

CONFIDENTIAL**STATE OF NEW HAMPSHIRE****Intra-Department Communication****DATE:** February 18, 2022

FROM: Sean Courtois, Division of Enforcement, Audit Staff

SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty-Keene Division
DG 21-050, 2021 Summer Cost of Gas Reconciliation
Final Audit Report CONFIDENTIAL

TO: Thomas Frantz, Director, Regulatory, NH Department of Energy
Mary Schwarzer, Attorney, NH Department of Energy

Introduction

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty - Keene Division, a public utility providing propane gas to customers in Keene, NH filed its summer cost of gas (COG) reconciliation for the period May 2021 – October 2021 in docket DG 21-050 on January 7, 2022.

On 4/30/2021 Commission Order 26,475 in docket DG 21-050 approved the 2021 summer Cost of Gas rates. The Order also requires the Company to adequately track the incremental costs associated with CNG as the Company introduces fuels other than propane such as CNG/LNG. The determination of the conversion of the Keene system from propane- air to CNG/LNG and associated incremental costs was to be determined in the DG 20-105 rate case. The filing did not include production costs during the summer 2021 season. The recoupment of production costs will be decided during the current DG 20-105 EnergyNorth rate case.

On 5/14/2021 the Commission Order 26,480, in docket DG 20-152, disallowed recovery of the \$270,816 August 2017-September 2019 historic CNG Demand charges. On 7/12/2021 the Commission Order 26,498 denied the Company's request for a rehearing of Order 26,480.

On 7/30/2021 the Commission Order 26,505, in docket DG 20-105, approved the Settlement Agreement filed with the Commission on 6/30/2021, with two specific conditions. The first conditions relates to the \$856,864 estimated rate case expenses that are subject to review and approval by the Commission. The second condition relates to the plant in service

CONFIDENTIAL

costs booked during 2020 in the first step adjustment. The Company had sought implementation of the step adjustment charges in the August 1, 2021 distribution rates. The Order requires the Company to submit more detail on the plant projects as required in the second step adjustment. The Order requires a hearing on the prudence of the first step adjustment costs to be conducted. Lastly, any effective date with the revenue requirement associated step adjustment can be implemented no sooner than 30 days from the date the request is filed. The Order also indicates a separate Order regarding the recovery of the Granite Bridge costs will be issued, as those charges were not part of the Settlement Agreement.

Audit appreciates the timely assistance of Cathy McNamara, Rates Analyst II, and Sue- Ellen Billeci, Senior Accountant at Liberty Utilities (New Hampshire).

Summary of DG 20-105 EnergyNorth Settlement Agreement Regarding Keene

Incremental Gas Costs

On June 30, 2021 the DG 20-105 EnergyNorth rate case Settlement Agreement was filed with the Commission, with Section 7 that relates to Keene. The Commission Order 26,505 issued on July 30, 2021 approved the Settlement Agreement. The Settlement Agreement indicates the Company may recover one-half of incrementally higher CNG costs compared to the propane supply cost from October 1, 2019 - October 31, 2021 to be recovered over a one year period in the next Keene cost of gas filing, either in the summer or winter period, consistent in which the incremental costs were originally incurred. The Company is required to include these costs in the upcoming winter 2021-2022 cost of gas filing. The Appendix 4 in the Settlement Agreement included the \$294,268 estimated October 2019 - October 2021 incremental gas costs. The summer 2021 incremental costs were estimated because the current summer season is not over yet. The winter 2020-2021 winter incremental are also estimated because when the calculations were done for the Settlement Agreement the Company estimated the costs for March and April 2021. The Company on the winter 2020-2021 reconciliation included \$44,016 incremental gas cost savings to be compared to the spot price of propane. The Company is authorized to recover 50% or \$22,008 of these costs.

Beginning November 1, 2021, the Company is authorized to recoup one half of the incrementally higher CNG supply costs relative to the propane supply cost going forward. The Company, in Appendix 5 of the Settlement Agreement, is required to submit a reconciliation in the summer and winter seasons comparing the CNG supply costs/savings. The Company must allocate 75% of the CNG demand costs to the winter season and 25% to the summer season.

Keene Conversion and Expansion

Section 7.2 of the Settlement Agreement indicates that phase 1 of the Keene expansion consists of installation of temporary CNG facility, conversion of propane-air customers at the Monadnock Marketplace to natural gas, and the acquisition of customers at any additional premises not currently physically connected to the gas utility system in Keene who would be served by both the existing CNG temporary facility and through the existing mains.

