$36,883) is included as an adjustment to Account No. 928 – Regulatory Commission Expenses.
 - 2) Adjustment for Concord Rental Expense Credit – the test year Concord Training Center lease credit for amounts received from Granite State Electric was compared to the going forward amount. The difference (-\$42,637), is included as an adjustment to Account No. 931 – Rents.
 - 3) Keene Production Cost Adjustment – Account Nos. 733, 735, 921, and 408 were adjusted to remove costs associated with Keene production costs. The sum of those removals (-\$214,380) is included as an adjustment the various accounts as shown on lines 20 through 23.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

OCA Data Requests - Set 4

Date Request Received: 12/17/20
Request No. OCA 4-10

Date of Response: 1/4/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Reference the response to OCA 1-30:

- a. Please provide an estimate of the percentage of time CSRs spend on commercial, industrial, and residential calls for those calls related to gas service;
- b. Identify the costs reflected in the marginal cost of service study related to CSRs; and
- c. Identify the total CSR costs the Company is seeking to recover in this proceeding.

RESPONSE:

- a. In 2019, an estimated 10% of gas service calls were for commercial customers, 3% for industrial, and 87% for residential.
- b. All costs included in c. below were included in the marginal cost of service study.
- c. The first chart below shows the total cost of wages in 2019 for the Customer Service Group and the second chart shows the total cost of benefits in 2019:

2019							
Row Labels		Sum of Hours	Sum of Amount				
Medical Opt Out	-	\$	9,326.55				
Ratification Bonus	-	\$	18,000.00				
Regular	76,251.81	\$	1,428,716.01				
Shared Bonus Plan	-	\$	49,624.35				
Grand Total	76,251.81	\$	1,505,666.91				
Note:							
Regular includes earnings paid at straight time, overtime earnings, meals and shift premium							

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2019 CSR Benefits	2019 ER Cost
Medical, Dental, Vision:	\$256,832.10
STD:	\$9,122.68
LTD:	\$6,500.07
LIFE:	\$2,842.16
AD&D:	\$842.12
Grand Total	\$276,139.13

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-17

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Salaries and Wages. Reference OCA 4-10. The response showing the total cost of wages in 2019 for Customer Service Group includes a Ratification Bonus of \$18,000.

- a. Please explain what a Ratification Bonus is.
- b. What is the basis for award?
- c. Confirm that the Company is seeking recovery in this proceeding the amount reflected in the chart presented in the response?

RESPONSE:

- a. The ratification bonus is a component of compensation paid to members of a collective bargaining unit and acts as an incentive during contract negotiations to increase the likelihood that the union membership will accept the proposed agreement between union representatives and the Company. The ratification bonus is a total payment by the Company that is distributed to all members of the collective bargaining unit. These one-time ratification bonuses are paid as part of collective bargaining negotiations in lieu of agreeing to higher wage increases that will be compounded with every subsequent wage increase going forward. As such, the ratification bonus is a cost-effective way of reducing total costs over the contract period.
- b. See the Company's response to (a) above. Ratification bonuses are standard practice in Labor Relations, including the utility industry. Liberty has offered ratification bonuses in the past.
- c. Yes, the Company is seeking recovery of the \$18,000 in this proceeding because it is a necessary operating expense and is part of the compensation provided to the Company's Customer Service Group employees.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 2

Date Request Received: 10/27/20
Request No. Staff 2-31

Date of Response: 11/10/20
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Labor Costs—Union Issues:

- a) Please indicate how much of the Company's workforce is represented by a Labor Union or other bargaining agent and identify the union or bargaining agent providing representation.
- b) Please provide a copy of all the Company's current labor contracts and the immediately preceding labor contracts for the same bargaining units.
- c) Please discuss how the Company addresses bargaining issues, e.g., frequency of bargaining, labor negotiations handled in house or outsource, composition of negotiating committee, etc.
- d) Is the Company currently in negotiations with any labor union? If so, when is the contract expected to be finalized?

RESPONSE:

- a) A total of 138 out of the Company's 410 employees, or 33.6% of total workforce, are members of a bargaining unit. United Steelworkers AFL-CIO-CLC represents Local 12012-03, 12012-09, and 12012-10.
- b) Please see Attachment Staff 2-31.b.1, Attachment Staff 2-31.b.2, and Attachment Staff 2-31.b.3 for current labor contracts. Please see Attachment Staff 2-31.b.4, Attachment Staff 2-31.b.5, and Attachment Staff 2-31.b.6 for preceding labor contracts.
- c) Frequency of negotiations varies between the three unions but can range from 4–5 years. Negotiations are conducted in-house by the Director of Human Resources. The negotiation committee is typically comprised of the Director of Human Resources, department directors and managers, representatives of the Total Rewards team from corporate, outside providers, and advisors as needed.
- d) The Company is not in current negotiations with the unions.

UNION CONTRACT

BY AND BETWEEN

**LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP
dba LIBERTY UTILITIES**

AND THE

**UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY,
ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION,
AFL-CIO-CLC,**

On behalf of its Local 12012-09

Expires September 27, 2024

Docket No. DG-20-105
Attachment DHM-12
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USW LOCAL 12012-09

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AGREEMENT

AGREEMENT made and entered into this by and between LIBERTY ENERGY UTILITIES (NEW HAMPSHIRE) CORP, dba LIBERTY UTILITIES, hereinafter referred to as the "Company", and THE UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY, ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION, AFL-CIO-CLC, on behalf of its Local 12012-09, hereinafter referred to as the "Union".

WHEREAS, both the Company and the Union desire to promote harmony and efficiency so that the employees and Company may obtain the mutual economic advantages consistent with the duty of the Company, as a public utility, in the territory served by the Company:

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, it is agreed as follows:

ARTICLE 1

Recognition and Representation

1. The Company recognizes the Union as the exclusive representative for the purpose of collective bargaining with respect to rates of pay, wages, hours of employment and other conditions of employment of all Customer Service Representatives, Senior Customer Service Representatives and Senior Billing Representatives.

It is agreed that the persons employed by the Company in the job classifications set forth in the Schedule of Wages annexed to this Agreement are those who are represented by the Union.

2. The term "employee" or "employees" as used in this Agreement means a person or persons employed by the Company in one of the job classifications which are included in the bargaining unit. A regular employee is one who has successfully completed his probationary period of employment and who has been accepted by the Company as a regular employee.

Any new employee who has been hired by the Company with the intention that he become a regular employee if he is found to be satisfactory, shall be deemed to be a probationary employee until such time as he completes a period of six (6) months of continuous employment with the Company. During this six (6) month probationary period, the Company shall determine the suitability of said new employee for acceptance as a regular employee. The decision as to the retention by the Company of any probationary employee as a regular employee subsequent to the completion of his probationary period of employment is one which is within the sole discretion of the Company and if the Company for any reason terminates said probationary employee from its employ at any time prior to or at the completion of his probationary period of employment, such action shall not be subject to the Grievance Procedure or to Arbitration under this Agreement, nor shall such action form the basis of any claim whatsoever under this Agreement.

3. It is understood by the parties that the Company will continue to hire students during periods of their school breaks. These students will perform bargaining unit work, however, they are not covered by this contract and their wages, hours and working conditions will be within the sole discretion of the Company.
4. The Union shall advise the Company promptly in writing of the names of its officers, shop stewards and other representatives, and any other subsequent changes therein, and no officer, shop steward or other representative shall be recognized until the Company has been so notified.

ARTICLE 2
Union Security

1. It shall be a condition of employment that all regular employees of the Company covered by this Agreement who are members of the Union in good standing on the effective date of this agreement shall remain members in good standing and those who are not members on the effective date of this agreement shall, on the thirtieth (30th) day following the effective date of this agreement, become and remain members in good standing in the Union. It shall also be a condition of employment that all employees covered by this agreement and hired on or after its effective date shall, on the thirtieth (30th) day following the beginning of such employment become and remain members in good standing in the Union.
2. The provisions of Section 1 above and the benefits provided by this agreement shall apply to all employees for whom the Union is recognized as the exclusive collective bargaining representative under Article 1.

ARTICLE 3
Mutual Cooperation

1. The union recognizes the obligation of the Company to furnish adequate uninterrupted service to the public and to maintain such earnings as will enable the Company adequately to perform its duties.
2. The Union agrees that its members will individually and collectively perform loyal and efficient work and service and will use their influence and best efforts to promote safety and to protect the property of the Company and the Company's interest and will assist in promoting the sale of the Company's products, and they will cooperate with the Company and the employees of all departments in promoting and advancing the welfare of the Company and its services at all times. The Company agrees that it will cooperate with the Union and its efforts to promote safety, harmony and efficiency among all the Company's employees.

ARTICLE 4
Management Rights

1. Subject to the provisions of this Agreement, the Union recognizes that the management and operation of the Company's business is vested exclusively in the Company and the Company reserves all of the rights, powers and authorities customarily exercised by management. These rights shall include, but not be limited to, the right of the Company to hire, promote and transfer employees; to determine the necessity for filling a vacancy; to determine at all times the number and qualifications of employees; to suspend, discipline, discharge or demote employees for just cause; to assign, supervise and direct all working forces; to lay off employees and generally to control and supervise the Company's operations and to exercise the other customary functions of management in carrying on its business.
2. The Company shall continue to have the right to publish reasonable rules and regulations. It is recognized that it is the responsibility of employees to comply with reasonable rules and regulations which have been prescribed by the Company or which may be prescribed by the Company during the term of this Agreement.

ARTICLE 5
Union Activities

1. The Union agrees for itself and its members that there shall be no solicitation of employees for any purpose and no transaction of any Union business during working hours without prior Company approval.

ARTICLE 6
Union Business

1. Subject to its operational requirements, the Company agrees to grant employees of the Company in such numbers as the Company may determine, reasonable time away from work without pay for the purpose of attending Union conferences, seminars or training sessions. Such unpaid time away from work on union business will count towards the employee's 40-hour workweek. All such requests for excused time off from work shall be made with reasonable advance notice to the Company.
2. The Company agrees to grant to permanent employees of the Company who are represented by the Union such reasonable leaves of absence, without pay, for transacting business of the Union or any affiliated Union organization in such numbers and for such lengths of time as the Company shall determine, but such a leave of absence, if granted after the effective date of this agreement, shall be for a period of not more than six months, and the total of such leaves of absence granted an employee shall not exceed two years. Any member of the Union granted a written leave of absence and employed in any official capacity by the Union or any affiliated Union organization shall be entitled to be reinstated in the position they held at the time of taking such official position, without loss of seniority, provided they are physically and otherwise qualified therefor and returns to the employ of the Company not later than the expiration date of their leave of absence.

ARTICLE 7
Payroll Deductions

1. The Company agrees to make payroll deductions of Union Dues in the amount established by the Union upon written authorization by an employee who is a member of the Union, and to forward such amounts so deducted to the International Secretary-Treasurer of the United Steelworkers, AFL-CIO-CLC, or its successor, P.O. Box 400041, Pittsburgh, Pennsylvania 15268-0041 in accordance with a procedure agreed upon by the Company and the Union. The Company will not deduct initiation fees or any assessments that may be made by the Union upon its members.
2. The Company shall deduct, on a payroll period basis, voluntary contributions to the USW Political Action Fund (USW/PAF) from the wages of those employees represented by the United Steelworkers who voluntarily authorize such deductions and contributions on forms provided for that purpose by the USW/PAF. The amount and timing of such USW/PAF wage deductions and the transmittal of such voluntary contributions to the USW/PAF may be as specified in such forms and in conformance with any applicable state or federal statute. The Company shall remit to the Treasurer of the USW/PAF, voluntary contributions to the USW Political Action Fund within fifteen days following the end of the month during which any deduction has been made for USW/PAF contributions, the total amount of such contributions which have been deducted. Additionally, with each remittance, the Company shall include a report which will list the names, social security numbers, addresses and amounts of deductions for USW/PAF contributions which have been withheld pursuant to this agreement.
3. The Union shall indemnify and save the Company harmless against any and all claims, demands, suits or other forms of liability that shall arise out of or by reason of action taken or not taken by the Company for the purpose of complying with the foregoing provisions.

ARTICLE 8
Employee Share Purchase Plan

The Company will offer the Algonquin Power & Utilities (APUC) Share Purchase Plan to all Permanent and Probationary Employees age eighteen (18) and over who are employed for more than twenty (20) hours per week and provided they qualify for other benefit plans provided by the Company (health, dental, etc.)

All shares are purchased through payroll deduction. The amount an employee can contribute annually is limited only by the amount of their net pay. For annual employee contributions up to \$5,000, the Company will add 20% to their account, and for annual employee contributions from \$5,000 upto \$10,000, the Company will add 10% to their account. Employee contributions above \$10,000 will not be matched. Contribution levels may be changed one time per calendar year. Contributions may be suspended at any time.

Once an employee purchases APUC shares through the plan, they become shareholders with shareholder voting rights. Participation is entirely voluntary.

ARTICLE 9
Seniority

1. The seniority of an employee shall be defined as the total length of continuous service of the employee with the Company established as of the date of the beginning of his last period of continuous employment. In determining an employee's seniority, the continuity of his service shall be deemed to be broken by the following:
 - a. Layoff for more than twenty-four (24) months except that if an employee with less than six (6) months of continuous service is laid off, said employee's seniority shall be deemed to be broken as of the date of the layoff. Any employee who is laid off and who fails to return to work within five (5) days of his receipt of a notification by registered mail of his recall to work by the Company shall forfeit his right to recall and all previously accumulated seniority unless he is prevented from returning to work within that period of time by illness or any other reasonable cause. In the event that said notice of recall is returned to the Company or cannot be delivered for any reason, the Company shall notify the Union of the recall opportunity and the employee to be recalled shall have one (1) week from the date of such notification to the Union to return to work. In the event that the employee does not do so within that period of time, he shall forfeit his right to recall and all previously accumulated seniority unless he is prevented from returning to work by illness or any other reasonable cause.
 - b. Assignment to, and acceptance of, a supervisory position or any other job outside of the bargaining unit, including any job with another company which is affiliated with Liberty Utilities NH, for more than six (6) months. If such employee returns to the bargaining unit within six (6) months, union dues for that time will be collected.
 - c. Discharge, retirement or resignation from the Company's employ.
2. Selection of employees for promotion, layoff, reduction in forces or recall from layoff shall be based on the following factors:
 - a. length of continuous service
 - b. ability and qualifications

The word "qualifications", as used in this section, shall include the results of any job related tests which may be implemented by the Company to measure fitness and ability for any particular job. In making promotions, seniority shall be the governing factor among employees whose qualifications and ability are relatively equal. In layoffs, reductions in forces or recalls from layoff, seniority shall be the governing factor.

3. If more than one employee is hired on the same day, the determination of the employees' seniority shall be based on the lowest Employee Identification Number assigned to said employees. In addition, employee identification numbers shall be assigned in the order of acceptance.
4. Definitions
 - a. Company seniority is defined as the length of continuous service within the Company
 - b. Union seniority is defined as the length of continuous service within the bargaining unit
 - c. Classification seniority is defined as the length of continuous service within the classification to which the employee is currently assigned
5. The application of seniority to bidding rights is as follows:
 - a. Temporary upgrade within location: Shall be awarded to employee with highest classification seniority from the next lowest classification within that location. Temporary upgrades shall not exceed 6 months unless required due to long-term illness.
 - b. Assignment of shifts: Shall be offered to the employee with highest union seniority within that classification at that location.
 - c. Assignment of Location/Lateral Move: Shall be offered to the employee with highest union seniority within that classification.
 - d. Promotion (no vacancy): Shall be offered to the employee with highest union seniority from the next lowest classification within that location.
 - e. Promotion (with vacancy): Shall be offered to the employee with highest classification seniority from the next lowest classification in the bargaining unit.
 - f. For the purposes of filling the Senior Billing Representative position, seniority shall be defined as union seniority.

In the event of employees with the same classification seniority in any of the instances as described above, then union seniority shall prevail.

ARTICLE 10
Job Security

1. The Company agrees that no regular employee with five (5) or more years of continuous service with the Company will be laid off during the term of this agreement due to a lack of work.

ARTICLE 11
No Strikes or Lockouts

1. While this Agreement is in force, there shall be no lockouts of the employees by the Company, and neither the Union, nor any of its officers or representatives, nor any employee or employees will cause or participate directly or indirectly in any picketing; strikes of any nature, including sympathy strikes; concerted failure to report for work; slowdown; boycott; or in any retarding or stopping of work for any cause whatsoever, directed against the Company. During the life of this Agreement, the Union further agrees that it will not counsel, authorize, assist, support, or in any way encourage or condone any activities by employees which are proscribed by this paragraph. In the event that any employees of the Company engage in any of the activities proscribed by this paragraph, the Union further agrees that it will take affirmative steps to bring such activities to an end and it will use every reasonable means within its power to induce said employees, to cease such activities and to promptly resume work. Such reasonable means shall include, but not be limited to, immediately notifying the employees engaged in the proscribed activities to cease said activities and instructing them to resume work at once. Nothing contained in this paragraph shall prevent any employee subject to this Agreement from voluntarily joining any picket line established by members of the Company's other bargaining units during the course of a lawful economic strike by them against the Company, so long as said picketing by the employee is on the employee's own time, is outside of the employee's work schedule, including lunch and break

periods, and does not constitute a strike or other activity against the Company which is prohibited by this paragraph.

2. It is agreed that in accordance with the foregoing, that the grievance and arbitration provisions contained in this Agreement represent the exclusive means of settlement of all grievances as defined in Article 27 and during the term of the Agreement neither the Union, nor any employee or employees, will engage in any of the activities proscribed by paragraph 1 of this Article in conjunction with any matter which constitutes a grievance or in support of the Union's position with respect to any such grievance.

ARTICLE 12
Legal or Administrative Actions

1. In further consideration of the mutual promises contained herein the parties hereto expressly agree that neither party shall bring, or cause to be brought, any court, or other legal or administrative action against the other until the dispute, claim, grievance or complaint shall have been brought to the attention of the party against whom it shall be made and the said party, after actual notice of same, shall within a reasonable time, fail to take steps to correct the cause or circumstances giving rise to such dispute, claim, grievance or complaint. The provisions of this Article shall not apply to any claim by the Company that the Union or any employee in the bargaining unit is engaged in a strike or any other activity which is claimed by the Company to be in violation of Article 11 of this agreement.

ARTICLE 13
Safety

1. The Company will continue to make reasonable regulations for the safety and health of its employees during their hours of employment. One representative from the Customer Service Department will be on the current Safety Committee and the Unit Chair will be on the Executive Safety Committee.

ARTICLE 14
Hours of Work

1. The normal workweek shall be Monday to Friday and the normal work day shall be eight (8) hours with a thirty-minute unpaid lunch.
2. In the event the Company establishes a 10-hour work day, employees will be asked to work four (4) days per week with Sunday and 2 other adjacent days off.
3. The Company agrees to give employees twenty-four (24) hours' notice of change in schedule, if possible.

ARTICLE 15
Overtime

1. Except as otherwise provided herein, all employees shall be paid, without duplication, an overtime rate of one and one-half times their regular rate of pay for all work in excess of eight (8) hours in any workday or for all work in excess of forty (40) hours in any workweek.
2. For employees assigned to work 10-hour days, overtime shall be paid in excess of ten (10) hours in any workday.
3. The company will attempt to provide employees assigned to work overtime with as much notice as reasonably practicable in advance of the overtime assignment.
4. New employees entering a classification shall be assigned the average annual to date number of overtime hours worked by that classification at that point in time.
5. Overtime refusals shall not be counted in determining the number of overtime hours worked.
6. Employees will be paid double-time for all Premium Hours worked on Sundays and/or Holidays.
7. The Company will make every reasonable effort to distribute overtime as equitably as practicable among its employees, taking into account the nature of the work to be done and the availability of employees within the group affected, at the time when such work becomes necessary. Any demonstrated inequity in the distribution of overtime will be corrected by the Company by future assignments of overtime work. It is understood, that in cases of emergencies or urgent operating conditions, the most available employees will be called first and be assigned to serve in the best interest of the Company.

ARTICLE 16
Call Outs

1. An employee if called out to work at times other than their regular working hours, shall receive an amount equal to four (4) hours' pay at the premium rate required for the day on which the call out commences whether or not the employee actually works four (4) hours. If required to work more than four (4) hours, time worked beyond the four (4) hours will be paid at the premium rate for the day on which the hours in excess of the four (4) are worked.

An employee who is given a call while on Company property or within one half hour of their starting time for work that day or an employee who is given a call while on Company property within one half hour after the employee has completed his work for the day, shall not be paid the call out minimum which is set forth in paragraph 1 above for that call, but the employee shall be paid time and one-half for all hours worked over 8 on that day.

ARTICLE 17
Rest Time

An employee who is required to work unscheduled overtime during the period of eight (8) hours immediately prior to the beginning of his normal work schedule shall be entitled to an aggregate of eight (8) hours off, except in cases of actual or threatened interruption to service or emergencies. If such eight (8) hours extend into the normal work schedule, the employee will suffer no loss in pay. This rest time may be taken at the latter part of the normal work schedule. For employees who cannot be released from their normal work schedule, as determined by the Company, the rest time may be taken at a later mutually agreeable time.

In any twenty-four hour period, an employee who has worked more than sixteen (16) consecutive hours shall be entitled to eight (8) hours off, except in cases of actual or threatened interruption to service or

emergencies. If such eight (8) hours extended into the employees normal work schedule, the employee will suffer no loss of pay.

If due to an actual or threatened interruption of service or an emergency, an employee is recalled to work during his eight (8) hours of rest time which falls within his normal work schedule, he shall be paid at one and one-half times his normal rate of pay for all hours worked during the rest time which falls within his normal schedule in addition to his normal rate of pay for said hours.

ARTICLE 18
Temporary Employees/Supervisors

1. The Company agrees that the work ordinarily and customarily performed by its own employees will not be contracted out if such contracting would result in the direct layoff of its forces or in a reduction of their workweek below the normal workweek of the Company. The Company also agrees to continue its present policy of utilizing employees of the Company to the fullest extent practicable before outside contractors are hired.
2. Under normal circumstances, supervisors shall do no substantial amount of work of the same nature as that performed by the employees under them. Any violation will be promptly corrected.
3. The Company may utilize temporary employees to supplement the workforce due to an unusual increase in workload and long-term illnesses or injuries after one week in duration. Company will continue its present policy of utilizing employees of the Company to the fullest extent practicable before temporary employees are hired. If temporary employees are utilized for a period of six (6) months or longer, excluding the filling of vacancies due to long-term illnesses or injuries, Company shall post and fill permanently the amount of full-time positions equal to the amount of full-time temporary employees utilized. The Company further agrees there will be no layoffs of employees due to the hiring of temporary employees. In addition, the Company will recall any employees who are on the recall list prior to the utilizing of temporary employees.

ARTICLE 19
Establishment of Shifts

1. The Company may establish, maintain during such period or periods as it deems advisable, and discontinue shifts in any department or departments. In the event that the Company establishes shifts to be worked by employees in the bargaining unit, qualified employees in the classifications subject to the shifts shall be given their choice of the shifts to be worked in order of their classification seniority. In the event that an insufficient number of employees volunteer to work the shifts which have been established by the Company, junior qualified employees shall be assigned to them by the Company. If such shifts are established, the Company will pay a shift differential for all employees assigned to the afternoon shift and to the night shift as outlined below.

The Company will pay a shift differential of one dollar (\$1.00) for all employees assigned to the afternoon shift and the night shift and for employees assigned to work Saturday as part of their regular schedule.

2. Day, afternoon, and night shifts shall be defined as follows:
 - a. Day shifts shall include all shifts scheduled to start from 6 am to 11:59 am
 - b. Afternoon & night shifts shall include all shifts scheduled to start on or after 12:00 noon

3. If an employee is not entitled to shift differential during his regularly scheduled hours, he will not receive a shift differential during overtime hours.
4. In the event that the Company decides to establish a new shift, it will notify the Union at least fourteen (14) days in advance of the implementation of the shift if possible, and if the Union requests, the Company will discuss with the Union's representatives the shift hours to be implemented.

ARTICLE 20
Temporary Assignments to Other Locations

1. Whenever an employee is temporarily assigned to work in another location for purposes of filling a shift or to cover for the absence of another employee, the employee may be assigned to report directly to the other location at the start of the workday. In such cases, the employee will be paid mileage, at the IRS approved rate then in effect, for the distance from the original reporting location, to the temporary reporting location, less their normal commute. Employees will be given reasonable advance notice of the temporary assignment.
2. However, if an employee is given less than 24 hours' notice of a temporary assignment to another location, employee shall be paid one hour of overtime, in addition to mileage pay as calculated above. If travel is to Lebanon an additional hour above the first hour for a total of 2 hours of overtime will be given.
3. However, if an employee reports to their normal location and is temporarily assigned to another location after the start of their shift, they will be paid mileage as calculated above and will be paid ½ hour of OT. If travel is to Lebanon an hour of overtime will be given.
4. Should a vacancy occur of nine days or less, employees within that location shall be assigned first to fill that vacancy. Seniority shall prevail within that location. If there are no volunteers, the junior qualified employee within the location shall be assigned to cover such absence.
5. If there are no qualified employees in that location to cover absences of nine days or less, the absence is nine days or greater another employee shall be assigned by overall classification seniority.