CONFIDENTIAL

The Company is authorized to recover the phase 1 costs in the second step adjustment (this excludes the cost of Production Avenue Land). The Company reserves the right to seek recovery of the Production Avenue land in the future. The settlement agreement indicates recovery associated with the revenue requirement in the second step adjustment on August 1, 2022. The settlement agreement further indicates phase 2 shall not be implemented until the conditions specified in Commission Order 26,122 issued on April 27, 2018 are met. That Order was issued in docket DG 17-048, the Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities, 2016 test year rate case docket.

Production Costs

The Commission Order 26,505 approved the revenue requirement of the Settlement Agreement in section 11.2 that authorizes \$208,129 of approved production costs to be recovered. The Company indicated the production costs will be recorded each month for 6 winter months in November 2021-April 2022 via a journal entry done by the accounting department. Going forward the production cost are included in the distribution base rates.

Reported Summary

Below is a summary of the 2021 Summer Cost of Gas reconciliation as filed in the docket DG 21-050 on 1/7/2022:

CONFIDENTIAL

Beginning Over-collection (Current Period)	\$ (488)
Direct Propane Purchased Costs	\$ 354,995
Propane Cost Adjustments	\$ (1)
Total Propane Costs	\$ 354,993
Direct CNG Purchased Costs	
CNG Demand Charges	
CNG Accounting Adjustment	
Total CNG Costs	\$80,504
Total CNG and Propane Costs	\$ 435,497
Total Billed Revenues	\$(380,517)
Unbilled Revenues	\$ (38,328)
Total Revenues	\$(418,845)
Interest Expense	\$ (87)
Ending Under-collection	\$ 16,078

May 1, 2021 Beginning Balances per the Filing and General Ledger

The (\$488) May 1, 2021 over-collection beginning balance on the filing does not match the \$15,349 under-collection ending balance on the 2020 Summer COG per the prior period Audit report. The main reason was that prior to October 2019 the Company was not authorized to recover CNG costs on the filing schedule but still had to account for them on the deferral account. The Company is authorized Per Commission Order 26,505 that approved the EnergyNorth Settlement Agreement in DG 20-105 to recover incremental CNG costs per the terms of the agreement starting in the 2021-2022 winter cost of gas filing schedules. The other reason included a February 2021 (\$30,255) marketers' basis correcting entry that was identified as Audit Issue #1 in the summer 2020 Final Audit Report. The Company in the Audit Issue did not allocate the CNG marketers between the winter and summer season correctly for October 2019 to June 2020. The remaining amounts relate to November 2020-April 2021 GL activity.

Prior Summer Audit Report Ending Balance	\$ 15,349 under-collection
Prior Audit Report Feb. 2021 Correcting entry	\$ (30,255)
November 20-April 2021 CNG Demand costs	\$ [REDACTED]
November 20-April 2021 Collections	\$ [REDACTED]
Unbilled Revenue	\$ 30,257
Interest November 2020-April 2021	\$ 175
Filing May 1, 2021 Beg. Bal.	\$ (\$488) over-collection

CONFIDENTIAL

The November 2020-April 2021 activity consisted of deferred interest, an unbilled commodity reversal from October 2020, CNG demand charges allocated 20% to the summer season, gas supply collections, an Audit correction done in February 2021 correcting October-June 2020 marketers allocation adjustments between the winter and summer seasons.

Revenue \$418,845

Audit reviewed the revenue for the period and the reported cost of gas rates for the non-fixed price option (non-FPO) for compliance with Order 26,475 in DG 21-050, issued on 4/30/2021. Specifically, the Non-FPO was initially set at \$1.1821. The maximum rate allowed was \$1.4776 per therm. The rates were the same for Commercial and Industrial, and residential. The following tariff pages were submitted for rate changes:

The following tariff pages were reviewed for the Non-fixed Price Option:

- 31st Revised Page 85 The Non-fixed Price Option was changed to \$1.1821 effective 5/1/2021.
- 32nd Revised Page 85 The Non-fixed Price Option was changed to \$1.2665 effective 6/1/2021.
- 33rd Revised Page 85 The Non-fixed Price Option was changed to \$1.4680 effective 7/1/2021.
- 1st revised 88 The Non-fixed Price Option was changed to \$1.3440 effective 9/1/2021.
- 2nd revised 88 The Non-fixed Price Option was changed to \$1.2389 effective 10/1/2021.

The chart below summarizes the total gas revenue as they appear on the filing May-October 2021:

CONFIDENTIAL

<u>Line</u>	<u>Revenue Item</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>Total</u>
18	Billed FPO Sales (therms)	0	0	0	0	0	0	0
19	COG FPO Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	FPO Revenues Total (line 18*line 19)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21	Billed Non-FPO Sales (therms) current Month	48,984	35,352	35,014	42,924	33,670	36,773	232,717
22	COG Non-FPO Rate current month	\$ 1.1821	\$ 1.2665	\$ 1.4680	\$ 1.4680	\$ 1.3440	\$ 1.2389	
23	Current Month Billed Revenues Total (line 22*line 23)	\$ 57,904	\$ 44,773	\$ 51,401	\$ 63,012	\$ 45,252	\$ 45,558	\$ 307,900
24	Billed Non-FPO Sales (therms) prior month	0	20,254	10,455	0	11,164	13,695	55,568
25	COG Non-FPO Rate prior month	\$ -	\$ 1.1821	\$ 1.2665	\$ 1.4680	\$ 1.4680	\$ 1.3440	
26	Prior Month Billed Revenues Total (line 24*line25)	\$ -	\$ 23,942	\$ 13,241	\$ -	\$ 16,389	\$ 18,406	\$ 71,978
27	Billed Sales Other Prior Periods (Therms)	0	(1)	546	13	(31)	8	535
28	COG Other Prior Periods Blended rate	\$ -	\$ 0.8000	\$ 1.1821	\$ 1.2300	\$ -	\$ 1.3057	
29	Other Billed Revenues Totals (line 26*line 27)	\$ -	\$ (1)	\$ 645	\$ 16	\$ (33)	\$ 11	\$ 638
30	Total Sales Therms (line 18+line 21+line 24+line27)	48,984	55,605	46,015	42,937	44,803	50,475	288,819
31	Total Billed Revenues (line 19+line 22,+line 25+line 28)	\$ 57,904	\$ 68,715	\$ 65,287	\$ 63,028	\$ 61,608	\$ 63,974	\$ 380,517
32	Unbilled Revenues (NET)	\$ 18,316	\$ (10,435)	\$ 6,034	\$ 2,302	\$ 3,649	\$ 18,461	\$ 38,328
33	Total Revenues (line 30+ line 31)	\$ 76,220	\$ 58,280	\$ 71,322	\$ 65,330	\$ 65,257	\$ 82,435	\$ 418,845

Note: Lines 18, 24, and 27 do not include the May-October 2021 therms used in the Total Column on the actual filing because the Company accidentally left them out. Audit has included the totals for presentation purposes only. The total 288,819 total sales therms are correct for May-October 2021.

Gas Cost Deferral account to Filing

Gas Supply Collections	(\$380,517)
Unbilled Commodity Cost	(\$114,528)
Unbilled Commodity Reversal	<u>\$76,200</u>
Total Revenue	(\$418,845)

Audit verified the \$(418,845) in May-October 2021 revenue in the deferral account 8843-2-0000-10-1920-1741 RA-COG Costs-summer 2020 to the filing listed above. Audit reviewed the monthly Cogsdale billing reports for May-October 2021 for billed revenue and total therms.

The Cogsdale billing reports matched line 30- 288,819 total therms sales and line 31- \$380,517 total billed revenue. The Cogsdale billing reports appear to have been calculated correctly. Audit reviewed the \$38,328 unbilled revenue journal entries and verified the unbilled revenue calculations were correctly done without exception.

Gas Supply Collections \$(418,845) Per the Filing

April FPO Sales	\$ 0
Billed Non-FPO Sales Prior	\$ (71,978)
Billed Non-FPO Current	\$(307,900)
Billed Sales Other	\$ (638)

CONFIDENTIAL

Unbilled Revenue \$ (38,328)
 \$(418,845)

April FPO Sales Lines 18-20 \$0

This represents the April 2021 fixed price option. The account activity for these line items is associated with true up of different customers on different billing cycles from the winter period. There was no activity on this line item on the filing.

Billed Non-FPO Sales Current Month Line 21-23 \$(307,900)

These line items represent the current month non-fixed price option therms and associated monthly cost of gas rate. Audit verified the monthly therm rate and total monthly therms were calculated correctly.

Billed Non-FPO Sales Prior Month Lines 24-26 \$(71,978)

These line items represent the non-fixed price option billed in the prior month starting with April 2021. Audit verified the subsequent month COG rate and therms used were calculated correctly.