ARTICLE 21
Assignment to Higher or Lower Rated Jobs

1. Any employee assigned to work in a higher rated classification in the bargaining unit in any work day shall receive the rate of pay of the higher classification for all hours worked in that work day. Any employee temporarily assigned to work in a lower rated classification shall be paid his regular wage rate for all hours worked in the temporary assignment.

ARTICLE 22
Breaks

1. Employees may take one (1) coffee or rest break in the morning and one (1) in the afternoon as scheduled by the Company
2. All coffee or rest breaks shall be limited to a total of fifteen (15) minutes in duration.
3. Breaks may not be combined and taken together, taken at other times than the ones specified or taken in conjunction with lunch unless prior specific supervisory approval is obtained.

ARTICLE 23
Meal Allowances

1. When employees, are required to work two and one-half (2.5) hours or more overtime beyond their regular quitting time, they will be provided::
 - a. a meal allowance of ten dollars (\$10.00) for a meal,

ARTICLE 24
Job Postings

1. In the event that the Company determines that there is a need to fill one of the jobs covered by this contract, it will post the job opening on the bulletin boards at the offices of the Company for five (5) working days so that any qualified employee may apply for the opening.
2. Selection of an employee for a posted job opening shall be made on the basis of relative qualifications for the posted job opening. Seniority shall be the deciding factor when qualifications are deemed to be relatively equal. The Company will notify the Union as to the employee selected to fill a posted job opening. Within ten (10) days (exclusive of Saturdays, Sundays and holidays) after the date of the Company's notice, but not thereafter, any applicant not selected by the Company for the job, who claims that the Company's filling of the vacancy was in violation of any applicable provision of this Agreement, may file a grievance to protest the Company's action in this regard. If there is no applicant, or no applicant who is qualified by fitness and ability to perform the duties of the vacancy, the Company shall have the right to hire a new employee to fill such a vacancy. If the Company does not hire a new employee from outside within ninety (90) days from the date on which the posting has been taken down, the job will be re-posted if the Company still determines that there is a need to fill the vacancy.
3. An employee accepted by the Company to fill a vacancy in the bargaining unit as a result of the employee's bid, shall have thirty (30) calendar days in the new classification in order to demonstrate his ability to perform the work required by the job. At the completion of said thirty (30) calendar-day period, the Company may return the employee to his former classification if he is unable to qualify for the new position or the employee may be returned to his former job for a valid reason at his own request. In the event that the successful applicant shall be so returned, the job opening may be filled by the Company from among the other qualified applicants without the necessity of re-posting.
4. Once an employee completes thirty (30) calendar days on the job, his right to revert to his former classification, except by bidding a future vacancy, is waived. Nothing in this section shall be deemed to waive or restrict the Company's right under the agreement to demote any employee who has completed thirty (30) calendar days in a new classification for reasons which are not otherwise in violation of this agreement.
5. Any employee accepted by the Company to fill a posted notice of vacancy who refuses the promotion or transfer, or who voluntarily reverts to his former classification within thirty (30) calendar days after being assigned to the vacancy, shall not have the right to bid on the same job for one (1) year.
6. An application for a posted notice of vacancy will be accepted for an employee absent during the period of posting, if it is signed by an authorized local union officer on the employee's behalf.
7. The successful applicant shall be moved into the job within forty-five (45) days of being awarded the job. If operational needs preclude the employee's move within this timeframe, the Company will notify the Union and hold a meeting to discuss, if requested. The employee will be entitled to any increase in pay for the new job effective on the forty-sixth (46th) day following award of the position. The makeup pay will be made as a lump sum payment following their entry into the new position. If the new position does not afford the employee an increase in pay, the employee will retain his existing rate of pay until the date he moves into the new job.
8. The parties agree to establish a committee to discuss courtesy postings.

ARTICLE 25
New Job Classifications

1. During the term of this agreement, the Company shall have the right to establish new job classifications in the bargaining unit. In such cases, the Company shall determine the duties, responsibilities and requirements associated with the new job classification and the qualifications required for the same. Once the Company has determined the foregoing, it shall notify the Union of the same, thirty (30) calendar days in advance of the establishment of the new job classification. During the thirty (30) calendar-day period, the parties shall discuss the appropriate rate of pay for any new classification to be established by the Company.
2. If at the end of the thirty (30) calendar-day period, the parties have not reached an agreement as to the appropriate rate of pay for any new job classification, the Company may implement the new classification, at the rate of pay which it proposed to the Union as its final position during the thirty (30) day negotiation period. Within thirty (30) calendar days after the date of the Company's notice to the Union of its establishment of the new job classification and the rate of pay for the same, the Union may request arbitration of the issue of the appropriate rate of pay for the classification in accordance with the procedures established under Article 27 herein.
3. Failure of the Union to request arbitration of any rate of pay issue under this Article in accordance with the time limits set forth herein, shall constitute a waiver of the Union's right to arbitration of that issue.

ARTICLE 26
Reports of Accidents, Injury and Defective or Damaged Equipment

1. All cases of accidents, injuries or the failure of or damage to equipment must be reported by the affected employee to his supervisor as soon as reasonably possible following the occurrence of the accident, injury or equipment failure or damage.

ARTICLE 27
Joint Committee, Negotiating Committee, Grievance and Arbitration Procedure

Section 1. Joint Committee

The Union shall designate a Standing Committee of three (3) employees which committee shall meet with the representatives of the Company bi-monthly or at the request of either party for the purpose of discussing matters coming within the scope of this agreement. Such meetings shall be held at the convenience of both parties if possible, but in any event within seven days from the date upon which such request is received. The Local Union President, or his designee, and the Employee and Labor Relations Department Head, or his designee, shall review on the Friday prior to each Joint Committee meeting issues which are to be discussed at the Joint Committee meeting. This shall not preclude the discussion of other issues. It is agreed that representatives of the United Steelworkers may attend these Joint Committee meetings.

Section 2. Negotiating Committee

The negotiating committee for the next collective bargaining negotiations for a new agreement shall be comprised of no more than three (3) Local Union members, with the Company paying for any negotiating time which is agreed to be held during regular working hours. A fourth (4th) Local Union member may attend the negotiations, but said fourth member shall not receive any pay from the Company for any time spent in the negotiations. It is understood that on certain days, additional union employees may attend bargaining negotiation sessions to address departmental specific proposals, provided their absence shall not cause operational difficulties. These employees shall not receive any pay from the Company for any time spent in the negotiations.

Section 3. Grievance and Arbitration Procedure

1. Any grievance which may arise based on a dispute as to the meaning and application of this agreement shall be finally settled in the following manner.
 - Step 1. The grievance shall be discussed by the aggrieved employee, the Committee person and the aggrieved employee's immediate Supervisor not covered by this agreement. If not settled in this step, the grievance shall be referred to Step 2.
 - Step 2. The grievance shall be discussed by the Grievance Committee and/or the aggrieved employee on the one hand and the above-described Supervisor and the Manager of the department on the other. In order to be considered timely, an unresolved grievance at Step 1 must be advanced to Step 2 by the Union within thirty (30) days from the Company's answer at Step 1 or it shall be deemed to have been waived, unless the period of time is extended by mutual agreement of the parties.
 - Step 3. The grievance shall be discussed by a conference between the Grievance Committee and/or the aggrieved employee on the one hand and a representative from the Employee and Labor Relations Department and the Manager and/or Director of the Department on the other. At the time of the request for this conference by the Union, it shall provide the Company with a written grievance which shall clearly set forth the issue or issues to be decided. In order to be considered timely, an unresolved grievance at Step 2 must be advanced to Step 3 by the Union within thirty (30) days from the Company's answer at Step 2 or it shall be deemed to have been waived, unless the period of time is extended by mutual agreement of the parties.
 - Step 4. The grievance shall be discussed by a conference between the Union Field Representative and the Grievance Committee on the one hand and the President of the Company or a designee of the President and such Company representatives as he may select on the other. In order to be considered timely, an unresolved grievance at Step 3 must be advanced to Step 4 by the Union within thirty (30) days from the Company's answer at Step 3 or it shall be deemed to have been waived, unless the period of time is extended by mutual agreement of the parties.
 - Step 5. In the event that any grievance is not satisfactorily settled by means of the foregoing conferences, the grievance shall be submitted to a Board of Arbitrators. The arbitration shall be conducted by three (3) members consisting of one (1) representative of the Company and one (1) representative of the Union and a third person, who shall serve as Chairperson, selected by such representatives. If the Company and Union representatives on the Board do not agree on the selection of the Chairperson within a reasonable period of time after both have been appointed, the Chairperson shall be appointed in accordance with the Voluntary Labor Arbitration Rules of the American Arbitration Association.
2. A grievance meeting at Step 1 of the grievance procedure shall be held within five (5) days (exclusive of Saturdays, Sundays and holidays) after the Union's request for a meeting has been made. A grievance meeting at Step 2 shall be held within ten (10) days (exclusive of Saturdays, Sundays and holidays) after the Union's request for a meeting has been made. A grievance meeting at Step 3 shall be held within ten (10) days (exclusive of Saturdays, Sundays and holidays) after the Union's request for a meeting has been made. The Company shall give the Union its answer to the grievance at each step within ten (10) days (exclusive of Saturdays, Sundays and holidays) of the date of the grievance meeting.

3. All grievances which arise must be presented to the Company within thirty (30) calendar days after the facts or circumstances giving rise to such grievances or after the aggrieved employee knows of or is charged with knowledge of the grievance but not thereafter.
4. All of the time limits set forth in this Article may be extended by mutual agreement of the parties hereto.
5. The Union's request for arbitration shall be in writing and shall include a statement clearly setting forth the matter in dispute and the issue, or issues, to be arbitrated. If arbitration is not requested within thirty (30) calendar days from the date of the Company's answer to the grievance at Step 4 of the grievance procedure, the grievance shall be deemed waived unless said period of time is extended by mutual agreement of the parties.
6. The decision of the Board of Arbitration shall be in writing, signed by a majority of the Board concurring therein, and a copy shall be delivered promptly to each of the parties. Such decision shall be final and binding upon both parties and it shall be issued no later than thirty (30) days from the date of the close of the hearing and the filing of post-hearing briefs, if any.

The Chairperson shall be notified of this requirement at the time of their selection and shall agree to adhere to it as a condition of appointment as arbitrator in the case.

In the event that the Chairperson does not render a decision within the required time period, the parties agree to request the decision by means of a jointly signed letter to the Chairperson requesting that a decision be issued forthwith.

7. The Company and Union shall each bear the expense of its representative on the Board and shall share equally the compensation and expenses of the Chairperson and other expenses, if any, relating to the arbitration (apart from the expenses of either in presenting its case).
8. No Board of Arbitration shall have the power, jurisdiction or authority to add to or subtract from or modify any of the terms or provisions of this Agreement, or to decide any question except the one submitted to the Board in accordance with the foregoing provisions. The arbitration provisions of this Article shall be subject to the provisions of Chapter 542 of the Revised Statutes of New Hampshire.
9. Multiple or unrelated grievances shall not be arbitrated simultaneously in the same hearing before the same Board of Arbitration except by mutual agreement of the parties.

ARTICLE 28 Absolute Causes for Discharge

1. Without excluding other disciplinary offenses which may be sufficiently serious to warrant summary discharge by the Company, the parties agree that the following shall constitute absolute causes and just cause for discharge:
 - a. Theft from the Company, from fellow employees, from customers or while on a customer's property;
 - b. Deliberately or intentionally damaging the Company's or a customer's property or equipment;
 - c. Striking a supervisor, unless the striking of the supervisor is in self-defense, or based on sufficient provocation;

- d. Fighting, or striking a fellow employee, unless the striking of the fellow employee is in self-defense or based on sufficient provocation;
 - e. Striking in violation of Article 11 of this Agreement; and
 - f. The use, sale or possession of illegal drugs or controlled substances during working hours, while on Company or a customer's property or while in a company vehicle.
2. In the event that the Union refers to arbitration the question of an employee's discharge based upon one of the foregoing causes, the only question to be arbitrated is whether the employee is guilty of the offense charged, and if he is found to be guilty, no Board of Arbitration shall have any jurisdiction, power or authority to mitigate the discharge penalty which has been imposed by the Company for such an offense.

ARTICLE 29

Discharge

1. Upon the discharge of a regular employee, the Company will promptly notify the Local Union in writing of the action taken and the reason for the discharge. Within seven (7) days after its receipt of this notification, the Local Union shall have the right to appeal the discharge by submitting written request to the Company for a hearing on behalf of the employee who has been discharged. Within ten (10) days (exclusive of Saturdays, Sundays and Holidays) of the receipt of the Union's request in this regard, the Company shall grant the discharged employee a hearing. This hearing shall be conducted by the officials of the Company designated by it. The discharged employee shall attend the hearing and he shall be represented by no more than two (2) representatives from the Local Union and the National Representative of the Union, if the Union so desires. The Company shall give the Union its answer to the Union's appeal in writing within seven (7) days from the date of the hearing (exclusive of Saturdays, Sundays and Holidays). If as a result of this hearing the employee is exonerated, he shall be reinstated without prejudice or loss of seniority and he shall be compensated for lost wages. If as a result of the hearing the parties disagree as to the propriety of the discharge, the matter may be referred to immediate arbitration by the Local Union under Article 27 hereunder by the submission of a written request to the Company to do so within ten (10) days (exclusive of Saturdays, Sundays and Holidays) from the date of the Local Union's receipt of the Company's written answer to the Union's appeal at the hearing. Requests for a hearing and for arbitration under this Article must be made within the time limits set forth herein or the Union's rights to a hearing and to arbitration shall be deemed to have been waived, unless said time limits are extended by the mutual agreement of the parties.

ARTICLE 30
Holidays

1. The following ten (12) holidays are recognized:

New Year's Day	Labor Day
Martin Luther King/Civil Rights Day	Veteran's Day
Presidents Day	Thanksgiving Day
Memorial Day	Day After Thanksgiving
Independence Day	Christmas Day
Two (2) Annual Paid Floating Holidays*	

* Subject to the Company's operating requirements, employees may request to take the Floating Paid Holidays on any day of the week. New employees of the Company must have completed six (6) months of continuous employment with the Company before they are entitled to take the Floating Paid Holidays. Floating paid holidays must be taken in 8 hour increments with 48 hour request notice and within the calendar year in which the entitlement to them arises or they will be forfeited by the employee.

On the above-named holidays, an employee shall receive as holiday pay an amount equal to eight (8) hours their regular hourly rate.

2. Any employee required to work on any of the holidays recognized in this Agreement shall receive, in addition to his holiday pay, time and one-half for all hours worked. A holiday occurring during an employee's scheduled workweek on which he is not required to work shall be considered as one eight (8) hour day worked in computing overtime.
3. Should there be a conflict between the laws of the Federal Government and the State of New Hampshire as to the observance of any of the holidays set forth above, the holiday shall be observed in accordance with the laws of the Federal Government.
4. An employee on leave of absence, long-term disability or layoff shall not be entitled to holiday pay.
5. Regular employees who are permanently assigned to shifts shall have shift differential included in the payment of holiday pay.
6. Scheduling of Holidays
- a. When a holiday falls on a Saturday, employees on a Monday-Friday schedule will observe the holiday on Friday. Employees on all other schedules will observe the holiday on the day of the holiday if scheduled to work; if not scheduled to work, will observe the holiday on the next regularly scheduled workday.
 - b. When a holiday falls on a Sunday, employees on a Monday-Friday schedule will observe the holiday on Monday. Employees on all other schedules will observe the holiday on the day of the holiday if scheduled to work; if not scheduled to work, will observe the holiday on the next regularly scheduled work day.
 - c. Holiday pay shall be paid on the day on which the employee is given time off in accordance with Sections (a) and (b) above.
 - d. Holiday overtime premiums paid when an employee works on a holiday shall be paid on the day of the holiday. If an employee works on the day the employee receives time off, the employee shall be paid overtime as applicable under the agreement.

ARTICLE 31
Vacations

1. Employees are eligible for paid vacation leave for a period of rest and relaxation in recognition for work effort performed throughout the year. An employee's supervisor/manager is required to be aware of the vacation entitlement for each employee under their supervision, and to authorize approval requests for vacation.
2. Vacation leave is accrued monthly as described below based on the number of hours you are normally scheduled to work, up to a maximum of eight hours per day and 40 hours per work week.

<u>Years of Employment</u>	<u>Eligible Vacation Time Per Year</u>
First year of employment	15 days/3 weeks=6% (prorated)
1-6 years of employment	15 days/3 weeks=6%
7-14 years of employment	20 days/4 weeks=8%
15+ years of employment	25 days/5 weeks=10%

3. Vacation leave is subject to the following guidelines:
 - a. Vacation must be requested and approved in increments of one-half day unless mutually agreed to
 - b. Due to business needs, the Company may limit the number of employees who take vacation leave at any given time.
4. Five (5) vacation days maximum may only be authorized to be carried over into the following year. Instances such as these will be addressed on a case by case basis with the approval of your Manager/Director and Human Resources.

All accrued vacation in any calendar year shall be taken in that calendar year, unless denied for operational reasons, and if time permits, the employee will reschedule by year end. If time does not permit and it is mutually agreed the employee may carry over the unused vacation to the following year.
5. In the event that an employee quits, retires from the Company's employ, is laid off at any time, or dies, employee will be entitled to unused vacation for the calendar year in which the event occurs.
6. Any employee discharged by the Company will not be entitled to any prorated vacation pay.
7. Subject to the operational requirements of the Company, consideration will be given to the length of service and the desires of the employees in the assignment of vacations. During the month of January, employees will be canvassed by the Company in order to ascertain their vacation desires. Annual vacation selection for April 1st of the current year through March 30th of the following year will be due to the company on February 1st. Vacations will be approved on a seniority basis by classification. If an employee does not make their selection by February 1st, employee may not take the time already chosen by others before that date if the latter are junior to him. Vacations granted after the February 1st deadline shall be granted on a first-come, first-serve basis.
8. Employees shall be allowed to take fractionalized vacations under the following conditions:
 - a. Fractionalized vacation time will be allowed to be taken in one-(1) hour increments up to 8 hours.
 - b. The employee will make his request for a fractionalized day of vacation with reasonable notice

- c. Fractionalized vacations may not be taken if they interfere with another employee's vacation.
 - d. As is the case with all vacation scheduling, the fractionalized vacation plan is subject to the operational requirements of the Company and consideration will be given to length of service and the desires of the employees.
 - e. Once an employee has been approved for a fractionalized vacation, he cannot be bumped off that day by a more senior employee.
9. In the event that a holiday falls during an employee's scheduled vacation, the employee shall be paid holiday pay on the day of the holiday and shall reschedule the day of vacation which would have otherwise been taken on the holiday.
10. An employee on leave of absence, sick leave or layoff who performs no work for the Company during an entire anniversary year, shall not be entitled to vacation pay for that anniversary year.
11. Any vacation pay to which an employee is entitled as of the date of employee's death will be paid to the employee's surviving spouse; if no surviving spouse, then to employee's estate, if the employee dies while in the Company's employ.

ARTICLE 32
Death and Funeral Leave

1. In the event of a death in the immediate family of any regular employee covered by this Agreement, the Company agrees to pay the employee regular straight time compensation, exclusive of premiums, for all scheduled work days from the date of the death to the date of the funeral inclusive for any of the following:
- a. Up to a maximum of five (5) days for: "immediate family" member, defined as spouse, partner, child, stepchild, parent and stepparent.
 - b. Up to a maximum of three (3) days for "extended family" member, defined as sibling, parents-in-law, siblings-in-law, grandparents and grandchildren.
 - c. Up to a maximum of one (1) day paid leave in event for aunts and uncles, son-in-law and daughter-in-law, brother-in-law and sister-in-law.
 - d. Employees may be eligible for up to a maximum of two travel days for bereavement leave of an immediate family member. Travel needs must be discussed with supervisor prior to start of the leave.
 - e. The Company reserves the right to request verification of the need for bereavement leave.
 - f. Employees may request to use vacation and/or sick leave to extend bereavement leave. If an employee has no paid leave available, unpaid leave may be granted.

ARTICLE 33
Personal Leaves of Absence

1. So far as business and operating conditions permit, the Company may on reasonable notice permit regular employees who can be spared from their duties to take a personal leave of absence without pay up to a maximum of sixty (60) days. Requests for personal leaves of absence by regular employees must be based upon compelling personal reasons and must be submitted to the Company in writing on a form to be provided by the Company.
2. In the event that an employee does not return to work at the expiration of a personal leave of absence which has been granted to him, he shall be terminated from the Company's employ unless there are extenuating circumstances which excuse the employee's failure to return and he notifies the Company of said circumstances prior to the date on which he is to return.
3. Pregnancy or maternity leaves of absence shall be granted to regular employees in accordance

with the foregoing provisions and in accordance with State and Federal law governing such leaves.

Requests for a leave of absence shall be processed by the Company's Human Resources Department in conjunction with the Vice President of the Operating Department involved. The reasons given by the employee to support the request shall be kept confidential to the extent possible.

4. Leaves of absence granted under this Article shall also be counted against the employee's entitlement to Family Medical Leave Act ("FMLA") leave to the extent that the reason for the personal leave of absence also entitles the employee to leave under the FMLA.

ARTICLE 34
Tuition Aid Policy

Employees covered by this agreement shall be eligible to participate in the Company's tuition aid policy.

ARTICLE 35
Scholarship

The Company will provide \$1,000 annually in matching funds to the United Steelworkers 12012-09 scholarship fund for dependents of USW 12012-09 members. Liberty Utilities will be identified as a co-sponsor for any awards.

ARTICLE 36
Non-Occupational and Occupational Disability Leave Benefits

1. Sick Leave/Non-Occupational
 - a. The Company recognizes that from time to time, employees may be required to be absent due to illness or injury. The Liberty Wellness Bank contains hours intended for sick time, allocated and tracked on a calendar year basis. Full-time employees are eligible for up to 40 hours of paid sick leave annually, and employees will be credited with a prorated amount in your first year of employment.
 - b. Sick leave is typically used in half or full day increments, but smaller increments may also be used.
 - c. Employees are not eligible to receive compensation for hours in the Liberty Wellness Bank upon separation from employment with the Company.
 - d. Any sick leave time balances available to an employee from a Company that is acquired by Liberty Utilities will transfer into the Liberty Wellness Bank. These hours will be available to use in the event of illness. Employees may carry over up to 2.5 days each year to a maximum of three weeks (120 hours)
 - e. If an employee is hospitalized while on vacation, employee shall be entitled to reschedule as many days of vacation as were spent overnight in the hospital and to treat the time spent in the hospital as sick leave.
2. Short-Term Disability
 - a. Employees shall be eligible for short-term disability the first of the month following one full month of employment.
 - b. Short-term disability leave is applied to extended individual absences due to instances where a medical condition or serious illness warrant an employee unable to work. A physician's note must be presented to Human Resources within the first 3 days of leave.
 - c. Short-term disability shall provide employees a benefit of 66.7% of base pay with a weekly maximum benefit of \$2,500. STD begins on the eighth day or after exhausting sick pay. Benefits continue for 26 weeks, at the point LTD begins.

3. Long-Term Disability
 - a. Employees shall be eligible for long-term disability the first of the month following one full month of employment.
 - b. Long-term disability shall provide employees a benefit of 60% of base pay. LTD begins at 26 weeks and continues to age 65 and the monthly maximum benefit is \$11,500.
4. Occupational
 - a. In the event that an employee is absent from work due to an occupational illness or injury for which employee receives Workers' Compensation benefits under the laws of the State of New Hampshire, he shall be entitled to disability leave benefits in an amount equal to that which is provided for Non-Occupational sick leave as set forth in Article 38 herein. Said benefits shall be computed based upon the difference between his normal work week at straight time rates, exclusive of premiums, and the payments received by the employee from the Company's insurer under the Workers' Compensation Act.
5. Perfect Attendance (Non-Occupational)
 - a. All employees covered by the Agreement will be entitled to a reward for each Calendar Year during which there are no absences except those due to jury duty, vacations, bereavement, and union leaves of absence. For one year of perfect attendance, the award will be one (1) additional floating holiday. For two (2) consecutive years of perfect attendance, one (1) additional floating holiday and two hundred dollars (\$200) will be awarded. For three (3) consecutive years of perfect attendance, two (2) additional floating holiday and four hundred dollars (\$400) will be awarded, and for each consecutive year of perfect attendance thereafter. In the event of a leave of absence due to union business, periods of perfect attendance before and after the leave, but not during the leave, shall be combined to determine attendance awards. Floating holidays are to be scheduled the same as the current vacation policy.
6. Extended Absences (Non-Occupational)
 - a. Employees absent from the Company due to a non-occupational illness or injury and who have performed no work for twenty-four (24) consecutive months will be terminated. This provision applies to absences commencing after the effective date of the contract. Employees with twenty-five (25) or more years of service shall not be impacted by this provision.