Billed Sales Other Periods Lines 27-29 \$(638)

These line items represent adjustments for billed sales during other COG periods. The adjustments were a credit of \$638.

Total Sales Line 30 - 288,819 Therms

This line item represents the total May-October 2021 total therms used. Lines 18, 24, and 27 do not include the May-October therms used in the Total Column. Audit verified the 288,819 therms for May-October 2021 was calculated correctly on line 30.

Total Billed Revenues Line 31 \$380,517

This line represents the \$380,517 May-October 2021 total billed revenue.

CONFIDENTIAL

Unbilled Revenue Line 32 \$(38,328)

This line represents the May-October 2021 total unbilled revenue, and is the net of the

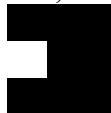

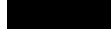
Unbilled Commodity Cost	\$(114,528)
Unbilled Commodity Reversal	<u>\$76,200</u>
	\$(38,328)

Total Revenue Line 33 \$(418,845)

This line represents the total unbilled revenue and total billed revenue totals from May-October 2021 which were verified to Cogsdale Billing Reports.

Total Gas Costs \$435,497

The Chart below summarizes the total gas costs as they appear on the filing:

<u>Category</u>	<u>Cost</u>	<u>Filing Location</u>
Total Direct Propane Purchased Costs	\$354,995	Lines 1-5
Propane Adjustments	<u>\$ (1)</u>	Line 6
Total Propane Costs	\$354,993	Line 7
Total Direct CNG Commodity		Line 8-12
Accounting Adjustment		Line 13
CNG Demand Charges		Line 14
Total CNG Costs	\$80,504	Line 15
Total CNG/Propane Costs	\$435,497	Line 16

Note: Line 17 not have any charges as the FPO premium/Return on Inventory relates to the winter season.

As noted in the reconciliation of the DG 21-050 filing, the following costs for therms sold and associated dollar amount per Total Direct Propane Purchased Costs were identified in the filing. The calculation below was derived from lines 1-4 of the filing and recalculated by Audit. The total cost per therm sendout is derived by calculating the monthly therm sendout by the cost per therm. The filing states Direct Propane Purchased Costs are \$354,995. Audit did verify and recalculate the 261,462 therms used were correctly calculated. Audit also verified this to the monthly deferral account master file inventory reconciliation accounts 8843-2-0000-52-5541-8040 Natural Gas City Gate Purchases, 8843-2-0000-52-5541-8042 Gas Cost Deferral, 8843-2-0000-52-5541-8041 Natural Gas Demand Charges-Transportation, and the summer deferral account 8843-2-0000-10-1920-1741.

The chart below summarizes Lines 1-5 Direct Propane Purchased Costs:

CONFIDENTIAL

	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sep-21</u>	<u>Oct-21</u>	<u>Total</u>
Cost Per therm	\$1.1069	\$1.1869	\$1.3619	\$1.4048	\$1.4683	\$ 1.6086	
Firm Sendout	53,597	35,631	33,968	34,798	36,898	54,942	249,834
	\$59,328	\$42,288	\$46,261	\$48,883	\$54,177	\$ 88,378	\$ 339,315
Company Use	2,469	1,809	1,807	1,634	1,750	2,159	11,628
	\$ 2,733	\$ 2,147	\$ 2,461	\$ 2,295	\$ 2,570	\$ 3,473	\$ 15,679
Total Therms	56,066	37,440	35,775	36,432	38,648	57,101	261,462
Total costs	\$62,060	\$44,436	\$48,722	\$51,179	\$56,747	\$ 91,851	\$ 354,995

Propane Cost Adjustments Line 6, (\$1)

This line represents May-October 2021 monthly propane cost adjustments. There was a net (\$1) in May-October 2021 summer adjustments. The adjustments took place in June and July 2021.

Total Cost of Propane Line 7 \$354,993

This line item represents the rounded total \$230,555 cost of propane for the summer 2021 season. The total is different by (\$1) that is due to summer 2021 propane cost adjustments.

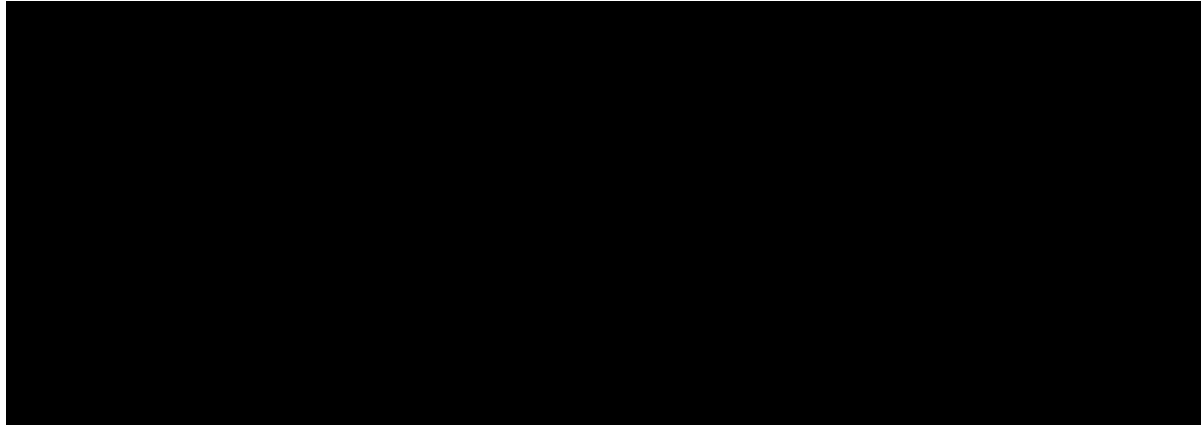
CNG Commodity Costs- Lines 8-12 \$65,780

These line items represent the net \$65,780 May-October 2021 weighted average cost of CNG commodity charges. Lines 8-10 represent the total 70,864 CNG send out therms that were used during the 2021 summer season. The Company on line 10 for May 2021 did not foot the total CNG send out therms correctly. The Company accidentally subtracted line 9 company use therms rather than add them. As a result, line 10 indicates there are 14,022 total send out therms for May 2021 rather than the correct 14,216 total send out therms. The total 70,864 summer CNG send out therms is understated by 194 therms and instead should be 71,058. The Company provided Audit with an updated Excel spreadsheet of the filing showing the correction. **Audit Issue #1**

Lines 11 and 12 of the filing represent the weighted average cost per therm for CNG and the total weighted average cost of CNG for May-October 2021. The calculated weighted average cost of CNG for summer 2021 is \$65,780 per the filing. The Company on line 12 did not include the 502 total company use therms on line 9 of the filing in the total calculation. As a result of not including the company use therms the weighted average CNG cost on the filing is understated by \$470 and instead should be \$66,250. The Company provided Audit with an updated Excel spreadsheet of the filing showing the correction **Audit Issue #1**

CONFIDENTIAL

The chart below represents the correct weighted average total cost of CNG per the updated Excel spreadsheet:



Accounting Adjustment Line 13, \$350

These are the \$350 monthly accounting timing adjustment entries related to CNG for May-October 2021. As a result of the Company not including the 502 total summer 2021 company use therms in the total \$65,780-line 12 total weighted average cost of CNG the accounting adjustment on line 13 is incorrect. The accounting adjustment line should be adjusted from \$350 to (\$120). This is a \$470 dollar difference based on the adjusted \$66,250 weighted average CNG costs on line 12 of the filing. The Company provided an updated Excel spreadsheet of the filing showing the correction. **Audit Issue #1**

<u>Accounting Adj.</u>	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sep-21</u>	<u>Oct-21</u>	<u>Total</u>
Per Filing	\$ 52	\$ 71	\$ 728	\$ (569)	\$ 45	\$ 22	\$ 350
Per Updated Excel Filing	\$ (30)	\$ 9	\$ 659	\$ (629)	\$ (34)	\$ (96)	\$ (120)
Difference	\$ 82	\$ 62	\$ 69	\$ 60	\$ 79	\$ 118	\$ 470

CNG Demand Charges Line 14, [REDACTED]

This line represents the CNG Demand Charges that were allocated to 75% winter and 25% for the summer season per Commission Order 26,475 that was issued on April 30, 2021. The Master Contract with Xpress Natural Gas was based on a [REDACTED] annual demand charge that expired on June 30, 2021. The annual demand charge allocation was [REDACTED] per month that allocated [REDACTED] to summer and [REDACTED] to winter. The Company allocated [REDACTED] each month for May-July 2021.