ARTICLE 37
Witness Pay

1. A regular employee who is required to be absent from work as a result of being subpoenaed to testify in any court case of administrative proceeding where the attendance of witnesses is legally required by the service of legal process, will be paid the difference between his normal, straight time, daily compensation, exclusive of premiums, and the daily amount received by the employee as a witness fee. Evidence of payments received by an employee as witness fees must be presented by the employee in the form of vouchers or receipts provided by the court or administrative body. The provisions of this Article shall not apply to any proceeding in which the employee is a party, or in which the employee has a direct interest in the outcome of the litigation, or in which the Union is a party and the Union issues the subpoena to require the employee's testimony or presence.

ARTICLE 38

Jury Duty

1. A regular employee who is required to be absent from work, as a result of being called to serve as a juror on a regularly scheduled workday, will be paid by the Company during such period of jury service the difference between his normal, straight time daily compensation, exclusive of premiums, and the daily amount received by said employee for his service as a juror. Employees who are excused from jury duty before 11:00 a.m. on any given day shall return to work for the remainder of that day. The Company's obligation to pay an employee for jury duty is limited to a maximum of thirty (30) days in any calendar year, provided the company can obtain the employee's release from jury duty at the end of said thirty (30) day period. If the Company is unable to obtain the release of the employee after thirty (30) days of jury service, the Company shall make the payments required herein for the duration of the employee's jury service. In order to receive the payments provided for herein, the employee must present the Company with satisfactory evidence of his jury service and the payments received by the employee from the court for said service.
2. In order to be eligible for jury duty pay, an employee must give his supervisor written notice as far in advance of the scheduled jury service as possible so that alternative scheduling arrangements can be made by the Company.
3. Any time paid for by the Company on account of an employee's service due to jury duty shall be counted as time worked in the computation of overtime for that payroll week.
4. Employees who are assigned to a shift other than a day shift when they are called for jury duty will be reassigned to the day shift for the duration of their jury service. Said employee's regular shift shall be covered for the duration of the employee's jury service in accordance with the procedure which is set forth in paragraph 1 of Article 19 of this agreement.

ARTICLE 39

Pay For Annual Reserve Training

1. A regular employee who is required to be absent from work due to annual military training requirements (summer camp) in the National Guard or the Reserve components of the Armed Services shall be paid the difference between his military pay for such period and his normal straight time weekly compensation (40 hours), exclusive of premiums. The liability of the Company under this provision shall be limited to two weeks of summer camp per year, and shall not include periods of emergency call-up of the National Guard or Reserves or periods of initial basic training entered into at the commencement of National Guard or Reserve service. Evidence of payments received by an employee as military pay must be presented by the employee in the form of vouchers or receipts provided by the Branch of the Armed Forces in which the military service is required.

ARTICLE 40

Health Care Insurance

1. The Company will provide for employees and their families the Liberty Utilities Excellus Blue Cross/Blue Shield Health Care Plan. The terms and conditions shall be in accordance with all of the requirements of the plan.

An employee with a domestic partner, meeting criteria established by the Company, will be eligible for medical benefits and family and medical leave for this partner.

- a. Weekly pre-tax payroll contributions for employees electing coverage with Excellus Blue Cross/Blue Shield will be set annually and the premiums will be 20% of the Company cost.

Prescription Drug Coverage:

Retail – 100% after Co-Payments of:

Generic-Kids: \$0 co-payment
Generic: \$10 co-payment.
Preferred: \$30 co-payment.
Non-Preferred: \$50 co-payment.

Mail Order (90 Day Supply) – 100% after Co-Payments of:

Generic: \$20 co-payment.
Preferred: \$60 co-payment.
Non-Preferred: \$100 co-payment

2. A new employee will be eligible for participation in the Medical Plan on the first day of the month after one (1) full month of employment.
3. Employees over the age of sixty-five (65) who elect not to retire will be provided with Group Health and Hospitalization insurance benefits under the Agreement which are in conformity with Federal and State law dealing with age discrimination.
4. The company will establish a Section 125 C - Plan which is subject to Internal Revenue Service regulations.
5. Employees will receive a \$1,000.00 per calendar year payment from the Company, payable in weekly installments, if they elect to not enroll in any medical insurance plan maintained by the Company. These employees must have other non-Liberty Utilities medical coverage and comply with the other rules established by the Company.

ARTICLE 41

Dental Plan

1. The Company will provide for employees and their families plans with Guardian Life. Coverage Type I is one-hundred percent (100%) coverage. Coverage Type II is eighty percent (80%) coverage after deductible. Coverage Type III is fifty percent (50%) coverage after deductible. All are subject to the Insurer's maximums. The annual maximum will be \$2,500.00 annually per eligible member.

Weekly pre-tax payroll contributions for employees electing coverage with Guardian will be set annually and the premiums will be 20% of the Company cost.

2. A new employee will be eligible for participation in the Dental Plan on the first day of the month after one (1) full month of employment.

An employee with a domestic partner, meeting criteria established by the Company, will be eligible for dental benefits for this partner.
3. Dental coverage for eligible dependents provided to age 26. Orthodontia coverage for eligible dependents provided to age 19.
4. Employees that option out of the dental plan receive no waiver credit.

ARTICLE 42
Vision Plan

1. The Company will provide individual, two- person, and family plans with VSP Guardian.

Weekly pre-tax payroll contributions for employees electing coverage with Guardian will be set annually and the premiums will be 20% of the Company cost.
2. A new employee will be eligible for participation in the vision plan on the first day of the month after one (1) full month of employment.

An employee with a domestic partner, meeting criteria established by the Company, will be eligible for vision benefits for this partner.
3. Vision coverage for eligible dependents provided to age 26.
4. Employees that option out of the vision plan receive no waiver credit.

ARTICLE 43
Group Life Insurance Plan

1. The Company will provide Group Term Life Insurance and Accidental Death and Dismemberment (AD&D) Insurance for its eligible employees to provide death benefits equal to one and one-half (1.5) year's current base compensation which shall be payable to the estates or designated beneficiaries of such employees. Said life insurance coverage is subject to acceptance of the employee by the insurer and it is to be in accordance with the terms set forth in the insurance policy with the insurance carrier.

ARTICLE 44
Retiree Pension Benefits

1. The Company's Pension Plan shall remain in effect in accordance with the terms and conditions set forth in the Plan Document.

Liberty Utilities Cash Balance Pension Plan											
EFFECTIVE DATE	<ul style="list-style-type: none"> July 2, 2012 										
ELIGIBLE EMPLOYEES	<ul style="list-style-type: none"> All union employees covered under this agreement 										
MINIMUM SERVICE	<ul style="list-style-type: none"> 1 Year of Service (<i>1,000+ hours</i>) during first year of employment or any subsequent plan year Participation commences on first monthly entry date following completion of 1 year of service 										
MINIMUM AGE	<ul style="list-style-type: none"> None 										
ANNUAL CONTRIBUTION CREDITS	<p><i>Combined Age +</i> <u>Years of Service</u> <u>Percentage of Pay</u></p> <table> <tr> <td>Less than 44</td><td>4%</td></tr> <tr> <td>45 to 54</td><td>5%</td></tr> <tr> <td>55 to 64</td><td>6%</td></tr> <tr> <td>65 to 74</td><td>7%</td></tr> <tr> <td>75 or more</td><td>8%</td></tr> </table> <p>An employee must complete 1,000+ hours during a plan year to receive contribution credit for that year (except for death or retirement)</p>	Less than 44	4%	45 to 54	5%	55 to 64	6%	65 to 74	7%	75 or more	8%
Less than 44	4%										
45 to 54	5%										
55 to 64	6%										
65 to 74	7%										
75 or more	8%										
ANNUAL INTEREST CREDITS	<ul style="list-style-type: none"> Greater of: (1) 30 Year U.S. Treasury Bond Rate (determined annually in November for upcoming plan year); or (2) two percent. 										
DEFINITION OF "PAY"	<ul style="list-style-type: none"> Total pay (excluding (i) reimbursements or other expense allowances; (ii) fringe benefits (both cash and non-cash); (iii) moving expenses; (iv) non-qualified deferred compensation; (v) welfare benefits (e.g., disability benefits); (vi) severance pay; (vii) equity-based awards (including without limitation stock option and stock awards); and (viii) long term incentive plan payouts) 										
VESTING	<ul style="list-style-type: none"> Year of Vesting Service = 1,000+ hours per plan year < 3 Years of Service = 0% Vested 3+ Years of Service = 100% Vested 										
FORMS OF DISTRIBUTION	<ul style="list-style-type: none"> Lifetime annuity 50%, 75% and 100% J&S benefit Lump sum Normal form = 50% J&S for married participants 										
TIME OF DISTRIBUTION	<ul style="list-style-type: none"> Age 65 (<i>normal retirement date</i>) Participant may elect immediate payment at any time following termination of employment 										

ARTICLE 45
401(k) Plan

1. The Company has established a 401(k) Plan for employees. The terms and conditions of this plan are in the Company's discretion.
2. The Company will provide a match of \$1.00 on each \$1.00 the employee contributes to the Plan up to a maximum matched employee contribution of 4%.
3. Employees will be immediately vested in the company match contribution to the Plan. Employer contributions subject to plan requirements.
4. If in the future, the Company initiates a discount on the purchase of Company stock within the 401k plan, such provision shall be applicable to all employees covered by this Agreement.

ARTICLE 46
Subrogation

1. In cases where an employee receives non-occupational or occupational disability pay benefits as provided for under Article 36 herein due to an illness, injury, or accident which has been caused by a third party who is legally responsible to said employee for said illness, injury or accident, then the Company shall be subrogated to the rights of the employee against such third party to the extent of the payments made to the employee under the above-referred to Article. In the event that the Company exercises its rights to subrogation and collects from the third party in accordance with this provision, the employee to whose rights the Company has been subrogated, shall not be charged with non-occupational or occupational disability leave for any payments recovered by the Company.

ARTICLE 47
Conformation to Laws

1. It is understood and agreed that all agreements herein are subject to all applicable laws now or hereafter in effect. If during the life of this Agreement any of said laws shall conflict with any of the provisions of this Agreement, such provision or provisions shall be immediately suspended, and shall be given continued effect only to the extent permitted by law. The suspension or invalidity of any provision of this Agreement in accordance with the foregoing shall not affect or impair any other term or provision of this Agreement and said other terms and provisions shall remain in full force and effect.
2. In the event that any provision of this Agreement is suspended due to a conflict with any law, the parties shall confer in an effort to negotiate a lawful substitution or modification for the suspended provision. If as a result of said negotiations, no substitution or modification is agreed upon, both parties specifically reserve all of their rights under law and under the remaining provisions of the collective bargaining agreement.

ARTICLE 48
Non-Discrimination

Neither the Company nor the Union will discriminate against any individual on the basis of race, color, religion, sex, age, national origin, disability, marital status, sexual orientation, veteran status, citizenship status or any other reason prohibited by law.

ARTICLE 49
Terminology

Words of any gender used in this Agreement shall be held to include the other gender and words in the singular shall be held to include the plural when the sense requires and the reverse shall also be true.

ARTICLE 50
Effect of Agreement

This Agreement constitutes the entire Agreement of the Company and the Union arrived at as a result of collective bargaining negotiations and is intended to cover the entire subject matter of the Company's relations with its employees as defined in Article 1, except for such amendments hereto as shall have been specifically negotiated, agreed upon, reduced to writing and signed by the parties.

ARTICLE 51
Duration and Renewal

1. This Agreement shall become effective as of September 27, 2019, and shall continue in full force and effect until 11:59 p.m., September 27, 2024, and shall be automatically renewed for year to year thereafter unless at least sixty (60) days prior to any expiration date either party notifies the other in writing of its desire to terminate, amend or modify the agreement, in which event it shall terminate on the expiration date of the year for which such notice is given, provided that the termination is not prior to September 27, 2024.
2. If during the life of this Agreement there is a successor to the Company, this Agreement will be binding upon the successor for the balance of the life of this agreement.

IN WITNESS WHEREOF, the parties hereto caused this Agreement to be signed and their seals to hereto affixed by their duly authorized officers as of the day and year below written.

LIBERTY UTILITIES

Frank Dobrinski
Director, Human Resources

Nicole Harris
Director, Customer Care

Christine Downing
Senior Manager, Customer Care

Laura Sasso
Supervisor, Billing and Collections

Jessica Allen
Supervisor, Billing and Collections

Company Committee

FOR THE UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY,
ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION,
AFL-CIO-CLC

Thomas Conway,
USW International President

John E. Shinn,
USW International Secretary-Treasurer

D. R. McCall,
USW International Vice President, Administration

Fred Redmond,
USW International Vice President, Human Affairs

Del Vitale
USW Director, District #4

FOR THE UNITED STEEL, PAPER AND FORESTRY, RUBBER, MANUFACTURING, ENERGY,
ALLIED INDUSTRIAL AND SERVICE WORKERS INTERNATIONAL UNION,
AFL-CIO-CLC

Local 12012

John Buonopane
President

Allen Smith
Business Manager

Michael Quinn
Unit President

Debra Bent
Unit Chair

Hope Hutchinson
Unit Griever

Mariah Clack
Unit Steward

Members of the Committee

12012-09 Schedule of Wages

Schedule of Wages Effective 1/01/2020

<u>Title</u>	<u>1</u>	<u>2</u>	<u>3</u>
Lead Customer Service Representative	\$22.95	\$21.66	\$20.34
Billing Representative	\$20.94	\$20.13	\$19.00
Customer Service Representative	\$19.00	\$17.92	\$16.84

- Step 3: 0-6 months
- Step 2: 7-24 months
- Step 1: 25+ months

Schedule of Wages Effective 1/01/2021

<u>Title</u>	<u>1</u>	<u>2</u>	<u>3</u>
Lead Customer Service Representative	\$23.55	\$22.22	\$20.86
Billing Representative	\$21.49	\$20.65	\$19.50
Customer Service Representative	\$19.50	\$18.39	\$17.27

- Step 3: 0-6 months
- Step 2: 7-24 months
- Step 1: 25+ months

Schedule of Wages Effective 1/01/2022

<u>Title</u>	<u>1</u>	<u>2</u>	<u>3</u>
Lead Customer Service Representative	\$24.18	\$22.82	\$21.43
Billing Representative	\$22.07	\$21.21	\$20.02
Customer Service Representative	\$20.02	\$18.89	\$17.74

- Step 3: 0-6 months
- Step 2: 7-24 months
- Step 1: 25+ months

Schedule of Wages Effective 1/01/2023

<u>Title</u>	<u>1</u>	<u>2</u>	<u>3</u>
Lead Customer Service Representative	\$24.84	\$23.44	\$22.01
Billing Representative	\$22.66	\$21.78	\$20.56
Customer Service Representative	\$20.56	\$19.40	\$18.22

- Step 3: 0-6 months
- Step 2: 7-24 months
- Step 1: 25+ months

Schedule of Wages Effective 1/01/2024

<u>Title</u>	<u>1</u>	<u>2</u>	<u>3</u>
Lead Customer Service Representative	\$25.53	\$24.09	\$22.62
Billing Representative	\$23.30	\$22.39	\$21.14
Customer Service Representative	\$21.14	\$19.94	\$18.73

- Step 3: 0-6 months
- Step 2: 7-24 months
- Step 1: 25+ months

Direct Deposit of Wages

The Company will directly deposit the wages of every employee into the bank accounts specified by the employee for that purpose.

SHARED BONUS POOL PROGRAM

1. Union members will participate in the Company's Shared Bonus Pool Program for the Shared Bonus Pool Program years occurring during the period of the collective bargaining agreement. The Company agrees to have a Shared Bonus Pool Program in each year of the contract.
2. The structure and administration of this Program, including the setting of goals, how the range of awards relates to the goals, the determination of whether goals have been met, and the computation of awards, will be in the discretion of the Company. Goals and triggers will be discussed with the Union and communicated to employees as soon as practicable after they are established each year.
3. The goals may include a combination of criteria related to individual Company performance, performance of individual Strategic Business Groups (SBGs) and individual performance.
4. The triggers to determine whether Shared Bonus Pool awards shall be paid in each year shall be the same triggers applied to management personnel.
5. Payouts will be made in a range from zero to Threshold, Target, and Maximum levels, depending on triggers and achievement of goals.
6. The Company shall make its best efforts to distribute the awards as soon as practicable following the end of the calendar year, but no later than May 30th. An employee must be employed with the Company at the time of distribution of awards to be eligible to receive an award. An employee whose status as an active employee is changed during the plan year because of retirement, or death will be given a partial award when awards are distributed based on the employee's cumulative annual base pay.
7. Shared Bonus Pool awards will be based on a percentage of an employee's cumulative annual base pay.
8. The percentages to be used at Threshold, Target, and Maximum levels are as follows:

% OF BASE WAGES

Threshold
1.0%

Target
5.0%

Maximum
7.5%

Notice of Annual Meeting of Common Shareholders to be Held on June 4, 2020 and Management Information Circular

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The Long-Term Incentive Plan ("LTIP")

The LTIP element of compensation for the NEOs consists of participation in the Stock Option Plan and in the Share Unit Plan as described below. The LTIP is intended to induce and reward behavior that creates long-term value for Shareholders by aligning the interests of executives with long-term Shareholder interests. To achieve this, the future value of the LTIP awards to executives is tied to the value of the Common Shares. The realization of such value depends on the achievement of performance-vesting criteria and share price growth, making the LTIP portion of executive compensation truly "at risk" and linked to performance intended to also benefit Shareholders.

In 2019, the target long-term compensatory value for each of the NEOs was awarded 25% as Option grants and 75% as PSU grants. RSUs, which can also be issued under the Share Unit Plan, are time-vesting as opposed to performance-vesting. RSUs are not utilized for LTIP annual grants which form part of the annual compensation for NEOs. RSUs are utilized and issued under the Corporation's Bonus Deferral Program (see discussion under the heading "*Bonus Deferral Program*" on page 68), are utilized for periodic grants as retention instruments (such grants were made in 2019 in support of the leadership succession planning announced in February 2020) and are utilized for one-time make-whole awards when required in connection with the hiring of senior management roles.

The number of Options and PSUs granted to the NEOs is determined by the HRCC based on annually established target compensation. Option and PSU grants are based on the level of responsibility within the Corporation; generally, the level of grant increases with the level of responsibility. Previous grants of Option-based awards are not taken into account when considering new grants, as grants are made annually, based on target pay-at-risk.

The Options and PSUs/RSUs increase or decrease in value in proportion to the increase or decrease in the market price of the Common Shares over the term of a particular grant.

The fair value of Option grants is based on the greater of: (i) the value determined by using the Black-Scholes valuation methodology as it is an appropriate and commonly used methodology to value Options; and (ii) a value equal to 10% of the price of Common Shares on the TSX at the date of grant. For the Options granted in 2019, the Black-Scholes value was determined to be equal to 5.1% of the share price of \$14.93 as of March 19, 2019. As the Black-Scholes Value was less than 10% of the price of the Common Shares on the TSX at the time of grant, the fair value of the 2019 option grants was determined to be \$1.50 per option, being 10% of the closing price of the Common Shares at the time of grant. The Black-Scholes value ratio was determined using the following assumptions:

Date	Term ¹	Volatility ²	Dividend Yield	Risk-Free Rate ³
March 19, 2019	5.5 years	14.3%	5.0%	1.6%

1. The safe harbour term used is equal to $((\text{time to expiry} + 3) / 2)$. Option term is eight (8) years.

2. The volatility of the share price is based on the average daily volatility over the last 750 trading days (three (3) years).

3. The risk-free rate is equal to the yield of a Government of Canada bond with same term as the expected life of the Option.

THE STATE OF NEW HAMPSHIRE BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Liberty Utilities (Granite State Electric) Corp.
d/b/a Liberty Utilities

Distribution Service Rate Case

Docket No. DE 19-064

Technical Statement of Philip E. Greene and David B. Simek

November 22, 2019

A. Purpose of Technical Statement

On April 30, 2019, Liberty Utilities (Granite State Electric) Corp. (“Liberty” or “the Company”) filed testimony and schedules requesting changes to the Company’s permanent rates. As stated in the testimony of Philip E. Greene and David B. Simek, the Company planned to update its revenue requirement schedules at the end of the discovery period to reflect any new or updated information that becomes available, and to include any changes that are identified during the discovery process. As a result of the discovery process and the ongoing PUC Staff audit, changes or modifications were identified that require revision to the Greene/Simek Direct Testimony and to Attachment PEG/DBS-1 (Revenue Requirement Schedules). This technical statement addresses those revisions and provides an updated version of Attachment PEG/DBS-1. The revised schedules are identified with “(CU)” in the schedule reference.

B. Impact of the Changes

The net impact of all of the changes is an annual increase of \$990,390 to the proposed change in permanent rates (from the \$5,683,102 annual increase proposed in the April 30, 2019, filing to a \$6,673,493 annual increase proposed here).

C. Description of Revisions to Attachment PEG/DBS-1

The changes to Attachment PEG/DBS-1 are listed on Attachment PEG/DBS-1 Summary (CU). This schedule shows the source of the change, the schedule on which the change is reflected, a brief description of the change, the amount of the adjustment with separate columns for amounts affecting (i) revenue and expenses and (ii) rate base, and the resulting change in the revenue requirement. A detailed description of each change is provided below:

error, and that the correct total adjustment for revenue normalization is (\$618,740).

Schedule RR 3-14 (CU), line 4, shows the correct adjustment amount.

The change increased the revenue requirement by \$16,283.

5. Update to Payroll Tax Adjustment

This item is discussed in the response to Staff 3-20.

Schedule RR-3-02 calculates a pro forma adjustment for payroll tax based on the pro forma adjustment in Schedule RR 3-01. Data Request Staff-3-20 discusses a disconnection between the method of calculation in Schedule RR-3-02 and resulting calculated rate of 10.5%, and the combined actual payroll tax rate of 8.91% that would be assessed to the company related to payroll. In addressing this data request the Company discovered that its calculation in Schedule RR-3-02 only considered the O&M portion of payroll costs, and inadvertently excluded payroll attributable to capital additions. Revision of this pro forma calculation in Schedule RR-3-02 (CU) includes all payroll, resulting in a calculated combined payroll tax rate of 6.78%. The Company's response to Staff 3-20 notes the reasonableness of the calculated 6.78% due to wage limits on Social Security, Federal, and State Unemployment tax.

Schedule RR 3-02 (CU) includes the following adjustments:

- Line 2 has been updated to reflect the total payroll, attributable to both O&M and capital;
- Line 4 reflects the new calculated rate of 6.78%;
- Line 11 reflects the updated calculation of total pro forma payroll tax of \$576,186 (a reduction of \$312,973 compared to the original filing Attachment RR-3-02); and
- Line 13 reflects an updated known and measurable adjustment of (\$164,334) which is a decrease of \$312,973 from the original revenue requirement filing calculated payroll tax pro forma adjustment.

The change decreased the revenue requirement by \$314,592.

6. Update to Pension and OPEB Cost Forecast

This item is discussed in the response to OCA TS 1-9.

This item is based on indication in the original revenue requirement filing that the Company would update certain salary related benefits once forecasted data became available from the Actuary.

Subsequent to the original filing in this proceeding, the Company received updated actuarial reports reflecting an updated forecast of pension related benefit costs. The updated actuarial reports reflect a forecasted increase in

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 2

Date Request Received: 10/27/20
Request No. Staff 2-46

Date of Response: 11/10/20
Respondent: David Simek
Kenneth Sosnick

REQUEST:

D&O: Does the Company carry Directors & Officers' Liability Insurance? If so, what is the amount included with in the request for recovery as an operating Expense? How much has been capitalized? Provide a summary of who and what activities are covered under the policy.

RESPONSE:

Yes, the Company carries Directors & Officers liability insurance. Please see the table below for the breakdown between the expensed amounts and capitalized amounts.

	2017	2018	2019	2020 YTD September
D&O Expense	27,259.92	24,372.77	28,553.06	24,260.65
D&O Capitalized	7,246.31	15,290.00	13,486.19	11,458.80
Total D&O	34,506.23	39,662.77	42,039.25	35,719.44

Summary of who is covered: Directors and Officers and all persons who were, now are, or shall be Directors or Officers of the company and of any Subsidiary, and all persons serving in a functionally equivalent role for the Parent Company or Subsidiary operating or incorporated outside of Canada are covered under this policy.

For activities covered, please refer to the policy document, Attachment Staff 2-46.

DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY

THIS IS A "CLAIMS-FIRST-MADE" INSURANCE POLICY, THAT MAY BE DIFFERENT FROM OTHER
POLICIES INCLUDING OTHER CLAIMS-MADE POLICIES. PLEASE READ IT CAREFULLY.

*Words and phrases which appear in all capital letters have the special meanings set forth in
Section VI. Definitions*



DECLARATIONS

POLICY NO. DP5758001P
DECLARATIONS NO. 1

- Item 1:** INSURED ORGANIZATION:
Algonquin Power & Utilities Corp.
354 Davis Rd
Oakville, ON L6J 2X1
Canada
- Item 2:** POLICY PERIOD: From: June 1, 2018 To: April 1, 2019
(12:01 A.M. Local Time at the address in Item 1.)
- Item 3:** Prior or Pending Litigation Date: December 28, 2006
- Item 4:** Rated Premium: \$183,260
Policy Premium: \$183,260
- Item 5:** Limits of Liability:
- A. \$20,000,000 Aggregate Limit of Liability for the POLICY PERIOD and DISCOVERY PERIOD, if purchased
 - B. \$1,000,000 For all INVESTIGATIVE EXPENSE for the POLICY PERIOD and DISCOVERY PERIOD, if purchased
- Item 6:** RETENTION:
- A. Insuring Agreement I.(A). \$0
 - B. Insuring Agreement I.(B). or I.(C). \$250,000 each CLAIM



DECLARATIONS

continued

POLICY NO. DP5758001P
DECLARATIONS NO. 1

Item 7: DISCOVERY PERIOD:

Premium: 100% of the annualized Rated Premium

Duration: commencing on the effective date of cancellation or non-renewal and ending 12 months after such date

Item 8: Any notice to be provided or any payment to be made hereunder to the INSURED ORGANIZATION shall be made to:

ENTITY Algonquin Power & Utilities Corp.
NAME Ms. Marianna Michael
TITLE Director, Insurance
ADDRESS 354 Davis Rd
Oakville ON L6J 2X1
Canada

Item 9: Any notice to be provided or any payment to be made hereunder to the INSURER shall be made to:

NAME AEGIS Insurance Services, Inc.
ADDRESS 1 Meadowlands Plaza
East Rutherford, NJ 07073
CLAIMS Submit a claim through My AEGIS at www.aegislink.com

ENDORSEMENTS ATTACHED AT POLICY ISSUANCE: 1-37

Countersigned at **East Rutherford, New Jersey**

On July 5, 2018

AEGIS Insurance Services, Inc.

By 
Authorized Representative



POLICY OF DIRECTORS AND OFFICERS LIABILITY INSURANCE EFFECTED WITH ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED HAMILTON, BERMUDA

THIS IS A "CLAIMS-FIRST-MADE" INSURANCE POLICY THAT MAY BE DIFFERENT FROM OTHER
POLICIES INCLUDING OTHER CLAIMS-MADE POLICIES. PLEASE READ IT CAREFULLY.

*Words and phrases that appear in all capital letters have the special meanings set forth in
Section VI. Definitions*

In consideration of the payment of premium, and in reliance upon all statements made and information
furnished to the INSURER in the APPLICATION, which is hereby made a part hereof, and subject to the
Declarations and all the terms hereinafter provided, the INSURER agrees as follows:

I. INSURING AGREEMENT

- (A) The INSURER shall pay on behalf of the DIRECTORS and OFFICERS all ULTIMATE NET LOSS for
which the INSURED ORGANIZATION has not provided indemnification and which arises from a
CLAIM first made against the DIRECTORS or OFFICERS during the POLICY PERIOD or during the
DISCOVERY PERIOD, if purchased, for a WRONGFUL ACT which takes place before or during the
POLICY PERIOD and is actually or allegedly caused, committed or attempted by the DIRECTORS or
OFFICERS while acting in their respective capacities as DIRECTORS or OFFICERS.
- (B) The INSURER shall pay on behalf of the INSURED ORGANIZATION all ULTIMATE NET LOSS for
which the INSURED ORGANIZATION has, to the extent required or permitted by applicable law,
granted indemnification to the DIRECTORS and OFFICERS and which arises from a CLAIM first made
against the DIRECTORS or OFFICERS during the POLICY PERIOD or during the DISCOVERY
PERIOD, if purchased, for a WRONGFUL ACT which takes place before or during the POLICY
PERIOD and is actually or allegedly caused, committed or attempted by such DIRECTORS or
OFFICERS while acting in their respective capacities as DIRECTORS or OFFICERS.
- (C) The INSURER shall pay on behalf of the INSURED ORGANIZATION all ULTIMATE NET LOSS which
arises from a SECURITIES CLAIM first made against the INSURED ORGANIZATION during the
POLICY PERIOD or during the DISCOVERY PERIOD, if purchased, for a WRONGFUL ACT which
takes place before or during the POLICY PERIOD.

II. DERIVATIVE INVESTIGATION COST COVERAGE

The INSURER shall pay all INVESTIGATIVE EXPENSE incurred by an independent committee of the
board of directors or equivalent governing body of the INSURED ORGANIZATION in response to a
SHAREHOLDER DERIVATIVE DEMAND, provided the SHAREHOLDER DERIVATIVE DEMAND is first
made during the POLICY PERIOD or the DISCOVERY PERIOD, if purchased, and the alleged
WRONGFUL ACT giving rise to the SHAREHOLDER DERIVATIVE DEMAND takes place before or during
the POLICY PERIOD.

III. LIMITS OF LIABILITY

- (A) The INSURER'S maximum liability under this POLICY for all ULTIMATE NET LOSS and
INVESTIGATIVE EXPENSE, combined, shall be the aggregate Limit of Liability set forth in Item 5A of
the Declarations. The aggregate Limit of Liability applies to all CLAIMS first made during the POLICY
PERIOD and the DISCOVERY PERIOD, if purchased.
- (B) The INSURER'S maximum liability under this POLICY for all INVESTIGATIVE EXPENSE shall not
exceed the amount set forth in Item 5B of the Declarations. Any amount paid by the INSURER for
INVESTIGATIVE EXPENSE shall be part of and not in addition to the aggregate Limit of Liability
stated in Item 5A of the Declarations.



- (C) The aggregate Limits of Liability stated in Items 5A and 5B of the Declarations shall apply only once regardless of the number of CLAIMS or WRONGFUL ACTS.
- (D) The inclusion herein of more than one DIRECTOR or OFFICER, or the application of more than one Insuring Agreement or Coverage Extension, shall not operate to increase the INSURER'S aggregate Limits of Liability as stated in Items 5A and 5B of the Declarations.
- (E) If any WRONGFUL ACT by a DIRECTOR or OFFICER while serving an OUTSIDE ORGANIZATION results in a payment of ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE under this POLICY and a payment of loss under any other directors or officers or general partner liability insurance policy issued by the INSURER, then the maximum amount that the INSURER shall pay under this POLICY and all such other policies, combined, for the WRONGFUL ACT and all related actual or alleged breaches, neglect, errors and omissions shall be \$35,000,000. The maximum amount that the INSURER shall pay under this POLICY shall be the amount of such ULTIMATE NET LOSS that is proportionate to the aggregate Limit of Liability stated in Item 5A of the Declarations of this POLICY in relation to the total limits of liability stated under this POLICY and such other policies, combined. This paragraph creates a sublimit which further limits and does not increase the INSURER'S maximum liability under this POLICY or such other policies.

IV. RETENTION

- (A) The INSURER shall be liable to the INSURED ORGANIZATION under this POLICY only for the amount of ULTIMATE NET LOSS which is in excess of the RETENTION set forth in Item 6B of the Declarations.
- (B) The INSURED ORGANIZATION agrees to indemnify and advance on behalf of the DIRECTORS and OFFICERS all ULTIMATE NET LOSS otherwise covered under this POLICY to the fullest extent required or permitted by applicable law. If an INSURED ORGANIZATION fails or refuses within sixty (60) days after a DIRECTOR'S or OFFICER'S request to indemnify or advance ULTIMATE NET LOSS or if an INSURED ORGANIZATION is financially unable to indemnify or advance ULTIMATE NET LOSS, then the INSURER will be liable to the DIRECTORS and OFFICERS under this POLICY only for the amount of ULTIMATE NET LOSS which is in excess of the RETENTION set forth in Item 6A of the Declarations. If the INSURER pays under this POLICY any ULTIMATE NET LOSS that the INSURED ORGANIZATION is required or permitted by applicable law to advance or indemnify a DIRECTOR or OFFICER, then the INSURED ORGANIZATION shall reimburse the INSURER for such amounts up to the RETENTION set forth in Item 6B of the Declarations, and such amounts shall become immediately due and payable as a direct obligation of the INSURED ORGANIZATION to the INSURER.
- (C) No RETENTION shall apply to Section II., Derivative Investigation Cost Coverage, and the INSURER will pay such amounts from the first dollar subject to the other terms and conditions of this POLICY.
- (D) If more than one Insuring Agreement applies to any CLAIM, then the maximum RETENTION amount applicable to such CLAIM shall be the largest RETENTION applicable to such CLAIM.
- (E) Only payment of INDEMNITY or DEFENSE COSTS which, except for the amount thereof, would have been payable under this POLICY may reduce or exhaust the RETENTION.

V. PRIORITY OF PAYMENTS

If payment is due and owing under this POLICY for ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE and such ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE, together with any prior payments of ULTIMATE NET LOSS and INVESTIGATIVE EXPENSE, exceeds the applicable Limits of Liability, the INSURER shall pay such ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE, subject to the remaining applicable Limit of Liability, in the following order:

- (A) First, the INSURER shall pay such ULTIMATE NET LOSS covered by Insuring Agreement I.(A);



(B) Second, only if and to the extent the payment under V.(A) above does not exhaust the applicable Limit of Liability, the INSURER shall pay any other ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE covered by this POLICY.

If DIRECTORS or OFFICERS incur ULTIMATE NET LOSS covered under Insuring Agreement I.(A), the INSURED ORGANIZATION, including any bankruptcy trustee, debtor-in-possession or any other successor of the INSURED ORGANIZATION, shall have no interest in or claim for any payments under this POLICY until all such ULTIMATE NET LOSS is paid in full by the INSURER.

Subject to the foregoing paragraph, the INSURER shall, upon receipt of a written request from either the chairman of the board of directors or chief executive officer of the INSURED ORGANIZATION named in Item 1 of the Declarations, delay any payment of ULTIMATE NET LOSS due and owing to an INSURED ORGANIZATION under this POLICY until such time as said chairman or chief executive officer designates, provided the INSURER'S liability with respect to any such ULTIMATE NET LOSS payment shall not be increased, and shall not include any interest, on account of such delay.

VI. DEFINITIONS

As used in this POLICY, the words and phrases, either in the singular or plural, which appear in all capital letters shall have the meanings set forth below:

(A) APPLICATION means, unless stated otherwise:

- (1) the Application submitted by the INSURED ORGANIZATION to the INSURER for this POLICY, including any materials submitted with, attached to or incorporated by reference into such Application and any other documentation, information, warranty or representation submitted to the INSURER in connection with underwriting this POLICY; and
- (2) all publicly available documents filed by the INSURED ORGANIZATION with the Securities and Exchange Commission during the twelve (12) months preceding the inception of this POLICY.

(B) CLAIM means:

- (1) any written demand against any INSURED for monetary, non-monetary, injunctive or other relief, including a written demand that the INSURED toll or waive a statute of limitation;
- (2) a civil or arbitration proceeding against any INSURED for monetary, non-monetary, injunctive or other relief commenced by service of a complaint or similar pleading;
- (3) a criminal proceeding against any INSURED commenced by the return of an indictment, information or similar document;
- (4) a formal administrative or regulatory proceeding against any DIRECTORS or OFFICERS commenced by the filing of a notice of charges, formal investigative order or similar document;
- (5) a civil, criminal, administrative or regulatory investigation of any DIRECTORS or OFFICERS commenced by the service upon or other receipt by the DIRECTOR or OFFICER of a subpoena, target letter, Wells Notice or other written notice from an ENFORCEMENT AUTHORITY identifying by name the DIRECTOR or OFFICER as an individual against whom a civil, criminal, administrative or regulatory proceeding may be commenced;
- (6) a written request or subpoena from an ENFORCEMENT AUTHORITY or an INSURED ORGANIZATION to interview or depose a DIRECTOR or OFFICER, or for the production of documents by a DIRECTOR or OFFICER, in connection with a proceeding against or investigation of any other DIRECTOR or OFFICER or the INSURED ORGANIZATION, whether or not such request or subpoena alleges a WRONGFUL ACT; provided such request or subpoena shall constitute a CLAIM under this POLICY only if (i) it is not part of a routine or regularly scheduled audit, inspection or general oversight or compliance activity, and (ii) the



INSURED ORGANIZATION gives to the INSURER written notice thereof pursuant to Condition (E) below; or

- (7) for purposes of the coverage provided under Section II., Derivative Investigation Cost Coverage, a SHAREHOLDER DERIVATIVE DEMAND.

A NOTICE OF CIRCUMSTANCES is not a CLAIM, but a CLAIM shall be deemed to be first made at the earlier of: (a) the time at which any written demand described in (1) above is first made against the INSURED or any proceeding or investigation described in (2), (3), (4) or (5) above is commenced; (b) the time at which a SHAREHOLDER DERIVATIVE DEMAND related to the CLAIM is first made; (c) the time at which the written notice or subpoena described in (6) above is received by the DIRECTOR or OFFICER; or (d) the time at which a complete NOTICE OF CIRCUMSTANCES which describes the matters underlying the CLAIM has been given to the INSURER. The INSURER shall not be liable under this POLICY for any amount incurred in the defense, investigation or settlement of any potential CLAIM described in a NOTICE OF CIRCUMSTANCES prior to the date the CLAIM is actually made against INSUREDS. Except as provided in Section II., Derivative Investigation Cost Coverage, this POLICY does not cover any amount incurred by the INSUREDS in connection with any proceeding or investigation that is not then a CLAIM against the INSUREDS, even if such amount also benefits the defense of a covered CLAIM or if such proceeding or investigation subsequently gives rise to a covered CLAIM.

Multiple CLAIMS arising out of a single WRONGFUL ACT shall be deemed to be a single CLAIM, even if made against different INSUREDS, and shall be deemed to have been first made on the date the first of such multiple CLAIMS is first made against any of the INSUREDS, whether such date is before, during or after the POLICY PERIOD or the DISCOVERY PERIOD.

- (C) DEFENSE COSTS means all reasonable and necessary fees and expenses incurred by or on behalf of the INSUREDS in the investigation, negotiation, settlement and defense of any CLAIM, including such fees and expenses and the premium or origination fee for a loan or bond incurred by DIRECTORS and OFFICERS in connection with the actual or alleged obligation by the DIRECTOR or OFFICER to repay or forfeit amounts pursuant to Section 304(a) of the Sarbanes-Oxley Act of 2002, Section 954 of the Wall Street Reform and Consumer Protection Act of 2010, or any similar law, rule or regulation. DEFENSE COSTS do not include (i) INVESTIGATIVE EXPENSE resulting from a SHAREHOLDER DERIVATIVE DEMAND, or (ii) salaries, wages, benefits and overhead expenses of the DIRECTORS, OFFICERS or employees of the INSURED ORGANIZATION.

- (D) DIRECTOR and OFFICER means:

- (1) any natural person who was, is now, or shall be a director, officer or trustee of the INSURED ORGANIZATION;
- (2) any employee of the INSURED ORGANIZATION while acting in the capacity of a director, officer or trustee of the INSURED ORGANIZATION with the express prior authorization of a director, officer or trustee of the INSURED ORGANIZATION;
- (3) any natural person who was, is now, or shall be a manager, managing member, member of the board of managers or equivalent executive of an INSURED ORGANIZATION that is a limited liability company;
- (4) any employee of the INSURED ORGANIZATION while serving as the general counsel or risk manager of, or in a functionally equivalent position with, the INSURED ORGANIZATION;
- (5) any natural person who was, is now, or shall be a general partner of an INSURED ORGANIZATION that is a limited partnership;
- (6) any natural person not described in paragraphs (1), (2), (3), (4) or (5) above who was, is now, or shall be an employee of the INSURED ORGANIZATION, but solely with respect to a SECURITIES CLAIM;



- (7) any director, officer, trustee or employee of the INSURED ORGANIZATION who is serving or has served at the specific request of the INSURED ORGANIZATION as a director, officer, trustee or in an equivalent position of any OUTSIDE ORGANIZATION;
- (8) the estates, heirs, legal representatives or assigns of any person identified in paragraphs (1), (2), (3), (4), (5), (6) or (7) above in the event of such person's death, incompetency, insolvency or bankruptcy, but only with respect to such person's WRONGFUL ACTS that occurred when such person was a DIRECTOR or OFFICER pursuant to paragraphs (1), (2), (3), (4), (5), (6) or (7), above;
- (9) the lawful spouse or domestic partner of any DIRECTOR or OFFICER described in paragraphs (1), (2), (3), (4), (5), (6) or (7) above, but only if and to the extent the CLAIM is against both such DIRECTOR or OFFICER and the spouse or domestic partner and if the CLAIM against the lawful spouse or domestic partner is solely by reason of (a) such spousal or domestic partner status, or (b) such spouse's or domestic partner's ownership interest in property or assets which are sought as recovery for WRONGFUL ACTS of such DIRECTOR or OFFICER; or
- (10) any employee of the INSURED ORGANIZATION who was, is now, or shall be serving at the specific written request of the INSURED ORGANIZATION in the position of a "designated representative," "alternate designated representative," "authorized account representative," "certifying official" or "responsible officer" of the INSURED ORGANIZATION as defined by and pursuant to the requirements of Titles I, II, IV and V of the Clean Air Act (42 U.S.C. Sections 7401-7431, 7521-7554, 7651-7651o, 7661-7661f) or the regulations promulgated thereunder, as amended from time to time, or in a comparable provision under any state law that is substantially the same as such federal law, with respect to WRONGFUL ACTS committed while such employee is acting in such capacity. This subsection 10 includes such employee as a DIRECTOR or OFFICER but does not otherwise expand the scope of coverage provided by this POLICY.

In no event, however, shall the estates, heirs, legal representatives, assigns, spouse or domestic partner identified in paragraphs (8) or (9) above be deemed to be a DIRECTOR or OFFICER in respect of a breach of duty, neglect, error, misstatement, misleading statement or omission actually or allegedly caused, committed or attempted by such estates, heirs, legal representatives, assigns, spouse or domestic partner.

DIRECTOR and OFFICER shall be deemed to include a natural person serving in a position with a non-U.S. entity that is functionally the equivalent, with substantially similar duties, of the director, officer or trustee position of the INSURED ORGANIZATION.

- (E) DISCOVERY PERIOD means the period of time specified in Item 7 of the Declarations, if purchased as provided in Condition (L).
- (F) ENFORCEMENT AUTHORITY means any federal, state, local or foreign law enforcement or governmental authority (including the U.S. Department of Justice, the U.S. Securities and Exchange Commission and any federal or state attorney general) or the enforcement unit of any securities exchange or similar self-regulatory body.
- (G) FINANCIAL IMPAIRMENT means that an entity is subject to (i) a Federal bankruptcy proceeding, (ii) any comparable proceeding for the reorganization, rehabilitation, liquidation or conservatorship of the subject entity, (iii) any other proceeding for the protection of creditors or relief of debtors generally, or (iv) a court order or statutory provision that stays, freezes or enjoins the disposition or impairment of all assets of the entity.
- (H) FOR-PROFIT OUTSIDE ORGANIZATION means any organization or JOINT VENTURE other than the INSURED ORGANIZATION or a NOT-FOR-PROFIT OUTSIDE ORGANIZATION if:



- (1) the operations of such organization or JOINT VENTURE are related to, arise from or are associated with the production, transmission, delivery or furnishing of electricity, gas, water or sewer service to the public or the conveyance of telephone messages for the public and the total assets of such organization or JOINT VENTURE are not greater than 15% of the total consolidated assets of the INSURED ORGANIZATION first named in Item 1 of the Declarations as reported in such INSURED ORGANIZATION'S then most recent audited consolidated financial statement; or
 - (2) such organization or JOINT VENTURE and the DIRECTORS or OFFICERS serving in such organization or JOINT VENTURE are listed in a schedule of FOR-PROFIT OUTSIDE ORGANIZATIONS attached to this POLICY or to a prior Directors and Officers Liability Policy issued by the INSURER to the INSURED ORGANIZATION.
- (I) INDEMNITY means all sums which the INSURED shall become legally obligated to pay as damages (including pre- and post-judgment interest), whether by adjudication, settlement or compromise, after making proper deductions for all recoveries, salvages and other valid and collectible insurance. Where permitted by law, INDEMNITY shall include exemplary, punitive and multiple damages awarded against the INSURED. For purposes of the foregoing sentence, the law that shall apply shall be the law of the jurisdiction that is most favorable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the involved DIRECTORS or OFFICERS, the INSURED ORGANIZATION, or the CLAIM giving rise to such damages. INDEMNITY shall not include:
- (1) fines or penalties, other than civil penalties assessed pursuant to Section 2(g)(2)(B) of the Foreign Corrupt Practices Act of 1977, 15 U.S.C. § 78dd-2(g)(2)(B);
 - (2) taxes, other than (i) taxes imposed upon an INSURED ORGANIZATION for which the DIRECTORS and OFFICERS are legally liable solely by reason of the INSURED ORGANIZATION'S insolvency, or (ii) taxes imposed upon a DIRECTOR or OFFICER solely by reason of the INSURER'S payment of ULTIMATE NET LOSS incurred by such DIRECTOR or OFFICER;
 - (3) any amount that represents or is substantially equivalent to an increase in the consideration paid or proposed to be paid by an INSURED ORGANIZATION in connection with its purchase of any securities or assets;
 - (4) any amount that represents disgorgement or restitution;
 - (5) any other amount that represents the repayment or forfeiture of compensation pursuant to Section 304(a) of the Sarbanes-Oxley Act of 2002, Section 954 of the Wall Street Reform and Consumer Protection Act of 2010 or any similar law, rule or regulation; or
 - (6) any amount that is uninsurable under applicable law;
- provided the INSURER shall not assert that any ULTIMATE NET LOSS is disgorgement, restitution or uninsurable due to any actual or alleged violation of Section 11, 12 or 15 of the Securities Act of 1933, as amended.
- (J) INSURED ORGANIZATION means, subject to Condition (C), hereof: (a) the organization(s) named in Item 1 of the Declarations and any SUBSIDIARIES of such organization(s), and (b) any trustee or debtor-in-possession in a bankruptcy proceeding in which the debtor is an organization(s) named in Item 1 of the Declarations or any SUBSIDIARIES of such organization(s).
- (K) INSURED means the DIRECTORS and OFFICERS and, solely with respect to Insuring Agreements I.(B) and I.(C) and Section II., Derivative Investigation Cost Coverage, the INSURED ORGANIZATION.
- (L) INSURER means Associated Electric & Gas Insurance Services Limited, Hamilton, Bermuda, a non-assessable mutual insurance company.



- (M) INVESTIGATIVE EXPENSE means the reasonable and necessary fees and expenses (except all salaries, wages, benefit and overhead expenses of the DIRECTORS, OFFICERS, employees or the INSURED ORGANIZATION) incurred in connection with the investigation and evaluation of an actual or alleged WRONGFUL ACT by a DIRECTOR or OFFICER related to a SHAREHOLDER DERIVATIVE DEMAND.
- (N) JOINT VENTURE means any joint venture, co-venture, joint lease, joint operating agreement or limited partnership (other than a limited liability partnership).
- (O) NOT-FOR-PROFIT OUTSIDE ORGANIZATION means any not-for-profit organization that is exempt from Federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986 (as amended), any civic league or social welfare organization that is exempt pursuant to Section 501(c)(4), any business league or chambers of commerce that is exempt pursuant to Section 501(c)(6) or any political action committee that is exempt pursuant to Section 527, but does not include any Independent System Operator (ISO) or Regional Transmission Operator (RTO).
- (P) NOTICE OF CIRCUMSTANCES means written notice by a DIRECTOR, OFFICER or the INSURED ORGANIZATION to the INSURER of any facts or circumstances involving an identified WRONGFUL ACT actually or allegedly caused, committed or attempted before or during the POLICY PERIOD by an INSURED, which facts or circumstances appear likely to give rise to a CLAIM, provided such notice includes full particulars regarding the actual or alleged WRONGFUL ACT, the nature of any alleged or potential injury, the names of potential claimants and the manner in which the DIRECTOR, OFFICER or the INSURED ORGANIZATION first became aware of such facts or circumstances.
- (Q) OUTSIDE ORGANIZATION means any NOT-FOR-PROFIT OUTSIDE ORGANIZATION or any FOR-PROFIT OUTSIDE ORGANIZATION.
- (R) POLICY means this insurance policy, including the APPLICATION, the Declarations and any endorsements issued by the INSURER to the organization first named in Item 1 of the Declarations for the POLICY PERIOD.
- (S) POLICY PERIOD means the period of time stated in Item 2 of the Declarations. If the POLICY is cancelled prior to the expiration date of such period, the POLICY PERIOD shall end as of the effective date of cancellation.
- (T) RETENTION means the respective amounts stated in Item 6 of the Declarations.
- (U) SECURITIES CLAIM shall mean any CLAIM which alleges a violation of any law, regulation or rule regulating securities, whether statutory or common law, and which in whole or in part is:
- (1) brought by any person or entity arising out of, based upon or attributable to the purchase or sale of, or offer or solicitation of an offer to purchase or sell, whether actual or alleged, any securities of the INSURED ORGANIZATION; or
 - (2) brought by a securities holder of the INSURED ORGANIZATION with respect to such securities holder's interest in the securities of the INSURED ORGANIZATION.
- SECURITIES CLAIM shall include any criminal proceeding or any administrative or regulatory proceeding against the INSURED ORGANIZATION, but only if and only during the time that such proceeding is also commenced and continuously maintained against a DIRECTOR or OFFICER.
- SECURITIES CLAIM for purposes of Insuring Agreement I.(C) shall not include any employment or compensation related CLAIM brought by a DIRECTOR or OFFICER or other employee of the INSURED ORGANIZATION.
- (V) SHAREHOLDER DERIVATIVE DEMAND means a written demand by a securities holder of the INSURED ORGANIZATION upon the board of directors, or an equivalent governing body, of such



INSURED ORGANIZATION to bring a civil proceeding on behalf of an INSURED ORGANIZATION in a court of law against a DIRECTOR or OFFICER for a WRONGFUL ACT.