On July 1, 2021 a new contract became effective with Xpress Natural Gas that lowered the CNG annual Demand Charge to [REDACTED] per year on the signed contract. This changed the monthly CNG demand allocation to [REDACTED]. This means the monthly allocation was changed to [REDACTED] for summer 25% and [REDACTED] for winter 75%. The Company allocated [REDACTED] on the deferral account and filing for September and October 2021. The Company allocated only

CONFIDENTIAL

██████ for August 2021 that was due to \$313 credit as the Company over-allocated July 2021 as the annual demand charge had changed per the contract.

Total Calculated Cost of CNG Line 15, \$80,504

This line item represents the correct \$80,504 total spent on CNG commodity and demand charges during summer May-October 2021. The total CNG costs are correct, but the Company did not include the Company Use Per Therm on line 9 in the total weighted average cost of CNG in the total CNG cost on line 12. This is discussed in greater detail in **Audit Issue #1**.

Total Gas Costs Line 16= Line 7+ line 15 \$435,497

This line item represents the \$435,497 total spent on propane and CNG.

Gas Costs Deferral account to Filing

Total summer period deferred propane costs	\$354,993
Total summer CNG demand charges	\$14,374
Total summer CNG Deferred gas costs	<u>\$66,130</u>
Total summer CNG gas costs	\$80,504
Total summer gas costs	\$435,497

Audit verified the \$435,497 gas costs to the 8843-2-0000-10-1920-1741 RA-Summer COG deferral account for propane and CNG gas costs.

Bidding for Propane and CNG

On June 2, 2021 the Company signed a new Master Agreement with Xpress Natural Gas (XNG) that is effective July 1, 2021 for three years through July 1, 2024. Xpress Natural Gas is the current vendor for CNG. The contract indicates there are options for additional one year renewal terms on the same terms and conditions, unless terminated by either party on written notice delivered not less than 6 months prior to the expiration of the then-current delivery period. The contract included changes to the annual demand charges, CNG commodity price, service adder, and marketer's basis charge.

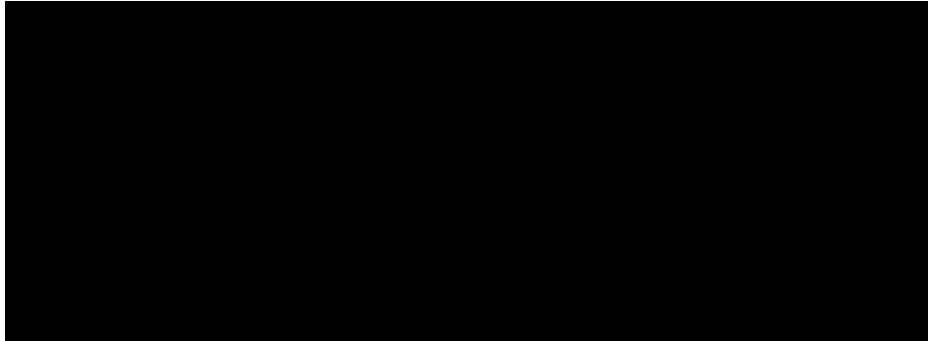
The Company received informal quotes for propane for the 2021 summer season. NGL Supply was chosen for propane, as they were noted by the Company to provide safe, reliable, service and were the lowest cost provider and have been used in the past. The Company refilled the Amherst propane storage facility. The propane is purchased for injection into storage, which is used for winter supply. Summer is the least expensive time to purchase propane. Ray Energy was selected as the least cost supplier to fill the storage tank.

Gas Supply Invoices

CONFIDENTIAL

Propane

Audit reviewed a list of deliveries and chose a selection spanning each month in the period. Liberty Keene has used NGL Supply Wholesale, LLC for the past several years for Propane. The Company purchases on the spot market. Audit selected a sample of actual expenses for review. Below is a summary of that review:



- 5/10/2021 [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of [REDACTED] for propane plus the PERC charge of [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 6/4/2021 \$ [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$ [REDACTED] for propane plus the PERC charge of [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 6/15/2021 [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of [REDACTED] for propane plus the PERC charge of [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 8/5/2021 [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of [REDACTED] for propane plus the PERC charge of [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 8/20/2021 [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of [REDACTED] for propane plus the PERC charge of [REDACTED] per gallon. Audit recalculated the invoice without exception.