- (W) SUBSIDIARY means any entity or JOINT VENTURE if the INSURED ORGANIZATION, directly or through one or more other SUBSIDIARIES has the right, pursuant to ownership of securities or financial interests or a written contract, by-laws, charter, operating agreement, joint venture or partnership agreement or similar document, to elect or appoint a majority of the directors or functionally equivalent or comparable executives of such entity or JOINT VENTURE.
- (X) ULTIMATE NET LOSS means the total INDEMNITY and DEFENSE COSTS with respect to each CLAIM to which this POLICY applies. ULTIMATE NET LOSS does not include any amount allocated, pursuant to Condition (T), to claims against persons or entities not covered hereunder or to non-covered matters.
- (Y) WRONGFUL ACT means any actual or alleged breach of duty, neglect, error, misstatement, misleading statement or omission actually or allegedly caused, committed or attempted by:
- (1) any DIRECTOR or OFFICER while acting individually or collectively in their capacity as such, or, with respect to any DIRECTORS or OFFICERS of an INSURED ORGANIZATION that is not a partnership, any other matter claimed against them solely by reason of their being DIRECTORS or OFFICERS; or
 - (2) solely with respect to Insuring Agreement I.(C), an INSURED ORGANIZATION.

All breaches of duty, neglect, errors, misstatements, misleading statements or omissions actually or allegedly caused, committed or attempted by or claimed against one or more of the INSURED having as a common nexus any single or series of related facts, circumstances, situations, events, transactions or causes shall be deemed to be a single WRONGFUL ACT.

VII. EXCLUSIONS

The INSURER shall not be liable to make any payment for ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE arising from any CLAIM made against any INSURED:

- (A) where, at inception of the Policy Period for the first Directors and Officers Liability Insurance Policy issued by the INSURER to the INSURED ORGANIZATION (or any predecessor organization) and continuously renewed thereafter, such INSURED had knowledge of a fact or circumstance which was likely to give rise to such CLAIM and such fact or circumstance was not disclosed in the Application for such Policy or in the process of applying for such Policy; provided this exclusion shall not apply to any DIRECTOR or OFFICER who did not have such knowledge.
- (B) based upon, arising out of or attributable to such INSURED:
- (1) having gained in fact any personal profit, advantage or remuneration to which such INSURED was not legally entitled; or
 - (2) having committed in fact a deliberately fraudulent, dishonest, criminal or malicious act or omission or any knowing and intentional violation of any law, statute or regulation;
- if established by a final, non-appealable adjudication in the underlying proceeding.
- (C) for bodily injury, mental anguish, mental illness, emotional upset, sickness or disease sustained by any person, for death of any person or for physical injury to or destruction of tangible property or the loss of use thereof.
- (D) for any injury arising out of:
- (1) false arrest, wrongful detention or wrongful imprisonment or malicious prosecution;



- (2) wrongful entry, wrongful eviction or other invasion of the right of private occupancy;
- (3) any employment-related WRONGFUL ACT including but not limited to the actual or constructive termination of employment, demotion, failure to employ or promote, deprivation of a career opportunity, or employment discipline or evaluation in a manner which violates the laws or regulations of any jurisdiction, or which breaches any implied contract to continue employment; provided this exclusion (D)(3) shall not apply to any SECURITIES CLAIM arising out of such events;
- (4) discrimination or sexual harassment;
- (5) a publication or utterance:
 - (a) of libelous, slanderous or other defamatory or disparaging material; or
 - (b) in violation of an individual's right of privacy; or
- (6) piracy, plagiarism, idea misappropriation under implied contract, or infringement of copyright, title or slogan, registered trade mark, service mark or trade name.
- (E) for violation(s) of any responsibility, obligation or duty imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 or amendments thereto or by similar common or statutory law of the United States of America or any state or other jurisdiction.
- (F) based upon, arising out of or attributable to the rendering of advice with respect to the interpreting of, or the handling of records in connection with the enrollment, termination or cancellation of employees under the INSURED ORGANIZATION'S group life insurance, group accident or health insurance, pension plans, employee stock subscription plans, workers' compensation, unemployment insurance, social security, disability benefits and any other employee benefit programs.
- (G) based upon, arising out of or attributable to any circumstance, written notice of which was given prior to the inception of this POLICY under any Directors and Officers Liability Insurance Policy (whether issued by the INSURER or any other carrier) or any DISCOVERY PERIOD thereof; provided the insurer of such other policy does not reject such notice as invalid.
- (H) based upon, arising out of or attributable to (1) any written demand, suit or other formal proceeding pending against, or any order, decree or judgment entered for or against, any INSURED in its capacity as such on or prior to the Prior or Pending Litigation Date specified in Item 3 of the Declarations, or (2) the same or essentially the same facts or circumstances underlying or alleged in such written demand, suit or other proceeding, order, decree or judgement.
- (I) for any WRONGFUL ACT by any SUBSIDIARY or its DIRECTORS or OFFICERS that took place prior to the date on which the entity became a SUBSIDIARY.
- (J) brought by or on behalf of the INSURED ORGANIZATION, unless such CLAIM is:
 - (1) brought derivatively by a security holder of the INSURED ORGANIZATION who, while such CLAIM is made and maintained, is acting independently of, and without the active and voluntary solicitation, assistance, participation or intervention of any DIRECTOR or OFFICER; provided that conduct by a DIRECTOR or OFFICER that is protected pursuant to Section 806 of the Sarbanes-Oxley Act of 2002, Section 922 of the Wall Street Reform and Consumer Protection Act of 2010 or any similar whistleblower law, statute, rule or regulation shall not constitute solicitation, assistance, participation or intervention by such DIRECTOR or OFFICER for purposes of this paragraph (1);
 - (2) brought and maintained solely and entirely in a jurisdiction other than the United States of America, its territories and possessions, and subject to the substantive and procedural laws of such foreign jurisdiction; or



- (3) brought and maintained by or on behalf of a bankruptcy or insolvency trustee, receiver, liquidator, conservator, examiner or creditors' committee of an INSURED ORGANIZATION or any assignee of such trustee, receiver, liquidator, conservator, examiner or creditors' committee; provided this exception (3) does not apply to CLAIMS brought or maintained by or on behalf of a debtor-in-possession;

provided this Exclusion (J) shall not apply to DEFENSE COSTS otherwise covered under Insuring Agreement I.(A).

- (K) with respect to any CLAIM in connection with a DIRECTOR'S or OFFICER'S service for an OUTSIDE ORGANIZATION, bought or maintained by or on behalf of such OUTSIDE ORGANIZATION, unless such CLAIM is:

- (1) a derivative action brought or maintained on behalf of the OUTSIDE ORGANIZATION by one or more persons who are not directors, officers or trustees of such OUTSIDE ORGANIZATION and who bring and maintain the CLAIM totally independently of and without the solicitation, direction, assistance, participation or intervention of the OUTSIDE ORGANIZATION or any director, officer or trustee thereof; provided, however, that conduct by a director, officer or trustee of the OUTSIDE ORGANIZATION that is protected pursuant to Section 806 of the Sarbanes-Oxley Act of 2002, Section 922 of the Wall Street Reform and Consumer Protection Act of 2010 or any similar whistleblower statute, rule or regulation shall not constitute solicitation, assistance, participation or intervention by such person for purposes of this paragraph (1);

- (2) brought or maintained solely and entirely in a jurisdiction other than the United States of America, its territories and possessions, and subject to the substantive and procedural laws of such foreign jurisdiction; or

- (3) brought or maintained by or on behalf of bankruptcy or insolvency trustee, receiver, liquidator or conservator, creditors' committee or similar official or body of an OUTSIDE ORGANIZATION or any assignee of such trustee, receiver, liquidator, conservator, creditors' committee, official or body; provided this exception (3) does not apply to CLAIMS brought or maintained by or on behalf of a debtor-in-possession.

- (L) based upon, arising out of or attributable to such DIRECTOR'S or OFFICER'S activities as a director, officer or trustee of any entity other than:

- (1) the INSURED ORGANIZATION; or

- (2) any OUTSIDE ORGANIZATION, as provided in Definition (D)(7).

VIII. REPRESENTATIONS

- (A) In issuing this POLICY, the INSURER has relied upon the statements, representations and information in the APPLICATION. Each INSURED acknowledges and agrees that the statements, representations and information in the APPLICATION (1) are true and accurate to the best of such INSURED'S knowledge and belief, and (2) are material to the INSURER'S acceptance of the risk to which this POLICY applies.

- (B) The APPLICATION shall be construed as a separate APPLICATION for coverage by each DIRECTOR and OFFICER and the INSURED ORGANIZATION. With respect to the statements, representations and information in such APPLICATION, no knowledge possessed by any one DIRECTOR or OFFICER or the INSURED ORGANIZATION shall be imputed to any other DIRECTOR or OFFICER for the purpose of determining coverage for such other DIRECTOR or OFFICER under this POLICY or the validity and enforceability of this POLICY by such other DIRECTOR or OFFICER.



(C) If the APPLICATION contains a statement, representation, omission or information that is materially false or inaccurate (a "misrepresentation"), then this POLICY shall be void from the beginning as to:

- (1) any INSURED ORGANIZATION under Insuring Agreement I.(B) to the extent such INSURED ORGANIZATION indemnifies a DIRECTOR or OFFICER who knew the misrepresentation that was in the APPLICATION; and
- (2) any INSURED ORGANIZATION and its SUBSIDIARIES under Insuring Agreement I.(B) or I.(C) and Section II., Derivative Investigation Cost Coverage, if the signer of the APPLICATION knew the misrepresentation was in the APPLICATION;

whether or not the DIRECTOR or OFFICER referenced in (C)(1) above knew the APPLICATION contained such misrepresentation.

(D) Without limiting the effect of Exclusions VII.(A) and (B), the INSURER agrees it will not rescind or void coverage under Insuring Agreement I.(A) in whole or in part for any reason.

IX. CONDITIONS

(A) Advancement of DEFENSE COSTS and INVESTIGATIVE EXPENSE

Advancement by the INSURER of DEFENSE COSTS and INVESTIGATIVE EXPENSE shall be conditioned upon the DIRECTORS, OFFICERS or INSURED ORGANIZATION, as applicable, providing a satisfactory written undertaking to repay the INSURER, severally according to their respective interests, any DEFENSE COSTS or INVESTIGATIVE EXPENSE if and to the extent such DEFENSE COSTS or INVESTIGATIVE EXPENSE are finally established not to be covered by this POLICY.

(B) Severability

Except as provided in Section VIII., Representations, the acts, omissions, knowledge or warranties of a DIRECTOR or OFFICER shall not be imputed to any other DIRECTOR or OFFICER with respect to applying any Exclusion or otherwise determining coverage under this POLICY, and, with respect to SECURITIES CLAIMS against the INSURED ORGANIZATION, only acts, omissions, knowledge or warranties of the signer of the APPLICATION shall be imputed to such INSURED ORGANIZATION and its SUBSIDIARIES.

(C) Acquisition, Merger and Dissolution

- (1) If after the inception of the POLICY PERIOD the INSURED ORGANIZATION acquires or creates a new SUBSIDIARY or acquires an entity by merger or consolidation, coverage under this POLICY automatically shall apply to such entity and its INSUREDS, but only for WRONGFUL ACTS taking place after such acquisition or merger.

However, if the total of all cash, securities, assumed indebtedness and other consideration paid by the INSURED ORGANIZATION in such merger or acquisition exceeds fifteen percent (15%) of the total consolidated assets of the INSURED ORGANIZATION first named in Item 1 of the Declarations as reported in such INSURED ORGANIZATION'S then most recent audited consolidated financial statement, then coverage for such entity and its INSUREDS shall cease no later than ninety (90) days after the effective date of such merger or acquisition, unless the INSURED ORGANIZATION reports such merger or acquisition to the INSURER within such ninety (90) day period together with such information as the INSURER may require, and the INSURER agrees by endorsement to this POLICY to extend coverage to such entity and its INSUREDS. Any such coverage extension past such ninety (90) day period will become effective only upon the payment of any additional premiums and acceptance of any additional terms and conditions as may be required by the INSURER.



(2) If during the POLICY PERIOD, any of the following events occurs:

- (a) the acquisition by another entity or affiliated group of all or substantially all of the assets of the INSURED ORGANIZATION first named in Item 1 of the Declarations, or the merger or consolidation of such INSURED ORGANIZATION into or with another entity such that such INSURED ORGANIZATION is not the surviving entity; or
- (b) the acquisition by any person, entity or affiliated group of persons or entities of securities or voting rights which results in such person, entity or affiliated group having the right to elect, appoint or designate at least fifty percent (50%) of the directors, trustees or persons holding equivalent positions of the INSURED ORGANIZATION first named in Item 1 of the Declarations;

then coverage under this POLICY shall continue until termination of the POLICY PERIOD and shall not be cancelable by the INSURED ORGANIZATION or the INSURER, but this POLICY will provide coverage only with respect to WRONGFUL ACTS occurring prior to such merger, consolidation or acquisition. The INSURED ORGANIZATION shall give written notice of such merger, consolidation or acquisition to the INSURER as soon as practicable together with such information as the INSURER may require. However, coverage under this POLICY will cease as of the effective date of such event with respect to WRONGFUL ACTS occurring after such event. The appointment of any receiver, trustee, examiner, conservator, liquidator, rehabilitator or similar official to take control of, supervise, manage or liquidate the INSURED ORGANIZATION due to FINANCIAL IMPAIRMENT shall not be considered an acquisition within the meaning of this paragraph (2).

- (3) If an organization ceases to be a SUBSIDIARY, prior to or during the POLICY PERIOD, coverage with respect to such SUBSIDIARY and its INSUREDS shall continue until termination of the POLICY PERIOD, but only with respect to WRONGFUL ACTS occurring prior to the date such organization ceased to be a SUBSIDIARY.

(D) Non-Duplication of Limits

The maximum liability of the INSURER under this POLICY and the "Other Policy" (as defined below), combined, for all loss otherwise covered under this POLICY or the "Other Policy" resulting from the same or related CLAIMS, WRONGFUL ACTS, occurrences, facts, circumstances or situations shall be the largest then available limit of liability applicable to such loss under this POLICY or the "Other Policy". This Condition (D) shall not operate to increase the INSURER'S aggregate Limits of Liability as stated in Items 5A and 5B of the Declarations or as stated under the "Other Policy". This provision is intended to avoid the duplication of the INSURER'S aggregate limits of liability under this POLICY and the "Other Policy" for any related loss, and further reduces and does not increase the INSURER'S liability under this POLICY and the "Other Policy".

As used herein, "Other Policy" means any other policy or policies issued by the INSURER or any of the INSURER'S affiliates covering the INSURED ORGANIZATION or any DIRECTOR or OFFICER, provided that the "Other Policy" shall not include any such policies which are written specifically as excess of this POLICY. "Other Policy" does not include any General Partners, Fiduciary and Employee Benefits policy, Excess Liability Insurance policy, Excess Worker's Compensation Insurance policy or property insurance policies.

(E) Reporting of Claims and Shareholder Derivative Demands

As a condition precedent to any rights under this POLICY, the DIRECTORS, OFFICERS, INSURED ORGANIZATION, or the INSURED ORGANIZATION'S authorized representative shall give the INSURER written notice of any:

- (1) CLAIM; or
- (2) SHAREHOLDER DERIVATIVE DEMAND;



as soon as practicable after the General Counsel or Risk Manager of the INSURED ORGANIZATION first named in Item 1 of the Declarations first becomes aware of such CLAIM or SHAREHOLDER DERIVATIVE DEMAND. Notice of a CLAIM or SHAREHOLDER DERIVATIVE DEMAND shall include the nature of the WRONGFUL ACT, the alleged injury, the names of the claimants and the manner in which the DIRECTOR, OFFICER or INSURED ORGANIZATION first became aware of the CLAIM or SHAREHOLDER DERIVATIVE DEMAND.

The DIRECTORS, OFFICERS and the INSURED ORGANIZATION shall give the INSURER such additional information as the INSURER may reasonably require. Neither (1) the APPLICATION for this POLICY or any endorsement hereto, nor (2) any information contained in any of the foregoing shall constitute a notice of CLAIM or SHAREHOLDER DERIVATIVE DEMAND.

(F) Defense, Cooperation and Settlement

It shall be the duty of the INSUREDS and not the duty of the INSURER to investigate and defend CLAIMS made against the INSUREDS.

In the event of any CLAIM which may involve this POLICY, the INSUREDS may proceed immediately with settlement of such CLAIM where the aggregate ULTIMATE NET LOSS from such CLAIM does not exceed the applicable RETENTION. The INSURED ORGANIZATION shall notify the INSURER of any such settlement. If the aggregate ULTIMATE NET LOSS resulting from such settlement does exceed, or is expected to exceed, the RETENTION, the INSUREDS shall not cause the settlement to be made without the express prior written consent of the INSURER, provided that the INSURER'S consent shall not be unreasonably withheld.

The INSURER shall not be called upon to assume charge of the investigation, settlement or defense of any CLAIM, but the INSURER shall have the right and shall be given the opportunity to associate with the INSUREDS in the investigation, settlement, defense and control of any CLAIM that involves or may involve the INSURER. At all times, the INSUREDS and the INSURER shall cooperate in the investigation, settlement and defense of such CLAIM.

The INSUREDS shall, at all times, use diligence and prudence in the investigation, settlement and defense of CLAIMS.

(G) Appeals

In the event that the INSUREDS elect not to appeal a judgement in excess of the RETENTION, the INSURER may elect to conduct such appeal at its own cost and expense and shall be liable for any taxable court costs and interest incidental thereto, but in no event shall the total liability of the INSURER, exclusive of the cost and expense of appeal, exceed its Limit of Liability stated in Item 5A of the Declarations.

(H) Subrogation

In the event of any payment under this POLICY, the INSURER shall be subrogated to the extent of such payment to all rights of recovery therefor, including without limitation any right of recovery from the INSURED ORGANIZATION for indemnifiable ULTIMATE NET LOSS. The INSUREDS shall execute all papers required and shall do everything that may be necessary to enable the INSURER to bring suit in the name of the INSUREDS. The INSURER shall not exercise its rights of subrogation against a DIRECTOR or OFFICER under this POLICY unless Exclusion VII.(B) above applies to such DIRECTOR or OFFICER.

(I) Bankruptcy or Insolvency

The INSURER shall not be relieved of any of its obligations due to the FINANCIAL IMPAIRMENT of the INSURED ORGANIZATION.



If the INSURED ORGANIZATION shall become subject to a FINANCIAL IMPAIRMENT:

- (1) the DIRECTORS, OFFICERS and the INSURED ORGANIZATION hereby (i) waive and release any automatic stay or injunction which may apply to this POLICY or its proceeds in such proceeding, and (ii) agree not to oppose or object to any efforts by the INSURER or any DIRECTOR or OFFICER or the INSURED ORGANIZATION to obtain relief from any such stay or injunction; and
- (2) subject to all the terms of this POLICY and any applicable stay or injunction, the INSURER shall pay on behalf of the DIRECTORS and OFFICERS, under Insuring Agreement I.(A), ULTIMATE NET LOSS which would have been indemnified by the INSURED ORGANIZATION but for such FINANCIAL IMPAIRMENT. The INSURER shall be subrogated, to the extent of any payment, to the rights of the DIRECTORS and OFFICERS to receive indemnification from the INSURED ORGANIZATION for such ULTIMATE NET LOSS, but only up to the amount of the RETENTION applicable to Insuring Agreement I.(B).

(J) *Other Insurance*

This POLICY shall be in excess of and shall not contribute with any other valid and collectible insurance with any other Insurer that is available to the INSURED with respect to a CLAIM also covered by this POLICY, regardless of whether such insurance is issued before, concurrently with, or after inception of this POLICY, other than insurance that is issued specifically as insurance in excess of the insurance afforded by this POLICY. Nothing herein shall be construed to make this POLICY subject to the terms of other insurance.

The coverage provided by this POLICY for any DIRECTOR or OFFICER who serves as a director, officer or trustee of any OUTSIDE ORGANIZATION shall be specifically excess of any other indemnification and insurance available to such DIRECTOR or OFFICER from the OUTSIDE ORGANIZATION. Such coverage shall not be construed to extend to the OUTSIDE ORGANIZATION, nor to any other director, officer or trustee of the OUTSIDE ORGANIZATION.

(K) *Changes and Assignment*

The terms of this POLICY shall not be waived or changed, nor shall an assignment of interest be binding, except by an endorsement to this POLICY issued by the INSURER.

(L) *Discovery Period*

In the event of cancellation or nonrenewal of the POLICY by the INSURED ORGANIZATION first named in Item 1 of the Declarations or nonrenewal of this POLICY by the INSURER, the INSURED ORGANIZATION and the DIRECTORS and OFFICERS shall have the right, upon payment of an additional premium to be determined by the INSURER (which shall not exceed the amount stated in Item 7 of the Declarations and shall be fully earned by the INSURER at the time of purchase), to an extension of the coverage afforded by this POLICY with respect to any CLAIM first made against any INSURED, or any NOTICE OF CIRCUMSTANCES given to the INSURER, during the period stated in Item 7 of the Declarations, but only with respect to any WRONGFUL ACT committed prior to the end of the POLICY PERIOD. This right of extension shall terminate unless written notice of such election is received by the INSURER within thirty (30) days after the effective date of cancellation or nonrenewal. The Limits of Liability under this POLICY shall not be increased by any DISCOVERY PERIOD.

The offer by the INSURER of renewal on terms, conditions or premiums different from those in effect during the POLICY PERIOD shall not be considered to be a cancellation or refusal to renew this POLICY.



(M) Cancellation

This POLICY:

- (1) may be cancelled at any time by the INSURED ORGANIZATION first named in Item 1 of the Declarations (except as provided in Condition (C)) by delivering written notice to the INSURER stating when thereafter cancellation shall be effective; in which case the INSURER shall retain a short rate portion of the Rated Premium amount stated in Item 4 of the Declarations of this POLICY and a short rate portion of the unearned Continuity Credit;
- (2) may not be cancelled by the INSURER, except for nonpayment of premium, in which case (i) such cancellation shall be effective ten (10) days after the date notice thereof is given by the INSURER to the INSURED ORGANIZATION first named in Item 1 of the Declarations, and (ii) the INSURER shall retain a pro-rata proportion of the Rated Premium stated in Item 4 of the Declarations and the pro-rata unearned Continuity Credit.

Proof that notice has been provided in accordance with Condition (V) below shall be sufficient proof notice has been given, and the POLICY PERIOD shall end on the effective date and hour of cancellation, as stated above.

(N) Currency

All amounts stated herein are expressed in United States Dollars and all amounts payable hereunder are payable in United States Dollars.

(O) Sole Agent

The INSURED ORGANIZATION first named in Item 1 of the Declarations shall be deemed the authorized representative of each DIRECTOR and OFFICER and all INSURED ORGANIZATIONS for the purposes of requesting or agreeing to any endorsement to this POLICY, making premium payments and adjustments and receiving notifications, including notice of cancellation from the INSURER.

(P) Dispute Resolution and Service of Suit

Any controversy or dispute between the INSURER and the INSURED ORGANIZATION arising out of or relating to this POLICY, or the breach, termination, formation or validity thereof, shall be resolved in accordance with the procedures specified in this Condition (P), which shall be the sole and exclusive procedures for the resolution of any such controversy or dispute.