CONFIDENTIAL

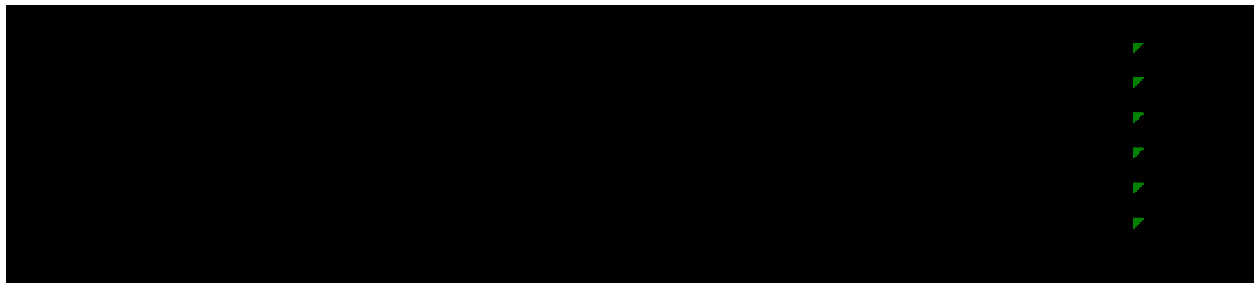
- 9/7/2021 [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of [REDACTED] for propane plus the PERC charge of \$ [REDACTED] per gallon. Audit recalculated the invoice without exception.

Compressed Natural Gas

Compressed Natural Gas is not delivered in similar fashion as propane. A CNG trailer is placed at the site and is metered daily. The CNG charges are incurred on a monthly metered volume that is recorded. The Company had a contract for CNG with Xpress Natural Gas that started on May 1, 2017 and ran through April 30, 2020. The contract included an annual demand charge of [REDACTED] or [REDACTED] per month over a 12-month period. The Company signed an amendment that extends the contract through June 30, 2021. The Company allocated the costs 75% to the winter season and 25% to the 2021 summer season. The CNG commodity charges are calculated using the AGT (Algonquin Gas Transmission) city gate price multiplied by volume. There is a fixed [REDACTED] service adder multiplied by volume, and finally a [REDACTED] monthly fixed marketers' charge times the volume.

On June 2, 2021 the Company signed a new Master Agreement with Xpress Natural Gas (XNG) that is effective July 1, 2021 for three years through July 1, 2024. Xpress Natural Gas is the current vendor for CNG. The contract indicates there are options for additional one year renewal terms on the same terms and conditions, unless terminated by either party on written notice delivered not less than 6 months prior to the expiration of the then-current delivery period. The new contract includes an annual demand charge of [REDACTED] or [REDACTED] per month over a 12-month period. The CNG commodity charges are calculated using the AGT city gate price multiplied by volume. The updated contract indicates is a fixed [REDACTED] service adder multiplied by volume, and finally a [REDACTED] monthly fixed marketers' charge times the volume.

The invoice summary chart below summarizes the CNG Commodity, marketers, and service adder fees invoice details as well as a separate line for the monthly CNG demand charges.



The figures below represent the marketers and service adder charges as they appeared on the invoices.

Marketers' Charges

CONFIDENTIAL

• May 2021		MBTU=\$1,779
• June 2021		MBTU=\$1,326
• July 2021		MBTU=\$1,395
• August 2021		MBTU= \$1,116
• September 2021		MBTU=\$1,305
• October 2021		MBTU= <u>\$1,592</u>
Total		\$8,513

Service Adder Charges

• May 2021		MBTU=\$7,044
• June 2021		MBTU=\$5,252
• July 2021		MBTU=\$5,459
• August 2021		MBTU= \$4,365
• September 2021		MBTU=\$5,108
• October 2021		MBTU= <u>\$6,228</u>
Total		\$33,456

Interest (\$87)

The originally reported interest expense of (\$87) was reviewed by Audit. The monthly figures represent the calculation of the average monthly General Ledger balance * interest rate divided by twelve. The calculated monthly figure is then rolled into the beginning balance for the next month. Keene provided supporting documentation for the interest without exception. The Company used the Federal Reserve Statistical Release of Selected Interest Rates to reflect the interest rate.

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Interest</u>
May-21	\$ (246.24)	3.25%	31	\$ (1)
Jun-21	\$ (1,128.83)	3.25%	30	\$ (3)
Jul-21	\$ (6,782.75)	3.25%	31	\$ (19)
Aug-21	\$ (13,298.78)	3.25%	31	\$ (37)
Sep-21	\$ (13,050.47)	3.25%	30	\$ (35)
Oct-21	\$ 2,620.64	3.25%	31	\$ 7
				<u>\$ (87)</u>

General Ledger

Audit reviewed the May-October 2021 Summer COG general ledger account reconciliation 8843-2-0000-10-1920-1741. Audit was able to verify and recalculate the gas supply collections, interest, deferrals, reversals, CNG Demand charges, adjusting entries,

CONFIDENTIAL

production costs and unbilled revenue costs on the general ledger. Audit reviewed a monthly reconciliation between the deferral account and the filing. The October 31, 2021 deferral ending balance is an under collection of \$16,080. This is an immaterial \$2 difference from the \$16,078 ending under collection on the filing.

Audit verified the cost of gas activity to the following accounts.

8843-2-0000-52-5541-8040 Natural Gas City Gate Purchases
8843-2-0000-52-5541-8041 Natural Gas Demand Charges-Transportation
8843-2-0000-52-5541-8042 Gas Cost Deferral
8843-2-0000-52-5543-8081 Natural Gas Withdrawn from Storage
8843-2-0000-52-5543-8082 Natural Gas Delivered to Storage
8843-2-0000-20-2110-2425 Gas/Power Purchases Accruals

8843-2-0000-40-4295-4803 Metered Sales Residential

8843-2-0000-40-4295-4814 Commercial and Industrial Sales Variable
8843-2-0000-40-4295-4815 Commercial and Industrial Sales Pass Through

Accruals which post at the end of a month to x-52-5541-8040, Purchases, are offset to the x-20-2110-2425, Accruals, then auto-reversed on the first day of the subsequent month. Commodity purchases which also post to account x-52-5541-8040 as they occur are offset to 8843-2-0000-20-2810-2606, Due to Liberty Energy New Hampshire. Entries to x-52-5541-8041, Transportation, are also offset to the Due to Liberty Energy New Hampshire account.

Withdrawals from or Delivery to Storage activity are offset to account 8843-2-0000-10-1380-1641, Fuel Stock Propane.

Monthly, the net expenses of the 804x accounts and 808x accounts are debited to account 8843-2-0000-10-1920-1741 and credited to 8843-2-0000-52-5541-8042, Gas Cost Deferral.

Summary

Beginning (Over)/Under Collection	\$ (488)
Revenue 5/2021-10/2021	\$(418,845)
Unbilled Revenue 5/2021-10/2021	\$ 38,328
Interest 5/2021-10/2021	\$ (87)
Total Propane Costs	\$ 354,993
Total CNG costs	<u>\$ 80,504</u>
Total Gas Costs	<u>\$ 435,497</u>
Total under-Collection	\$ 16,078 per filing

Based on a review of all supporting schedules, invoices, revenue details, and adjusting entries, Audit concur with the Company's \$16,078 ending under collection.

CONFIDENTIAL

Audit Issue #1

Incorrect CNG Costs on Filing Presentation

Background

The Company on the filing schedule made typographical errors that excluded the CNG company use total therms in the total calculated cost of CNG on the filing.

Issue

The Company on line 10 of the filing for May 2021 did not foot the total CNG sendout therms correctly. The Company subtracted the 97 company use therms rather than add them to line 10. As a result, the filing shows 14,022 therms for May 2021 rather than 14,216 therms. This also means the total May-October 2021 total sendout therms on line 10 are incorrect and instead should be 71,058 rather than 70,864.

The Company on line 12 of the filing the total calculated cost of CNG did not include the 502 total May-October 2021 company use therms in the calculation from line 9. As a result, the total calculated cost of CNG should be \$66,250 rather than \$65,780. This is a \$470 dollar difference. The Company also indicated because of these changes the total May-October 2021 \$350 accounting adjustments on line 13 will need to be changed from \$350 to (\$120). This is a \$470 dollar difference. The accounting adjustment is the monthly timing difference between the filing and actual charges booked. The Company further indicated while these are typographical errors the \$80,504 total May-October 2021 CNG cost on line 15 of the filing is not changing.

Recommendation

Audit understands that inclusion of the Company Use therms (line 9) increases the Total Calculated Cost of CNG (12). The Accounting Adjustment, line 13, changed by the mirror image, as line 13 represents the difference between the Calculated Cost and the invoiced cost booked to the general ledger. As a result, the overall Costs of Gas \$435,497 did not change. Audit recommends that the Company accurately include the Company Use going forward.

Company Response

The Company agrees with Audit recommendations and will accurately include the Company Use going forward.

Audit Response

Audit concurs with the Company.