- (1) Negotiation. The INSURED ORGANIZATION and the INSURER (each a "party") shall attempt in good faith to resolve any controversy or dispute arising out of or relating to this POLICY promptly by negotiations between executives who have authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days the receiving party shall submit to the other a written response. The notice and the response shall include: (a) a statement of each party's position and a summary of arguments supporting that position; and (b) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within thirty (30) days after delivery of the disputing party's notice and thereafter, as often as they reasonably deem necessary, the executives of both parties shall meet at a mutually acceptable time and place, to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored. If the matter has not been resolved within sixty (60) days of the disputing party's notice, or if the parties fail to meet within thirty (30) days, either party may initiate mediation of the controversy or claim as provided hereinafter.

All negotiations pursuant to this clause will be kept confidential and shall be treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence.



- (2) Mediation. If the dispute between the INSURER and the INSURED ORGANIZATION has not been resolved by negotiation as provided herein, the parties shall endeavor to settle the dispute by mediation under the last published Mediation Procedure of the International Institute for Conflict Prevention and Resolution or any successor ("CPR Institute"). Unless otherwise agreed, the parties will select a neutral third party from the CPR Institute Panels Distinguished of Neutrals, with the assistance of the CPR Institute.
- (3) Arbitration. Any controversy or dispute between the INSURER and the INSURED ORGANIZATION arising out of or relating to this POLICY, or the breach, termination, formation or validity thereof, which has not been resolved by non-binding means as provided herein within ninety (90) days of the initiation of such procedure, shall be settled by binding arbitration in accordance with the CPR Institute Rules for Non-Administered Arbitration of Business Disputes (the "CPR Rules") by three (3) independent and impartial arbitrators. The INSURED ORGANIZATION and the INSURER each shall appoint one arbitrator; the third arbitrator, who shall serve as the chair of the arbitration panel, shall be appointed in accordance with the CPR Rules. If either the INSURED ORGANIZATION or the INSURER has requested the other to participate in a non-binding procedure and the other has failed to participate, the requesting party may initiate arbitration before expiration of the above period. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1 et seq., and judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof.

In the event of a judgment being entered against the INSURER on an arbitration award, the INSURER, at the request of the INSURED ORGANIZATION, shall submit to the jurisdiction of any court of competent jurisdiction within the United States of America, and shall comply with all requirements necessary to give such court jurisdiction, and all matters relating to such judgment and its enforcement shall be determined in accordance with the law and practice of such court.

- (4) Service of Suit. Service of process in any suit or any other suit instituted against the INSURER under this POLICY may be made upon AEGIS Insurance Services, Inc., 1 Meadowlands Plaza, East Rutherford, NJ 07073. The INSURER will abide by the final decision of the court in such suit or of any appellate court in the event of any appeal. AEGIS Insurance Services, Inc. is authorized and directed to accept service of process on behalf of the INSURER in any such suit and, upon the INSURED ORGANIZATION'S or any DIRECTOR'S or OFFICER'S request, to give a written undertaking that they will enter a general appearance upon the INSURER'S behalf in the event such suit is instituted. Nothing in this clause constitutes or should be understood to constitute a waiver of the INSURER'S right to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek to transfer a case to another court as permitted by the laws of the United States or of any state in the United States. This paragraph (4) is subject to, and does not override, the requirement of binding arbitration set out in paragraph (3).

(Q) Construction

The terms of this POLICY are to be construed in an evenhanded fashion as between the INSURED ORGANIZATION, the DIRECTORS or OFFICERS and the INSURER in accordance with the laws of the State of New York, except that any CLAIM for coverage of punitive, exemplary or multiple damages shall be governed by the law of the jurisdiction that is most favorable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the involved DIRECTORS or OFFICERS, the INSURED ORGANIZATION, or the CLAIM giving rise to such damages. Where the language of this POLICY is deemed to be ambiguous or otherwise unclear, the issue shall be resolved in a manner most consistent with the relevant terms of this POLICY without regard to authorship of the language and without any presumption or arbitrary interpretation or construction in favor of either the INSURED ORGANIZATION, the DIRECTORS or OFFICERS or the INSURER. In deciding any controversy or dispute arising out of or relating to this POLICY, due consideration shall be given to the customs and usages of the insurance industry. No damages in excess of compensatory damages shall be awarded in any controversy or dispute between the INSURER, on the one hand, and the



INSURED ORGANIZATION and/or the DIRECTORS and OFFICERS, on the other hand, and each party hereby irrevocably waives any such damages.

(R) Invalidity or Unenforceability

In the event that any provision of this POLICY shall be declared or deemed to be invalid or unenforceable under any applicable law, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining portion of this POLICY.

(S) Non-Assessability

The INSURED ORGANIZATION shall be liable under this POLICY only for the POLICY Premium stated in Item 4 of the Declarations. Neither the INSURED ORGANIZATION nor any DIRECTOR or OFFICER shall be subject to any contingent liability or be required to pay any dues or assessments to the INSURER in addition to the premium described above.

(T) Allocation

If a CLAIM is made against both INSURED ORGANIZATION who are covered hereunder for such CLAIM and others, including INSURED ORGANIZATION who are not covered hereunder for such CLAIM, or if a CLAIM against the INSURED ORGANIZATION includes both covered and non-covered matters, the DIRECTORS and OFFICERS, the INSURED ORGANIZATION and the INSURER shall allocate any investigation expenses, defense costs, settlement, judgement or other loss on account of such CLAIM between covered INVESTIGATIVE EXPENSE or ULTIMATE NET LOSS attributable to the CLAIM against the DIRECTORS and OFFICERS and non-covered loss. Such allocation shall be based upon the relative legal and financial exposure of each party to such CLAIM for covered and non-covered matters.

If the DIRECTORS and OFFICERS, INSURED ORGANIZATION and the INSURER agree on an allocation of INVESTIGATIVE EXPENSE and DEFENSE COSTS, the INSURER shall advance INVESTIGATIVE EXPENSE and DEFENSE COSTS allocated to covered ULTIMATE NET LOSS. If the DIRECTORS and OFFICERS, INSURED ORGANIZATION and the INSURER cannot agree on an allocation:

- (1) no presumption as to allocation shall exist in any arbitration, suit or other proceeding;
- (2) the INSURER shall advance INVESTIGATIVE EXPENSE and DEFENSE COSTS which the INSURER believes to be covered under this POLICY until a different allocation is negotiated, mediated, arbitrated or ordered by a court of competent jurisdiction; and
- (3) any disagreement on the allocation of INVESTIGATIVE EXPENSE and DEFENSE COSTS shall be settled in accordance with Condition (P), if applicable.

Any advancement of INVESTIGATIVE EXPENSE and DEFENSE COSTS as described above shall be on a current basis but no later than ninety (90) days after the INSURER receives itemized invoices for such INVESTIGATIVE EXPENSE or DEFENSE COSTS.

Any negotiated, mediated, or arbitrated or court-ordered allocation of INVESTIGATIVE EXPENSE and DEFENSE COSTS on account of a CLAIM shall be applied retroactively to all INVESTIGATIVE EXPENSE and DEFENSE COSTS on account of such CLAIM, notwithstanding any prior advancement to the contrary. Any allocation or advancement of INVESTIGATIVE EXPENSE and DEFENSE COSTS on account of a CLAIM shall not apply to or create any presumption with respect to the allocation of INDEMNITY on account of such CLAIM.

(U) Territory

This POLICY extends to WRONGFUL ACTS taking place or CLAIMS made anywhere in the world.



(V) *Notices*

Any notice, request, demand or other communication required or permitted under this POLICY shall be in writing and shall be delivered personally, by facsimile, electronic mail or other written form of electronic communication or by certified or express mail or overnight courier, postage prepaid, to the respective parties as follows:

(1) if to the INSURED ORGANIZATION, to the name and address specified in Item 8 of the Declarations; and

(2) if to the INSURER, to the address specified in Item 9 of the Declarations;

or to such other address or person as either party hereto may, from time to time, designate in a written notice given in like manner.

IN WITNESS WHEREOF, Associated Electric & Gas Insurance Services Limited has caused this POLICY to be signed by its President and Chief Executive Officer at Hamilton, Bermuda. However, this POLICY shall not be binding upon the INSURER unless countersigned on the Declarations Page by a duly authorized representative of the INSURER.

A handwritten signature in cursive script, appearing to read "William P. Cullen".

William P. Cullen, President and
Chief Executive Officer



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 1

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

MEMBER WITH VOTING RIGHTS ENDORSEMENT

This POLICY entitles the INSURED ORGANIZATION to be a member in the INSURER unless that membership is superseded, at any point in time, by a parent or affiliated company, which is also a member in the INSURER

This POLICY also entitles the INSURED ORGANIZATION to a vote on any matter submitted to the members of the INSURER unless that voting right is superseded, at any point in time, by the voting right of a parent or affiliated company.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 2

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

TERRORISM EXCLUSION

In accordance with the Terrorism Risk Insurance Act of 2002 as amended (the "Federal Act"), the INSURER has offered the INSURED ORGANIZATION listed in Item 1 of the Declarations coverage for "insured loss" as defined in the Federal Act.

The INSURER has provided the INSURED ORGANIZATION with a notice stating the additional premium charged for the inclusion of terrorism coverage under this POLICY. The first INSURED ORGANIZATION has rejected such coverage, either by not paying the additional premium or by notifying the INSURER that it has declined to purchase such coverage. Consequently, the INSURER shall not be liable to make any payment for ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE caused directly or indirectly by a Terrorism Event. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss caused by the Terrorism Event.

As used in this Endorsement:

"Terrorism Event" means the commission of a violent act, or an act dangerous to human life, tangible property, intangible property or infrastructure, or the threat of such act, that is reasonably believed to have been committed (a) for political, religious and/or ideological reasons; and (b) either (1) to intimidate, coerce or cause fear among the public or a section of the public, (2) to influence the policy of, or overthrow, a government by intimidation, fear or coercion, (3) to affect the conduct of a government or the public or a section of the public, (4) to disrupt any segment of a country's economy or (5) for any similar reason. A Terrorism Event shall include an "act of terrorism" as defined in the Federal Act. A Terrorism Event shall also include any actions by, or on behalf of, a government or branch thereof (including without limitation, the uniformed armed forces, militia, police, state security, national guard and anti-terrorism agencies) in deterring responding to, combating or retaliating against terrorism or removing debris from a terrorist attack.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 3

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CANADIAN LAW ENDORSEMENT

I. References to U.S. Law

- (A) Any reference to federal or state laws is amended to include provincial and territorial laws.
- (B) Any reference to a U.S. regulatory agency is amended to include the corresponding regulatory agency of Canada.
- (C) Any reference to a U.S. statute, regulation or rule is amended to include any similar federal, provincial, territorial or local statute, regulation or rule of Canada.
- (D) Any reference to Canada is amended to include its territorial seas.
- (E) Any reference to U.S. courts is amended to include any court of competent jurisdiction.

II. Arbitration

The reference to the United States Arbitration Act, 9 U.S.C. §§ 1 et seq. is replaced by:

Model Law adopted by the United Nations Commissions on International Trade Law on June 21, 1985, as adopted by the applicable Canadian federal or provincial jurisdiction pursuant to the International Commercial Arbitration Act, Commercial Arbitration Act, or other similar legislation

III. Service of Suit

Any reference to AEGIS Insurance Services, Inc. is replaced by:

Brian Reeve, Chief Agent for Associated Electric & Gas Insurance Services Limited, Scotia Plaza, Suite 2100, Toronto, Ontario, Canada, M5H 3C2.

A handwritten signature in black ink, appearing to read "Fred C. M. G.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 4

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

SEPARATE RETENTION (Securities Claims)

Solely with respect to a SECURITIES CLAIM, Item 6B of the Declarations is deleted in its entirety and replaced with the following:

B. Insuring Agreement I.(B) or I.(C): \$1,000,000 each SECURITIES CLAIM

A handwritten signature in black ink, appearing to read "Frank C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 5

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CRISIS FUND ENDORSEMENT

1. Section I., Insuring Agreements, is amended by the addition of the following:

The INSURER shall pay on behalf of the INSURED ORGANIZATION any CRISIS FUND LOSS first occurring during the POLICY PERIOD and reported to the INSURER during the POLICY PERIOD, provided such CRISIS FUND LOSS is solely as a result of a NEGATIVE EARNINGS OR SALES ANNOUNCEMENT which has a MATERIAL EFFECT ON THE INSURED ORGANIZATION'S STOCK PRICE.

2. Section VII., Exclusions, shall not be applicable to a CRISIS FUND LOSS.

3. The maximum amount payable by the INSURER under this Endorsement during the POLICY PERIOD shall be as stated below.

Aggregate Limit of Liability for the POLICY PERIOD under this Endorsement: \$50,000

4. No RETENTION shall apply to CRISIS FUND LOSS and the INSURER will pay from the first dollar subject to Section V. (B), Priority of Payments.

5. The maximum liability of the INSURER under this POLICY, including this Endorsement, shall not exceed the amount set forth in Item 5A of the Declarations of the POLICY. Nothing contained in this Endorsement shall increase the limit of liability of the INSURER

6. Section VI., Definitions, is amended to include the following: CRISIS FUND LOSS means:

- (1) amounts for which the INSURED ORGANIZATION is responsible for the reasonable and necessary fees and expenses charged by a qualified public relations firm, crisis management and/or law firm hired by the INSURED ORGANIZATION with the INSURER'S consent (which consent shall not be unreasonably withheld) to perform crisis management services, and
- (2) amounts for which the INSURED ORGANIZATION is responsible for the reasonable and necessary expenses incurred in connection with the printing and/or mailing of materials, or travel by DIRECTORS, OFFICERS, employees or agents of the INSURED ORGANIZATION.

arising from or related to a NEGATIVE EARNINGS OR SALES ANNOUNCEMENT, regardless whether a CLAIM is ever made and, if a CLAIM is made, regardless whether the amount is incurred prior to or subsequent to the making of the CLAIM.



CRISIS FUND ENDORSEMENT

NEGATIVE EARNINGS OR SALES ANNOUNCEMENT means a public announcement by the INSURED ORGANIZATION of its past or future earnings or sales which is substantially below the INSURED ORGANIZATION'S last public statement or projection of earnings or sales for such period, or the INSURED ORGANIZATION'S prior year's earnings or sales for the same period, or any other similar measurement of indices.

MATERIAL EFFECT ON THE INSURED ORGANIZATION'S STOCK PRICE means that immediately following a NEGATIVE EARNINGS OR SALES ANNOUNCEMENT the price per share of the INSURED ORGANIZATION'S common stock shall experience a decrease net of the change in the Standard & Poor's Composite Stock index of the greater of: 10% or \$5.00 per share.

A handwritten signature in black ink, appearing to read "Fred C. McGee". The signature is written in a cursive, flowing style.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 6

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

INSURING AGREEMENT ADDED (Employment Practices)

1. Section I., Insuring Agreement, is amended by the addition of the following:

Employment Practices Insuring Agreement: The INSURER shall pay on behalf of any DIRECTOR or OFFICER all ULTIMATE NET LOSS for which the DIRECTOR or OFFICER becomes legally obligated to pay on account of a CLAIM by or on behalf of any EMPLOYEE for a WRONGFUL EMPLOYMENT ACT first made against such DIRECTOR or OFFICER during the POLICY PERIOD or the DISCOVERY PERIOD, if applicable.

2. Solely with respect to a CLAIM for a WRONGFUL EMPLOYMENT ACT, Item 6B of the Declarations is replaced by the following:

B. Insuring Agreement I.(B): \$100,000 each CLAIM for a WRONGFUL EMPLOYMENT ACT

3. The following Definitions are amended:

(B) CLAIM is amended by the addition of the following:

Solely with respect to the Employment Practices Insuring Agreement, CLAIM does not include any labor or grievance arbitration or other proceeding pursuant to a collective bargaining agreement.

(D) DIRECTOR and OFFICER, subpart (6) is replaced by the following:

(6) any natural person not described in paragraphs (1), (2), (3), (4) or (5) above who was, is now, or shall be an EMPLOYEE of the INSURED ORGANIZATION, but solely with respect to a SECURITIES CLAIM or a CLAIM for a WRONGFUL EMPLOYMENT ACT;

(Y) WRONGFUL ACT is amended by the addition of the following:

Under the Employment Practices Insuring Agreement, WRONGFUL ACT means only a WRONGFUL EMPLOYMENT ACT by a DIRECTOR or OFFICER.

4. Section VI., Definitions, is amended by adding the following:

EMPLOYEE means one or more natural person who was, now is or shall become:

- (1) employed by the INSURED ORGANIZATION in the ordinary course of the INSURED ORGANIZATION'S business and compensated by the INSURED ORGANIZATION with wages, salary or commissions, and whose labor or service is directed solely by the INSURED ORGANIZATION, whether on a full-time, part-time, temporary or seasonal basis;
- (2) applicants for prospective employment by the INSURED ORGANIZATION.



**INSURING AGREEMENT ADDED
(Employment Practices)**

WRONGFUL EMPLOYMENT ACT means any actual or alleged:

- (1) breach of any oral, written or implied employment contract;
- (2) employment-related tort including: wrongful termination, discharge or dismissal; failure or refusal to hire or promote; wrongful discipline; wrongful deprivation of a career opportunity; wrongful demotion or adverse change in terms, conditions or status of employment; wrongful failure to grant tenure; wrongful reference; negligent hiring, retention, supervision, training or performance evaluation; failure to adopt adequate employment related policies and procedures; misrepresentation; defamation; harassment, including offensive, intimidating, coercive or unwelcome conduct, advances, contact or communication; invasion of privacy; defamation; libel; slander; false arrest; detention; imprisonment; or infliction of emotional distress; or
- (3) violation of any federal, state, local or foreign statutory or common law or public policy which prohibits discrimination in employment.

5. Section VII., Exclusions, is amended by adding of the following:

for an actual or alleged violation of: any law governing workers' compensation, unemployment insurance, social security, disability benefits or similar law; the Fair Labor Standards Act (except the Equal Pay Act); the National Labor Relations Act; the Worker Adjustment and Retraining Notification Act; the Consolidated Omnibus Budget Reconciliation Act of 1985; the Federal False Claims Act; or the Occupational Safety and Health Act; including any amendments to and rules and regulations promulgated under any of the foregoing, and any other federal, state, local or foreign law similar to any of the foregoing; provided this Exclusion shall not apply to a CLAIM for retaliatory discharge;

for any amount owed or assumed by the INSURED under any express written employment contract or agreement; provided this shall not apply to the extent the INSURED would be liable for such amount in the absence of such contract or agreement;

for costs to comply with any non-monetary or injunctive relief; or

for employment compensation owed by the INSURED (other than front pay or back pay), including salary, bonus, wages, overtime, severance pay, retirement benefits, stock options, perquisites, fringe benefits, vacation days, sick days or medical or insurance benefits.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 7

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DERIVATIVE INVESTIGATION COST COVERAGE AMENDED

1. Section II., Derivative Investigation Cost Coverage is replaced by the following:

The INSURER shall pay all INVESTIGATIVE EXPENSE incurred by the board of directors or any committee established by the board of directors or equivalent governing body of the INSURED ORGANIZATION in response to a SHAREHOLDER DERIVATIVE DEMAND, provided the SHAREHOLDER DERIVATIVE DEMAND is first made during the POLICY PERIOD or the DISCOVERY PERIOD, if purchased.

2. Section VI., Definitions, (V) SHAREHOLDER DERIVATIVE DEMAND is replaced by the following:

(V) SHAREHOLDER DERIVATIVE DEMAND means (i) a written demand by a securities holder of the INSURED ORGANIZATION upon the board of directors, or an equivalent governing body, of such INSURED ORGANIZATION to bring a civil proceeding on behalf of an INSURED ORGANIZATION in a court of law against a DIRECTOR or OFFICER for a WRONGFUL ACT; or (ii) a lawsuit brought derivatively by one or more security holders of the INSURED ORGANIZATION, on behalf of the INSURED ORGANIZATION, against any DIRECTOR or OFFICER for a WRONGFUL ACT.

A handwritten signature in black ink, appearing to read 'Fred C. M. J.', written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 8

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

LIMITS OF LIABILITY AMENDED
(Delete Non-Stacking for Outside Organizations)

Section III., Limits of Liability subpart (E) is deleted in its entirety.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 9

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

LIMITS OF LIABILITY AMENDED **(Additional Limit Under Insuring Agreement I.A)**

Section III., Limits of Liability, is amended by adding the following:

Solely with respect to any CLAIM made against a natural person for whom coverage is provided under Insuring Agreement I.(A) of this POLICY, the INSURER shall provide a \$1,000,000 Limit of Liability. This amount shall be separate and in addition to the Limits of Liability set forth in Item 5A of the Declarations, and such additional limit shall apply only as excess coverage over any other valid and collectible insurance applicable to such natural persons insured hereunder; provided, however, that in no event shall this separate additional limit exceed \$1,000,000 for the POLICY PERIOD, regardless of the number of CLAIMS or the number of natural persons.

A handwritten signature in black ink, appearing to read "I. C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 10

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

RETENTION AMENDED (Event Study Costs)

I. Section IV., RETENTION, is amended by the addition of the following provision:

No RETENTION shall apply to any EVENT STUDY COSTS.

II. Section VI., Definitions, is amended to include the following:

EVENT STUDY COSTS means reasonable and necessary fees and expenses incurred by or on behalf of the INSUREDS for an actual or prospective expert witness in a SECURITIES CLAIM to conduct an event study for the purpose of evaluating the impact (if any) to the market price of the INSURED ORGANIZATION'S stock by alleged corrective disclosures identified in the SECURITIES CLAIM, provided such fees and expenses are otherwise included within this POLICY'S Definition of DEFENSE COSTS.

A handwritten signature in black ink, appearing to read "Fred C. M. G.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 11

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (B) CLAIM AMENDED (Informal Investigation of Directors and Officers)

Section VI., Definitions, (B) CLAIM is amended to also mean:

an informal investigation of any DIRECTORS or OFFICERS, whether or not they have been identified as a person against whom an otherwise covered CLAIM would be made; provided (i) such investigation shall constitute a CLAIM under this POLICY only if the INSURED ORGANIZATION gives to the INSURER written notice thereof pursuant to Condition (E) below and (ii) the INSURER shall not be liable for that portion of ULTIMATE NET LOSS incurred prior to such notice.

A handwritten signature in black ink, appearing to read "Frank C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 12

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXTRADITION ENDORSEMENT

Section VI., Definitions, (C) DEFENSE COSTS is amended to also mean:

- (1) all reasonable and necessary fees and expenses incurred by or on behalf of such DIRECTOR or OFFICER to resist, or to obtain the discharge or revocation of, a judicial order or ruling to extradite such DIRECTOR or OFFICER to the jurisdiction in which such criminal proceeding is pending; and
- (2) the reasonable premium for any appeal, bail, attachment or similar bond or financial instrument incurred by or on behalf of such DIRECTOR or OFFICER by reason of such CLAIM; provided the INSURER shall have no obligation to apply for or provide any collateral for any such bond or financial instrument.

A handwritten signature in black ink, appearing to read "Fred C. M. G.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 13

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

OUTSIDE ORGANIZATION COVERAGE AMENDED (Blanket For-Profit and Not-For-Profit with Exceptions)

I. Section VI., Definitions, (D) DIRECTOR and OFFICER, subpart (7) is replaced with the following:

- (7) any natural person described in paragraphs (1), (2), (3) or (5) above or any employee of the INSURED ORGANIZATION who is serving or has served with the knowledge and consent of the INSURED ORGANIZATION in an equivalent position with, or as a member of the Management or Operating Committee of, any OUTSIDE ORGANIZATION;

II. Section VI., Definitions, (H) FOR-PROFIT OUTSIDE ORGANIZATION and (O) NOT-FOR-PROFIT OUTSIDE ORGANIZATION are replaced as follows:

(H) FOR-PROFIT OUTSIDE ORGANIZATION means any organization or JOINT VENTURE other than:

- (1) the INSURED ORGANIZATION; or
- (2) a NOT-FOR-PROFIT OUTSIDE ORGANIZATION; or
- (3) any Financial Institution, including without limitation any organization that is a bank, credit union, insurance company, mutual fund, investment company, broker/dealer or trust company;
or
- (4) any organization the securities of which are publicly traded and/or listed on a securities exchange.

FOR-PROFIT OUTSIDE ORGANIZATION shall also include any for-profit organization specifically listed in a "Schedule of FOR-PROFIT OUTSIDE ORGANIZATIONS" attached to this POLICY or to a prior Directors and Officers Liability Policy issued by the INSURER to the INSURED ORGANIZATION.

(O) NOT-FOR-PROFIT OUTSIDE ORGANIZATION means any not-for-profit organization that is exempt from Federal taxation, but does not include any Independent System Operator (ISO) or Regional Transmission Organization (RTO).

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 14

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (D) DIRECTOR AND OFFICER AMENDED

Section VI., Definitions, (D) DIRECTOR and OFFICER is replaced by the following:

(D) DIRECTOR and OFFICER means:

- (1) any natural person who was, is now, or shall be:
 - (a) a director, officer, or trustee;
 - (b) an advisory board member or board committee member;
 - (c) a shadow director, as defined under Section 251 of the United Kingdom Companies Act 2006 or similar Canadian federal, provincial or territorial law; or
 - (d) a de facto or alleged de facto director of the INSURED ORGANIZATION;
- (2) any employee of the INSURED ORGANIZATION while acting in the capacity of a director, officer or trustee of the INSURED ORGANIZATION with the express prior authorization of a director, officer or trustee of the INSURED ORGANIZATION;
- (3) any natural person who was, is now, or shall be a manager, managing member, member of the board of managers or equivalent executive of an INSURED ORGANIZATION that is a limited liability company;
- (4) any employee of the INSURED ORGANIZATION while serving as the general counsel or risk manager of, or in a functionally equivalent position with, the INSURED ORGANIZATION;
- (5) any natural person who was, is now, or shall be a general partner of an INSURED ORGANIZATION that is a limited partnership;
- (6) any natural person not described in paragraphs (1), (2), (3), (4) or (5) above who was, is now, or shall be an employee of the INSURED ORGANIZATION, but solely with respect to a SECURITIES CLAIM;
- (7) any director, officer, trustee or employee of the INSURED ORGANIZATION who is serving or has served at the specific request of the INSURED ORGANIZATION as a director, officer, trustee or in an equivalent position of any OUTSIDE ORGANIZATION;
- (8) the estates, heirs, legal representatives or assigns of any person identified in paragraphs (1), (2), (3), (4), (5), (6) or (7) above in the event of such person's death, incompetency, insolvency or bankruptcy, but only with respect to such person's WRONGFUL ACTS that occurred when such person was a DIRECTOR or OFFICER pursuant to paragraphs (1), (2), (3), (4), (5), (6) or (7), above;



DEFINITION (D) DIRECTOR AND OFFICER AMENDED

- (9) the lawful spouse or domestic partner of any DIRECTOR or OFFICER described in paragraphs (1), (2), (3), (4), (5), (6) or (7) above, but only if and to the extent the CLAIM is against both such DIRECTOR or OFFICER and the spouse or domestic partner and if the CLAIM against the lawful spouse or domestic partner is solely by reason of (a) such spousal or domestic partner status, or (b) such spouse's or domestic partner's ownership interest in property or assets which are sought as recovery for WRONGFUL ACTS of such DIRECTOR or OFFICER; or
- (10) any employee of the INSURED ORGANIZATION who was, is now, or shall be serving at the specific written request of the INSURED ORGANIZATION in the position of a "designated representative," "alternate designated representative," "authorized account representative," "certifying official" or "responsible officer" of the INSURED ORGANIZATION as defined by and pursuant to the requirements of Titles I, II, IV and V of the Clean Air Act (42 U.S.C. Sections 7401-7431, 7521-7554, 7651-7651o, 7661- 7661f) or the regulations promulgated thereunder, as amended from time to time, or in a comparable provision under any state law that is substantially the same as such federal law, with respect to WRONGFUL ACTS committed while such employee is acting in such capacity. This subsection 10 includes such employee as a DIRECTOR or OFFICER but does not otherwise expand the scope of coverage provided by this POLICY.

In no event, however, shall the estates, heirs, legal representatives, assigns, spouse or domestic partner identified in paragraphs (8) or (9) above be deemed to be a DIRECTOR or OFFICER in respect of a breach of duty, neglect, error, misstatement, misleading statement or omission actually or allegedly caused, committed or attempted by such estates, heirs, legal representatives, assigns, spouse or domestic partner.

DIRECTOR and OFFICER shall be deemed to include a natural person in a position with INSURED ORGANIZATION, anywhere in the world, that is functionally the equivalent with substantially similar duties, of the director, officer or trustee position of the INSURED ORGANIZATION.

A handwritten signature in black ink, appearing to read "Paul C. McG.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 15

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (H) FOR-PROFIT OUTSIDE ORGANIZATION AMENDED (Scheduled For-Profit Outside Organizations)

Pursuant to Section VI., Definitions, (H) FOR-PROFIT OUTSIDE ORGANIZATION the following organization(s) or JOINT VENTURE(S) are scheduled:

Atlantica Yield Plc

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 16

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (I) INDEMNITY AMENDED (Plaintiffs' Fees Award)

Section VI., Definitions, (I) INDEMNITY is amended to also mean:

Any plaintiffs' attorney fees and costs which the INSUREDS shall become legally obligated to pay as a result of a covered CLAIM, including without limitation any such plaintiffs' attorney fees and costs in a shareholder derivative lawsuit under Insuring Agreement I.(C); provided that any coverage under this POLICY for any such plaintiffs' attorney fees and costs shall be subject to all other terms, conditions and limitations in this POLICY.

A handwritten signature in black ink, appearing to read "Frank C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 17

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (I) INDEMNITY AMENDED (Fines and Penalties Most Favorable Venue)

Section VI., Definitions, (I) INDEMNITY subpart (1) is amended by the addition of the following:

provided, this exclusion shall not apply to any fines or penalties for an unintentional or non-willful violation of law and the insurability of any such fines or penalties shall be determined under the law of the jurisdiction that is most favorable to the insurability of such fines or penalties;

A handwritten signature in black ink, appearing to read "Fred C. McGee", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 18

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (J) INSURED ORGANIZATION AMENDED (Sponsored Non-Profits)

Section VI., Definitions, (J) INSURED ORGANIZATION is amended to include:

any foundation, charitable trust, political action committee or other not-for-profit entity controlled or exclusively sponsored by the INSURED ORGANIZATION or any SUBSIDIARY.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 19

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (M) INVESTIGATIVE EXPENSE AMENDED (Reasonable Fees and Books and Records Costs)

Section VI., Definitions, (M) INVESTIGATIVE EXPENSE is replaced by the following:

(M) INVESTIGATIVE EXPENSE means the reasonable fees and expenses (except all salaries, wages, benefits and overhead expenses of the DIRECTORS, OFFICERS, employees or the INSURED ORGANIZATION) incurred in connection with the investigation and evaluation of:

- (1) a WRONGFUL ACT by a DIRECTOR or OFFICER related to a SHAREHOLDER DERIVATIVE DEMAND; or
- (2) a written demand by or on behalf of a securities holder of the INSURED ORGANIZATION upon the board of directors, or an equivalent governing body, of the INSURED ORGANIZATION to inspect the books and records of the INSURED ORGANIZATION pursuant to Section 220 of the Delaware General Corporation Law or any similar statute in any other jurisdiction.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 20

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DEFINITION (U) SECURITIES CLAIM AMENDED (Entity Coverage for Investigations)

The reference to "CLAIM" in the definition of SECURITIES CLAIM in Section VI., (U) shall also include a civil, criminal, administrative or regulatory investigation of an INSURED ORGANIZATION commenced by the service upon or other receipt by the INSURED ORGANIZATION of a subpoena, target letter, Wells Notice or other written notice from an ENFORCEMENT AUTHORITY.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 21

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSIONS AMENDED (That Portion of Loss)

The preamble of Section VII., Exclusions, is deleted in its entirety and replaced with the following:

The INSURER shall not be liable to make any payment for that portion of ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE arising from any CLAIM made against any INSURED:

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 22

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

DELETION OF EXCLUSION (A) ENDORSEMENT

Section VII., Exclusions (A) is deleted in its entirety.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 23

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSION (B) AMENDED

Section VII., Exclusion (B) is deleted in its entirety and replaced with the following:

(B) based upon, arising out of or attributable to such INSURED:

- (1) having gained any personal profit, financial advantage or remuneration to which such INSURED was not legally entitled; or
- (2) having committed a deliberately fraudulent or criminal act or omission or any intentional violation of any law, statute or regulation;

if established by a final, non-appealable adjudication in the underlying proceeding.

A handwritten signature in black ink, appearing to read "Fred C. M. G.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 24

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSION (C) BIPD AMENDED (Exceptions Added)

Section VII., Exclusions, (C) is replaced by the following:

- (C) for bodily injury, sickness or disease sustained by any person, for death of any person or for physical injury to or destruction of tangible property or the loss of use thereof; provided this Exclusion shall not apply to:
- (1) ULTIMATE NET LOSS or INVESTIGATIVE EXPENSE otherwise covered under Insuring Agreements I.(A);
 - (2) any SECURITIES CLAIM;
 - (3) any EMPLOYMENT PRACTICES CLAIM;
 - (4) DEFENSE COSTS on account of any CLAIM against any DIRECTOR or OFFICER which is a criminal proceeding pursuant to section 217.1 of the Criminal Code, R.S.C. 1985, c. C-46, or any similar federal, provincial, territorial, state or other governmental statute, legislation, law, regulation or ordinance and which is commenced by the return of a summons to witness, the return of an indictment or the laying of an information; or
 - (5) DEFENSE COSTS on account of any CLAIM pursuant to section 32 of the Ontario Occupational Health and Safety Act.

A handwritten signature in black ink, appearing to read "Fred C. M. G.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 25

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSIONS AMENDED (Delete Exclusion)

Section VII., Exclusions, (D) is deleted in its entirety.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 26

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSION (E) AMENDED (Insured Organization Plans Only)

Section VII., Exclusions, (E) is amended by the addition of the following:

Provided, this Exclusion shall only apply with respect to plans, programs and trusts established or maintained in whole or in part for the benefit of employees of the INSURED ORGANIZATION.

A handwritten signature in black ink, appearing to read "Fred C. McGee".

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 27

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSION (F) AMENDED (Remove Absolute Lead-In)

Section VII., Exclusions, (F) is deleted in its entirety and replaced with the following:

- (F) for the rendering of advice with respect to the interpreting of, or the handling of records in connection with the enrollment, termination or cancellation of employees under the INSURED ORGANIZATION'S group life insurance, group accident or health insurance, pension plans, employee stock subscription plans, workers' compensation, unemployment insurance, social security, disability benefits and any other employee benefit programs.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 28

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSION (G) AMENDED (Given and Accepted)

Section VII., Exclusions, (G) is deleted in its entirety and replaced by the following:

(G) based upon, arising out of or attributable to any circumstance of which, prior to the inception of this POLICY, written notice was given and accepted as valid under any Directors and Officers liability Insurance Policy (whether issued by the INSURER or any other Insurer) or any DISCOVERY PERIOD thereof.

A handwritten signature in black ink, appearing to read "Fred C. McG.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 29

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

PRIOR OR PENDING LITIGATION DELETED

- I. Item 3 of the Declarations, Prior or Pending Litigation Date, is deleted in its entirety.
- II. Section VII., Exclusion (H) is deleted in its entirety.

A handwritten signature in black ink, appearing to read "Fred C. M. G.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 30

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

EXCLUSION (J) AMENDED (Exceptions Added)

Section VII., Exclusions, (J) is replaced by the following:

(J) brought by or on behalf of the INSURED ORGANIZATION, unless such CLAIM is:

- (1) brought derivatively by a security holder of the INSURED ORGANIZATION;
- (2) brought and maintained solely and entirely in a jurisdiction other than Canada or the United States of America, their territories and possessions, and subject to the substantive and procedural laws of such foreign jurisdiction;
- (3) brought and maintained by or on behalf of a bankruptcy or insolvency trustee, receiver, liquidator, conservator, examiner or creditors' committee of an INSURED ORGANIZATION or any assignee of such trustee, receiver, liquidator, conservator, examiner or creditors' committee;
- (4) against a DIRECTOR or OFFICER who has not served as an DIRECTOR or OFFICER of, advisor or consultant to, or contractor for, the INSURED ORGANIZATION or OUTSIDE ORGANIZATION for a minimum of two consecutive years prior to the date such CLAIM is deemed made;
- (5) against a DIRECTOR or OFFICER pursuant to Section 304(a) of the Sarbanes-Oxley Act of 2002, Section 954 of the Wall Street Reform and Consumer Protection Act of 2010, or any similar Canadian federal, provincial or territorial law, rule or regulation requiring the repayment of compensation as a result of a financial restatement;
- (6) brought by the Supervisory Board of the INSURED ORGANIZATION against any DIRECTORS and OFFICERS in their capacity as a member of such INSURED ORGANIZATION'S Management Board, if the Supervisory Board is legally required to bring and maintain the CLAIM; or
- (7) brought by the INSURED ORGANIZATION against any DIRECTORS and OFFICERS of such INSURED ORGANIZATION, if the INSURED ORGANIZATION brings the CLAIM:
 - (a) to implement a shareholder resolution adopted at the INSURED ORGANIZATION'S Annual General Meeting; or
 - (b) to implement a judicial or arbitration decision concluding that information required to be presented at the INSURED ORGANIZATION'S Annual General Meeting would, had it been so presented, have led to the adoption of a shareholder resolution demanding that the CLAIM be made provided, that such CLAIM is brought outside the United States of America, Canada, or any other common law jurisdiction and is instigated without the assistance of any INSURED;



**EXCLUSION (J) AMENDED
(Exceptions Added)**

provided, this Exclusion (J) shall not apply to DEFENSE COSTS otherwise covered under Insuring Agreement I.(A).

A handwritten signature in black ink, appearing to read "Fred C. McGee". The signature is written in a cursive, somewhat stylized script.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 31

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

REPRESENTATIONS AND SEVERABILITY AMENDED (Fully Severable and Non-Rescindable)

I. Section VIII., Representations, is deleted in its entirety and replaced with the following:

- (A) In issuing this POLICY, the INSURER has relied upon the statements, representations and information in the APPLICATION. Each INSURED acknowledges and agrees that the statements, representations and information in the APPLICATION are true and accurate to the best of such INSURED'S knowledge and belief.
- (B) The APPLICATION shall be construed as a separate APPLICATION for coverage by each INSURED. With respect to the statements, representations and information in such APPLICATION, no knowledge possessed by any INSURED shall be imputed to any other INSURED for the purpose of determining coverage under this POLICY.
- (C) The INSURER agrees it will not rescind or void any coverage under this POLICY in whole or in part for any reason.

II. Section IX., Conditions, (B) *Severability* is deleted in its entirety and replaced with the following:

(B) *Severability*

The acts, omissions, knowledge or warranties of an INSURED shall not be imputed to any other INSURED with respect to applying any Exclusion or otherwise determining coverage under this POLICY.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 32

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CONDITION (D) NON-DUPLICATION OF LIMITS DELETED

Section IX., Conditions, (D) *Non-Duplication of Limits* is deleted in its entirety.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 33

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

NOTICE PROVISION AMENDED (Late Notice)

Section IX., Conditions, (E) Reporting of Claims and Shareholder Derivative Demands is amended by adding the following:

If an INSURED fails to provide timely notice of a CLAIM or SHAREHOLDER DERIVATIVE DEMAND to the INSURER as specified in this Condition (E), the INSURER shall not be entitled to deny coverage for the CLAIM or SHAREHOLDER DERIVATIVE DEMAND based solely upon late notice unless the INSURER can demonstrate its interests were materially prejudiced by reason of such late notice.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 34

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CONDITION (F) DEFENSE, COOPERATION AND SETTLEMENT AMENDED (Severability of Cooperation)

Section IX., Conditions, (F) *Defense, Cooperation and Settlement* is amended by the addition of the following:

The failure of any INSURED to comply with the provisions above shall not impair the rights of any other INSURED under this POLICY.

A handwritten signature in black ink, appearing to read 'Fred C. M. J.', written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 35

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CONDITION (L) DISCOVERY PERIOD AMENDED (Provided Multiple Time Periods)

1. Item 7 of the Declarations, DISCOVERY PERIOD, is deleted in its entirety.
2. Section VI., Definitions, (E) DISCOVERY PERIOD is replaced by the following:

(E) DISCOVERY PERIOD means the "Discovery Period" purchased by the INSURED ORGANIZATION as provided in Section IX., Condition (L).

3. Section IX., Conditions, (L) *Discovery Period* is replaced by the following:

(L) *Discovery Period*

In the event of cancellation or nonrenewal of the POLICY by the INSURED ORGANIZATION first named in Item 1 of the Declarations or nonrenewal of this POLICY by the INSURER, the INSURED ORGANIZATION and the DIRECTORS and OFFICERS shall have the right, upon payment of an additional premium to be determined by the INSURER (which shall not exceed the respective "Additional Premium" amount stated below and shall be fully earned by the INSURER at the time of purchase), to an extension of the coverage afforded by this POLICY with respect to any CLAIM first made against any INSUREDS, or any NOTICE OF CIRCUMSTANCES given to the INSURER, during the "Discovery Period" stated below, but only with respect to any WRONGFUL ACT committed prior to the end of the POLICY PERIOD. This right of extension shall terminate unless written notice of such election (including which "Discovery Period" stated below is being elected) is received by the INSURER within thirty (30) days after the effective date of cancellation or nonrenewal. The Limits of Liability under this POLICY shall not be increased by any DISCOVERY PERIOD.

The offer by the INSURER of renewal on terms, conditions or premiums different from those in effect during the POLICY PERIOD shall not be considered to be a cancellation or refusal to renew this POLICY.



CONDITION (L) DISCOVERY PERIOD AMENDED
(Provided Multiple Time Periods)

"Additional Premium" (annualized Rated
Premium multiplied by the following
percentage amounts)

100%
150%
175%

"Discovery Period" (commencing on
the effective date of cancellation
or non-renewal and ending on the
expiration of the elected period)

12 months
36 months
72 months

A handwritten signature in black ink, appearing to read "Fred C. McGee".

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 36

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CONDITION (Q) CONSTRUCTION AMENDED (Silent on Jurisdiction)

Section IX., Conditions, (Q) *Construction* is replaced by the following:

(Q) *Construction*

The terms of this POLICY are to be construed in an evenhanded fashion as between the INSURED ORGANIZATION, the DIRECTORS or OFFICERS and the INSURER. Any claim for coverage of punitive, exemplary or multiple damages shall be governed by the law of the jurisdiction that is most favorable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the involved DIRECTORS or OFFICERS, the INSURED ORGANIZATION, or the CLAIM giving rise to such damages. Where the language of this POLICY is deemed to be ambiguous or otherwise unclear, the issue shall be resolved in a manner most consistent with the relevant terms of this POLICY without regard to authorship of the language and without any presumption or arbitrary interpretation or construction in favor of either the INSURED ORGANIZATION, the DIRECTORS or OFFICERS or the INSURER. In deciding any controversy or dispute arising out of or relating to this POLICY, due consideration shall be given to the customs and usages of the insurance industry. No damages in excess of compensatory damages shall be awarded in any controversy or dispute between the INSURER, on the one hand, and the INSURED ORGANIZATION and/or the DIRECTORS and OFFICERS, on the other hand, and each party hereby irrevocably waives any such damages.

A handwritten signature in black ink, appearing to read "Fred C. M. J.", written over a horizontal line.

Signature of Authorized Representative



ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED

Endorsement No. 37

Effective date of Endorsement June 1, 2018

Attached to and forming part of POLICY No. DP5758001P

INSURED ORGANIZATION: Algonquin Power & Utilities Corp.

It is understood and agreed that this POLICY is hereby amended as indicated. All other terms and conditions of this POLICY remain unchanged.

CONDITION (T) ALLOCATION AMENDED (Pre-Determined Allocation)

Section IX., Conditions, (T) *Allocation* is replaced by the following:

(T) *Allocation*

If in any CLAIM the INSUREDS who are covered under this POLICY for such CLAIM incur ULTIMATE NET LOSS jointly with others (including other INSUREDS) who are not covered under this POLICY for such CLAIM, or incur both ULTIMATE NET LOSS covered under this POLICY and other loss not covered under this POLICY, the INSUREDS and the INSURER shall allocate any such amounts on account of such CLAIM between covered ULTIMATE NET LOSS and non-covered loss as follows:

- (1) If such CLAIM is a SECURITIES CLAIM, not less than eighty percent (80%) of such amounts shall be allocated to covered ULTIMATE NET LOSS;
- (2) If such CLAIM is not a SECURITIES CLAIM, not less than ninety percent (90%) of such amounts which constitute defense costs shall be allocated to covered DEFENSE COSTS.

The INSURER shall not be liable under this POLICY for the remaining percentage of such amounts. The pre-determined percentage allocations described above shall be final and binding.

For any amounts other than those covered by the pre-determined percentage allocations described above, including any INVESTIGATIVE EXPENSE, the INSUREDS and the INSURER shall use their best efforts to allocate any investigation expenses, settlements, judgements or other loss on account of such CLAIM between covered INVESTIGATIVE EXPENSE or ULTIMATE NET LOSS and non-covered loss.

If an allocation of INVESTIGATIVE EXPENSE and DEFENSE COSTS is pre-determined as described above, or is otherwise agreed upon by the INSUREDS and the INSURER, the INSURER shall advance the INVESTIGATIVE EXPENSE and DEFENSE COSTS allocated to covered ULTIMATE NET LOSS. If an allocation is not pre-determined and is not otherwise agreed upon by the INSUREDS and the INSURER:

- (1) no presumption as to such an allocation shall exist in any arbitration, suit or other proceeding;
- (2) the INSURER shall advance INVESTIGATIVE EXPENSE and DEFENSE COSTS which the INSURER believes to be covered under this POLICY until a different allocation is negotiated, mediated, arbitrated or ordered by a court of competent jurisdiction; and
- (3) any disagreement on the allocation of INVESTIGATIVE EXPENSE and DEFENSE COSTS shall be settled in accordance with Condition (P), if applicable.

Any advancement of INVESTIGATIVE EXPENSE and DEFENSE COSTS as described above shall



**CONDITION (T) ALLOCATION AMENDED
(Pre-Determined Allocation)**

be on a current basis but no later than ninety (90) days after the INSURER receives itemized invoices for such INVESTIGATIVE EXPENSE or DEFENSE COSTS.

Any negotiated, mediated, arbitrated or court-ordered allocation of INVESTIGATIVE EXPENSE and DEFENSE COSTS on account of a CLAIM shall be applied retroactively to all INVESTIGATIVE EXPENSE and DEFENSE COSTS on account of such CLAIM, notwithstanding any prior advancement to the contrary. Any allocation or advancement of INVESTIGATIVE EXPENSE and DEFENSE COSTS on account of a CLAIM shall not apply to or create any presumption with respect to the allocation of INDEMNITY on account of such CLAIM.

A handwritten signature in black ink, appearing to read "Fred C. McGee". The signature is written in a cursive, flowing style.

Signature of Authorized Representative

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 19-064
Distribution Service Rate Case

Staff Data Requests - Set 3

Date Request Received: 6/17/19
Request No. Staff 3-23

Date of Response: 7/1/19
Respondent: Philip E. Greene
David B. Simek

REQUEST:

Directors' and Officers' ("D&O") Liability Insurance: Does the cost of service include any premium costs for D&O insurance either direct charged or allocated? If the response is in the affirmative, provide the following items:

- a. Amount included in the base year and forecasted period (If the amount is allocated, provide the allocations.)
- b. List of officers and directors covered by the insurance
- c. List of acts covered by the insurance

RESPONSE:

- a. There is no amount for D&O liability insurance included in the base year and forecasted period.
- b. See above response.
- c. See above response.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-20

Date of Response: 2/24/21
Respondent: Steven Mullen

REQUEST:

D&O Insurance. Reference Staff 2-46. The referenced document reflects D&O insurance expensed of \$38,553 and D&O Insurance capitalized of \$13,486 for a total of \$42,039.

- a. Please confirm that the Company is seeking recovery of these amounts in this proceeding.
- b. In DE 19-064, response to Staff 3-23, the Company stated, "There is no amount for D&O liability insurance included in the base year and forecasted period." Please explain why the Company is seeking recovery for D&O Liability Insurance when it has not been included in prior rate requests?

RESPONSE:

- a. The Company confirms that it is seeking recovery of the Directors' & Officers' insurance amounts in this proceeding because it is a necessary operating expense. Carrying insurance coverage of all types, including Directors' and Officers' insurance, is prudent from a business perspective as it is beneficial to the Company and its customers.
- b. Upon further examination, the response in Docket No. DE 19-064 was inaccurate and was based on a misunderstanding of the allocation process with respect to the D&O insurance. In fact, D&O insurance was included in the rate request.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-21

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Advertising. Reference New Hampshire Code of Administration Rules, PART Puc 510 and response to Staff 3-68. The rules define what can be recovered associated with promotional, political, or institutional advertising.

- a. How does the Company record and track the advertising expenses that are eligible for recovery from ratepayers and those that are not?
- b. Please confirm that the advertising expenses, for which the Company seeks recovery, are in compliance with the rules.
- c. Staff 3-68 sought the type of advertising, invoice, and campaign for several specific vendors. The response indicates that several vendors provided promotional advertising.
 - i. Capstar Radio – EE, promotional
 - ii. Comcast – EE, promotional
 - iii. New Hampshire – gas conversion, promotional
 - iv. New Hampshire Play – gas conversion, promotional
 - v. Spectrum – promotional
- d. Please explain how each promotional-related advertising is in compliance with the rules and how recovery in distribution rates is appropriate.
- e. Please explain why EE advertising is recovered in distribution cost of service instead of through the EE surcharge as a component of LDAC rates.

RESPONSE:

- a. The Company records and tracks its recoverable advertising expenses to segregate them from those that are not recoverable through the use of two separate jobs, 8840-9865-909MM and 8840-9865-913MM. Costs coded to those jobs are recorded in accounts 909 and 913, respectively. The segregation of costs between those accounts follows the FERC Chart of Accounts. Specifically, account 909 is for informational and instructional advertising expenses, “which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect health and safety, to

encourage environmental protection, to utilize their gas equipment safely and economically, or to conserve natural gas.”

Account 913 is for “expenses incurred in advertising designed to promote or retain the use of utility service, except advertising the sale of merchandise by the utility.”

For FERC accounting purposes, both accounts 909 and 913 are above-the-line accounts which means for FERC purposes they are recoverable costs. However, the Commission’s rules on the recoverability of certain advertising costs at Puc 510, et seq. have restrictions on the recoverability of certain types of advertising that correlate to the types of costs the Company records in account 913.

Use of the two separate job codes described above allows the Company to separately track the recoverable costs (account 909) from the unrecoverable costs (account 913).

- b. Due to the number of invoices that would need to be reviewed, a cutoff was used for those \$1,000 and above. The Company has reviewed all the costs included in account 909 above \$1,000 and, with the exception of the following items, confirms that they are in compliance with the Commission’s rules regarding advertising expenses.
- Two invoices to Comcast totaling \$14,084.01. These expenses were incorrectly noted as EE costs in the response to Staff 3-68. The costs were for institutional advertising related to community work performed by the Company and its employees. Institutional advertising is one of the categories of costs precluded from recovery by the Commission and the invoices were coded incorrectly.
 - A portion (25%) of the costs of a newsletter with a total invoice cost of \$1,369.50. The newsletter was two pages, and a portion of one of the pages included information about a sales referral program. This one a one-time event. The amount to adjust the filing is \$342.38.

For the costs in account 913, please see the response to part d. below.

- c. There was no question posed.
- d. The promotional-related advertising costs included in the Company’s revenue requirement should not have been included. Those costs were all included in account 913. Referring back to part a. above, that account tracks the types of costs that are non-recoverable pursuant to the Commission’s rules. However, as account 913 is an above-the-line account for FERC accounting purposes, it was included in the determination of the revenue requirement when the financial schedules were put together for the rate case. The Company is having internal discussions regarding potentially establishing new job codes for NHPUC unrecoverable advertising costs that would post to account 426 (below-the-line) to more clearly recognize the incongruity between FERC accounting rules and the prohibitions on certain advertising cost recovery contained in the Commission’s administrative rules and assure exclusion of the costs going forward.

As the costs in account 913 should not have been included in the Company’s revenue requirement calculation, the \$26,484 in account 913 (see Schedule RR-EN-2-1, page 1 of 2, line 52 on Bates II-134 of the filing) will be removed as part of the Corrections and Updates filing. This includes items identified in part c. of this question, with the

Docket No. DG 20-105 Request No. Staff TS 3-21

exception of the Comcast invoices that were include in account 909 as described in part b. above.

- e. EE advertising costs are not recovered through the distribution cost of service. They are recovered through the EE component of the LDAC surcharge. The Capstar Radio advertising costs should have been forwarded to the Energy Efficiency department for processing, but were inadvertently coded to account 913. The Comcast advertising expenses were incorrectly noted as EE costs in the response to Staff 3-68.

As a summary of this response, the total advertising costs that the Company will remove from the rate request as part of its Corrections and Updates filing is \$40,910.39, comprised of \$14,426.39 from account 909 and \$26,484 from account 913.

**STATE OF NEW HAMPSHIRE
Inter-Department Communication**

DATE: January 16, 2020
AT (OFFICE): NHPUC

FROM: Audit Staff
NH Public Utilities Commission

SUBJECT: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
DE 19-064 – Test Year 12/31/2018
Final Audit Report

TO: Tom Frantz, Director, Electric Division, NHPUC
Rich Chagnon, Assistant, Director Electric Division, NHPUC
Jay Dudley, Utility Analyst IV

Introduction

On March 27, 2019, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (GSE, Company) filed a notice of intent to file rate schedules. The noticed rate filing schedules were provided to the Commission on April 30, 2019.

Base rates in effect during the test year were approved in docket DE 16-383 via Order 26,005, based on a 12/31/2015 test year.

Audit thanks the following Liberty employees for their assistance during the audit fieldwork: Dave Simek; Heather Tebbetts; Cynthia Trottier; Darleen Helie; Pam Moriarty; Jim Bonner, and others.

Corporate Structure

As outlined within the FERC Form 1, page 102, the corporate structure of Liberty Utilities (Granite State Electric) Corp. (GSE) is:
GSE is 100% owned by
Liberty Energy Utilities (New Hampshire) Corp., a Delaware corporation which is 100% owned by
Liberty Utilities Co., a Delaware corporation which is 100% owned by
Liberty Utilities (America) Holdco, Inc., a Delaware corporation which is 100% owned by
Liberty Utilities (America) Holdings, LLC, a Delaware limited liability corporation which is 100% owned by
Liberty Utilities (America) Co., a Delaware corporation which is 100% owned by
Liberty Utilities (Canada) Corp., a Canada corporation which is 100% owned by
Algonquin Power & Utilities Corp., a Canada corporation which is publicly traded.
According to Algonquin Power & Utilities Corp. website, www.AlgonquinPowerandUtilities.com:

Audit Issue #3 Capitalizing Fleet Depreciation

Background

Audit reviewed the 2018 overhead burden calculations. The Capitalized Fleet overhead represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD

Audit Issue

In 2018, the Company began capitalizing a portion of depreciation expense associated with fleet assets through inclusion of the result within the BRD burden applied to capital jobs. Audit understands that the income statement overall is impacted.

However, the capitalized portion of the depreciation expense is credited to account 8830-XXX-xx-XXXX-922X rather than 8830-2-0000-80-8610-4030 Depreciation Expense.

As a result, the depreciation expense is overstated and the Accumulated Depreciation understated.

Audit Recommendation

The Company should not be capitalizing a portion of the depreciation expense, and should quantify the impact and adjust the filing.

Company Response

The transportation (fleet) overhead and the vehicle depreciation capitalization on construction vehicles are two distinct transactions which appear to have been combined in the above write-up of the Audit Issue.

Transportation (fleet) overhead includes costs that are accumulated in the transportation clearing account. Fleet charges such as maintenance and fuel charges are spread from a clearing account proportionately based on labor dollars. The entry for the fleet overhead allocation is credited to capitalized credits, account 922, and cleared to the qualifying jobs.

The capitalization of depreciation on construction vehicles to account 107 balance is appropriate under the guidance set forth by US GAAP standard ASC 360. The entry to capture the capitalization of vehicle depreciation used in construction activities is a debit to CWIP, account 107 and a credit to depreciation expense account 403. Thus, the depreciation expense is not overstated and the Accumulated Depreciation is not understated.

Audit Comment

As acknowledged by Liberty in response to Audit Issue #7, the Company must comply with FERC for regulatory purposes.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: September 30, 2020

AT (OFFICE): NHPUC

FROM: James Schuler, Examiner

SUBJECT: Liberty Utilities (Granite State Electric) Corp.
2019 Storm Fund Report, DG 06-107
FINAL Audit Report

TO: Tom Frantz, Director Electric Division
Rich Chagnon, Assistant Director
Kurt Demmer, Utility Analyst IV

INTRODUCTION

Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty, herein referenced as GSE or the Company, filed its annual Storm Fund report for calendar year 2019 on March 30, 2020 as filed in docket DG 06-107.

Attachment 1 of the filing provides an overview of the (over)/under collection of storm related funds at Liberty and the activity which occurred during 2019. The activity for the year is summarized as follows:

Beginning Balance 1/1/19	\$ (1,617,466)
Base Rate Contribution	\$ (1,500,000)
SRF Factor	\$ -
Prior Period Adjustments	\$ 56,656
Monthly Interest	\$ (62,910)
Storm Charges	<u>\$ 1,915,458</u>
2019 Ending Balance	\$ (1,208,263)

Beginning and Ending Balances

Audit verified that the 2018 ending balance of \$1,617,466 agrees with the 2019 beginning balance shown on attachment 1, page 1 of 1 of the 2019 annual Storm Fund Report. Filing schedules provided by GSE include a monthly breakdown of expenses by storm, storm fund activity by month broken down by description, and individual storms with expenses categorized by description and month.

Repeat Audit Issue #1

Capitalizing Fleet Depreciation

Background

The Capitalized Fleet overhead represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD. The Company now includes the Capitalized Fleet overhead within the BRD burden allocation. The Capitalized fleet represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD.

Audit Issue

An **Audit Issue** included within the DE 19-064 rate case audit report indicated that the Company began capitalizing a portion of depreciation expense associated with fleet assets through inclusion of the result within the BRD burden applied to capital jobs.

The Capitalized fleet represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD. The BRD applies to capitalized jobs, thus not to the Storm deferral account.

“The transportation (fleet) overhead and the vehicle depreciation capitalization on construction vehicles are two distinct transactions which appear to have been combined in the above write-up of the Audit Issue.”

Transportation (fleet) overhead includes costs that are accumulated in the transportation clearing account. Fleet charges such as maintenance and fuel charges are spread from a clearing account proportionately based on labor dollars. The entry for the fleet overhead allocation is credited to capitalized credits, account 922, and cleared to the qualifying jobs.

The capitalization of depreciation on construction vehicles to account 107 balance is appropriate under the guidance set forth by US GAAP standard ASC 360. The entry to capture the capitalization of vehicle depreciation used in construction activities is a debit to CWIP, account 107 and a credit to depreciation expense account 403. Thus, the depreciation expense is not overstated and the Accumulated Depreciation is not understated.

The Company has stated in the current audit response that this is still being done.

Audit Recommendation

The Company should not be capitalizing a portion of the depreciation expense, and should quantify the impact and adjust the filing. As acknowledged by Liberty in response to the previous Audit Issue, the Company must comply with FERC for regulatory purposes.

Company Response

The Company repeats its prior response and, with regard to compliance with the FERC Chart of Accounts, the Company asserts that it is in compliance and supplements that prior response as follows:

The FERC Chart of Accounts specifically provides for the capitalization of depreciation expense in item 3 “Components of Construction Cost” of the Electric Plant Instructions:

(5) Special machine service includes the cost of labor (optional), materials and supplies, *depreciation*, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, ditchers, scrapers, material unloaders, and other labor saving machines; also expenditures for rental, maintenance and operation of machines of others. It does not include the cost of small tools and other individual items of small value or short life which are included in the cost of materials and supplies. (See item 3, above.) When a particular construction job requires the use for an extended period of time of special machines, transportation or other equipment, the net book cost thereof, less the appraised or salvage value at time of release from the job, shall be included in the cost of construction. (Emphasis added)

The Audit Staff’s implication that Liberty apparently agreed with this recommendation in response to the DE 19-064 Audit Report and that it would comply with the FERC accounting guidance did not relate to the subject of this Audit Issue. The Company maintains that it has been and continues to be in compliance with the FERC Chart of Accounts.

Audit Comment

Because the FERC information above relates to the maintenance, operation and use of special machines, or the extended use of cars, trucks or trailers (transportation equipment), Audit reiterates the issue that inclusion of a portion of the depreciation expense for fleet assets in the BRD burden rate, for capitalization on a pro rata basis, should not be done in the manner outlined.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 2

Date Request Received: 10/27/20
Request No. Staff 2-23

Date of Response: 11/10/20
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Labor Costs—Employees. Please provide the budgeted and actual number of full-time equivalent employees for the test year and the three preceding calendar years. Provide the data by functional areas where available, by exempt and nonexempt, or management and non-management, as may be appropriate.

RESPONSE:

The Company does not budget by headcount for the individual operating companies. Many employees provide services to multiple operating companies, so developing a budget based on headcount for each of those companies would be problematic. In addition, with the creation of the East regional group beginning in 2017 and many employees having a regional focus, it would be extremely difficult to draw meaningful comparisons looking back over those years. See Attachment Staff 2-23.xlsx for the actual number of full-time employees by functional area and by employee group category from 2016–2019, including any positions that may have been vacant throughout the year.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities

DG 20-105
Distribution Service Rate Case

Staff Data Requests - Set 2

Date Request Received: 10/27/20
Request No. Staff 2-22

Date of Response: 11/10/20
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Labor Costs—Incentive Compensation:

- a) Please provide a list of all incentive compensation plans and who is eligible to participate in each.
- b) Please provide a copy of the plan documents for each such plan. If any plan was changed in the last three years, provide a copy of the plan for each year.
- c) Please provide the incentive amounts awarded and amount paid in the test year and each of the three preceding calendar years.
- d) Please provide the scorecards or calculations used to determine the achievement of goals and payouts under the incentive compensation plans for which a portion of the plan expense is included in the unadjusted and/or the adjusted test year.

RESPONSE:

- a) Please see the following pages of the Company's filing for current plan documents:
 - Short-Term Incentive Plan (Bates I-122 through I-126)
 - Shared Bonus Pool (Bates I-127 through Bates I-130)
 - Long-Term Incentive Plan(a/k/a Performance and Restricted Share Unit Plan) (Bates I-131 through Bates I-151)

Eligibility for each plan is described in each document.

- b) Please see Attachment Staff 2-22.b.1.zip for copies of the Short-Term Incentive and Shared Bonus Pool plan documents in effect 2016 through 2018. The LTIP referenced in a) above has been in effect since June 8, 2017. The LTIP that was in effect March 6, 2014, through June 7, 2017, is included in Attachment Staff 2-22.b.2.
- c) The amounts recorded each calendar year for LTIP and Bonus /STIP do not tie to the payouts. The Company accrues to end the year using the best available estimate and

Docket No. DG 20-105 Request No. Staff 2-22

trues up or down the following year. Recorded incentive amounts included in the general ledger for 2016 through 2019 are shown below:

	2016	2017	2018	2019
Bonus	959,223.28	754,738.63	1,942,636.58	1,116,723.81
LTIP	81,580.78	234,810.58	229,828.96	252,311.19
Total	1,040,804.06	989,549.21	2,172,465.54	1,369,035.00

The “Bonus” line above includes both the Shared Bonus Pool and the Short Term Incentive Plan.

- d) Please see Attachment Staff 2-22.d.1 for the 2018 Goal Point Build Up for the East Region and Attachment Staff 2-22.d.2 for the 2018 APUC Scorecard Results.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 20-105
Distribution Service Rate Case

Staff Technical Session Data Requests - Set 3

Date Request Received: 2/8/21
Request No. Staff TS 3-24

Date of Response: 2/24/21
Respondent: David Simek
Kenneth Sosnick

REQUEST:

Property Tax Recovery Mechanism. Reference N.H. Rev Statute § 72:8-d and -e, Schedule RR-EN-3-7, and Direct Testimony of Steven E. Mullen, pages 13–15.

- a. Schedule RR-EN-3-7 includes state property taxes on lines 77, 78, 79, 84, and 85. For the following line items, specify whether the tax is local or state property tax. If state property taxes are included, please provide a breakout between the state and local amount.
 - i. Line 80 Keene – \$88,959
 - ii. Line 81 Keene – \$16,276
 - iii. Line 82 R&M REALITY – \$10,633
 - iv. Line 83 Keene Propone – \$41,332
- b. The statute relates to a recovery mechanism associated with local property taxes. Please explain how the Company will isolate local taxes from state property taxes in its Property Tax Recovery Mechanism.
- c. Please confirm that the Company intends to use the amount reflected on Schedule RR-EN-3-7 as the base line for recovery through the Property Tax Recovery Mechanism.
- d. Please provide a breakout of the “utility company assets” and “non-utility company assets” as defined by the statute that are included on Schedule RR-EN-3-7.

RESPONSE:

- a. Lines 80 through 83 on Schedule RR-EN-3-7 represent local tax.
- b. As stated on Bates II-207 of Mr. Mullen’s testimony beginning on line 19,

“the Company proposes a full property tax recovery mechanism that each year compares the most recent municipal and state property tax bills to the amount currently collected in distribution rates. Such a mechanism would be simple to implement, administer, and verify, and would be

consistent with the letter and spirit of the cost recovery contemplated in the law.”

Please refer to Mr. Mullen’s testimony for the reasoning supporting the Company’s proposal.

- c. As described on Bates II-207 of Mr. Mullen’s testimony, the mechanism would compare the most recent municipal and state property tax bills to the amount currently collected in distribution rates. The amount “currently collected in distribution rates” would be represented on Schedule RR-EN-3-7 (Bates II-146). The Company notes that the amounts currently on that page are subject to change as a result of the Corrections and Updates filing to reflect items that arose during the audit and discovery processes.
- d. Please refer to Attachment Staff TS 3-24 for classification between “Utility Company Assets” and “Non-utility Company Assets.”

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Attachment Staff TS 3-24
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Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 7
Property Tax

Line	Municipality	Parcel	Tax Year 2019			Classification
			Installment #1	Installment #2	Total Due	
1	Allenstown	0400-001	\$ 30,526	\$ 32,637	\$ 63,163	Utility Company Assets
2	Amherst	002-033-008	48,942	47,884	96,826	Utility Company Assets
3	Amherst	002-033-007	4,171	4,081	8,252	Utility Company Assets
4	Auburn	000001/000001/000UTL	604	743	1,347	Utility Company Assets
5	Bedford	1-1-A	45,894	59,286	105,180	Utility Company Assets
6	Belmont	999-000-000-001	21,788	20,272	42,060	Utility Company Assets
7	Berlin	000404-000051 0000L1	10,810	11,418	22,228	Utility Company Assets
8	Boscawen	000099-000002-000000	10,906	12,263	23,169	Utility Company Assets
9	Bow	0-9-99	71,941	78,266	150,207	Utility Company Assets
10	Canterbury	000000-000002-000000	3,726	2,682	6,408	Utility Company Assets
11	Derry	35-102	37,832	57,824	95,656	Utility Company Assets
12	Franklin	000-001-00	44,651	47,057	91,709	Utility Company Assets
13	Gilford	210-002 000	53	70	123	Utility Company Assets
14	Gilford	210-003 000	49	67	116	Utility Company Assets
15	Gilford	210-004 000	47	65	112	Utility Company Assets
16	Gilford	210-005 000	49	67	116	Utility Company Assets
17	Gilford	200-003 000	3,336	3,954	7,290	Utility Company Assets
18	Goffstown	99-4-2	29,805	48,006	77,811	Utility Company Assets
19	Goffstown	99-4-1	2,780	(478)	2,302	Utility Company Assets
20	Hollis	056-027-001	2,647	2,614	5,261	Utility Company Assets
21	Hooksett	0GAS-0001	148,146	139,528	287,674	Utility Company Assets
22	Hooksett	0036-0041-0001	3,009	2,834	5,843	Utility Company Assets
23	Hudson	100-006-000	191,528	179,829	371,357	Utility Company Assets
24	Hudson	167-030-000	788	807	1,594	Utility Company Assets
25	Hudson	167-029-000	752	770	1,522	Utility Company Assets
26	Laconia	425/44/83/1	119,581	134,274	253,855	Utility Company Assets
27	Litchfield	000UTL-000UTL-000001	10,892	11,171	22,063	Utility Company Assets
28	Londonderry	81-7-0	221,407	232,117	453,524	Utility Company Assets
29	Londonderry	81-14-0	19,889	19,464	39,353	Utility Company Assets
30	Loudon	000070-000004-000000	112,584	121,342	233,926	Utility Company Assets
31	Manchester	0999A-0075	992,725	1,031,464	2,024,189	Utility Company Assets
32	Manchester	0752-0001	22,843	24,254	47,097	Utility Company Assets
33	Manchester	0508-0002A	72	76	148	Utility Company Assets
34	Manchester	0394-0004	310	329	639	Utility Company Assets
35	Manchester	0471-0008	529	562	1,091	Utility Company Assets
36	Merrimack	006D-3-000000-000000	180,814	180,650	361,464	Utility Company Assets
37	Milford	036-183-000-000	884	690	1,575	Utility Company Assets
38	Milford	055-007-000-000	56,819	63,292	120,111	Utility Company Assets
39	Nashua	0039-00026	2,676	2,681	5,357	Utility Company Assets
40	Nashua	0038-00063	88	93	181	Utility Company Assets
41	Nashua	0038-00020	139	146	285	Utility Company Assets
42	Nashua	0041-00011	1,122,729	1,037,077	2,159,806	Utility Company Assets
43	Nashua	0000PC-00005	62,561	26,914	89,475	Utility Company Assets
44	Northfield	000999-000001-000001	33,990	35,226	69,216	Utility Company Assets
45	Pembroke	999-11	774,000	51,160	825,160	Utility Company Assets
46	Sanborton	00 003 000 000	1,156	1,969	3,125	Utility Company Assets
47	Tilton	000R23-000013-000000	110,104	108,282	218,386	Utility Company Assets
48	Tilton	000R23-000014-000000	13,102	11,615	24,717	Utility Company Assets
49	Concord	109/1/2	\$ 8,484	\$ 8,275	\$ 16,759	Utility Company Assets
50	Concord	109/1/2	8,484	8,275	16,759	Utility Company Assets
51	Concord	109/1/3	601	586	1,188	Non-utility Company Assets
52	Concord	109/1/3	601	586	1,188	Non-utility Company Assets
53	Concord	109/1/4	6,954	6,783	13,737	Utility Company Assets
54	Concord	109/1/4	6,954	6,783	13,737	Utility Company Assets
55	Concord	109/2/1	338	330	668	Utility Company Assets
56	Concord	109/2/1	338	330	668	Utility Company Assets
57	Concord	109/2/3	619	604	1,223	Utility Company Assets
58	Concord	109/2/3	619	604	1,223	Utility Company Assets
59	Concord	109/2/4	978	954	1,932	Non-utility Company Assets
60	Concord	109/2/4	978	954	1,932	Non-utility Company Assets
61	Concord	NO00/1/13	1,326	1,293	2,619	Utility Company Assets
62	Concord	NO00/1/13	1,326	1,293	2,619	Utility Company Assets
63	Concord	P000/1/6	228	236	464	Utility Company Assets
64	Concord	P000/1/6	228	236	464	Utility Company Assets
65	Concord	P000/1/3	30,567	37,111	67,678	Utility Company Assets
66	Concord	P000/1/3	30,567	37,111	67,678	Utility Company Assets

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Attachment Staff TS 3-24
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Liberty Utilities (EnergyNorth)
Adjustments to Test Year
Adjustment 7
Property Tax

Line	Municipality	Parcel	Tax Year 2019			Classification
			Installment #1	Installment #2	Total Due	
67	Concord	NO00/1/2	319,552	370,457	690,009	Utility Company Assets
68	Concord	NO00/1/2	319,552	370,457	690,009	Utility Company Assets
69	Concord	202Z/21	276	269	545	Non-utility Company Assets
70	Concord	202Z/21	276	269	545	Non-utility Company Assets
71	Concord	26/1/6	1,912	1,865	3,777	Utility Company Assets
72	Concord	26/1/6	1,912	1,865	3,777	Utility Company Assets
73	Concord	494Z/3	315	307	621	Utility Company Assets
74	Concord	494Z/3	315	307	621	Utility Company Assets
75	Concord	109/2/4/A	6	6	12	Utility Company Assets
76	Concord	109/2/4/A	6	6	12	Utility Company Assets
77	State of NH	TRUE UP		230,708	230,708	Utility Company Assets
78	State of NH	NH DRA 1-2	605,067	605,067	1,210,134	Utility Company Assets
79	State of NH	NH DRA 3-4	605,067	605,067	1,210,134	Utility Company Assets
80	Keene	583038000001000	45,598	43,361	88,959	Utility Company Assets
81	Keene	116039000000000	8,012	8,264	16,276	Non-utility Company Assets
82	R&M REALTY	582014000000000	5,249	5,385	10,633	Utility Company Assets
83	Keene Propane	047020020000	21,051	20,281	41,332	Utility Company Assets
84	State of NH	NH DRA 1-2	3,858	3,858	7,716	Utility Company Assets
85	State of NH	NH DRA 3-4	3,858	3,858	7,716	Utility Company Assets
86	Total		\$ 6,616,745	\$ 6,231,399	\$ 12,848,143	
87	Pro Forma Property Tax		\$ 12,848,143			
88	Less Amount for Non-Utility Property		-			
89	Property Tax expense, Test Year		\$ 12,404,863			
90	Increase (Decrease) in Property tax expense		\$ 443,281			