

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** October 25, 2022

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

**SUBJECT:** Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty  
DE 22-035, Step Adjustment for Assets Placed in Service 2021  
Final Audit Report

**TO:** Tom Frantz, Director, Regulatory Division, NH Department of Energy  
Elizabeth Nixon, Assistant Director, Regulatory Division  
Jay Dudley, Utility Analyst, Regulatory Division  
Paul Dexter, Attorney, Department of Energy

### **Introduction**

A May 2020 Settlement Agreement in docket DE 19-064, approved by Commission Order 26,376 dated 6/30/2020, included on page 5, the details of the 2021 plant additions to be considered for a rate adjustment effective 7/1/2022:

*“Assuming the conditions described below are met, the Company shall be permitted to recover no more than \$1.8 million in additional annual revenue in the form of a third step increase in rates for 2021 capital additions in service as of December 31, 2021. With its April 6, 2021 step adjustment filing, Liberty shall provide a list of 2021 capital additions planned to be in service by December 31, 2021, and planned to be submitted for recovery in the third step increase effective July 1, 2022. Such 2021 capital additions shall be similar in nature to the 2019 and 2020 additions listed on Attachments 1 and 2 and shall not include growth related additions. This third step increase shall take effect for all services rendered on and after July 1, 2022, and shall be recovered through rate adjustments as described in Section II.F.”*

On April 6, 2021, Liberty filed the proposed 2021 additions in docket DE 19-064 which included the following:

| <b><u>Project #</u></b> | <b><u>Project Description</u></b>       | <b><u>Priority</u></b> | <b><u>Budget</u></b> |
|-------------------------|---|------------------------|----------------------|
| 8830-1933               | Battery Pilot                           | 4. Regulatory Programs | \$ 600,000           |
| 8830-1944               | Golden Rock Substation                  | 3. Growth              | \$ 400,000           |
| 8830-1958               | Install Service to Tuscan Village South | 3. Growth              | \$ 1,000,000         |
| 8830-1960               | Golden Rock Underground                 | 3. Growth              | \$ 160,000           |
| 8830-2095               | Tuscan Village EV Chargers              | 4. Regulatory Programs | \$ 400,000           |
| 8830-2069               | Golden Rock Feeders 19L2                | 3. Growth              | \$ 2,100,000         |
| 8830-2108               | SCADA & Distrubution Automation         | 5. Discretionary       | \$ 200,000           |
| 8830-1966               | Install 9L2 9L3 Tie Line                | 5. Discretionary       | \$ 356,405           |
| 8830-2014               | 3rd Party Attachment Blanket            | 2. Mandated            | \$ 170,667           |
| 8830-2111               | Public Requirements Blanket             | 2. Mandated            | \$ 520,000           |
| 8830-2112               | Damage/Failure Blanket                  | 2. Mandated            | \$ 1,200,000         |
| 8830-2113               | Distribution Asset Replacement Blanket  | 2. Mandated            | \$ 200,000           |
| 8830-2121               | Distribution Reliability Blanket        | 2. Mandated            | \$ 161,540           |
| 8830-2114               | 3rd Party Attachment Blanket            | 2. Mandated            | \$ 125,000           |
| 8830-2124               | LED Street Light Conversion             | 2. Mandated            | \$ 125,000           |
| 8830-2139               | URD Cable Replacement                   | 5. Discretionary       | \$ 500,000           |
| 8830-2146               | Bare Conductor Replacement Program      | 4. Regulatory Programs | \$ 1,000,000         |
| 8830-2191               | Meter Purchases                         | 5. Discretionary       | \$ 250,000           |
| 8830-2192               | Transformer Purchases                   | 2. Mandated            | \$ 420,000           |
| 8830-2190               | Transportation Fleet & Equip Blanket    | 5. Discretionary       | \$ 1,000,000         |
|                         |   |                        | <u>\$ 10,888,612</u> |

On April 6, 2022, Granite State Electric (GSE) filed their request for Step Adjustment with the Public Utilities Commission (PUC or Commission). Their request included nineteen projects totaling \$10,187,078, in service, as noted on Attachment 1 in docket DE 22-035 and shown below:

| <u>Project #</u> | <u>Project Description</u>              | <u>Priority</u>        | <u>Budget</u>        | <u>In Service</u>    |
|------------------|---|------------------------|----------------------|----------------------|
| 8830-1958        | Install Service to Tuscan Village South | 3. Growth              | \$ 1,000,000         | \$ 1,235,243         |
| 8830-2069        | Golden Rock Feeders 19L2                | 3. Growth              | \$ 2,100,000         | \$ 1,523,493         |
| 8830-2086        | Lebanon Pole Pile                       | 5. Mandated            | \$ 652,750           | \$ 345,099           |
| 8830-2107        | General Equipment Blanket               | 5. Discretionary       | \$ 50,000            | \$ 188,456           |
| 8830-2110        | Street Light Blanket                    | 2. Mandated            | \$ 125,000           | \$ 98,979            |
| 8830-2111        | Public Requirements Blanket             | 2. Mandated            | \$ 520,000           | \$ 308,503           |
| 8830-2112        | Damage/Failure Blanket                  | 2. Mandated            | \$ 1,500,000         | \$ 2,022,586         |
| 8830-2113        | Distribution Asset Replacement Blanket  | 2. Mandated            | \$ 200,000           | \$ 296,406           |
| 8830-2114        | 3rd Party Attachment Blanket            | 2. Mandated            | \$ 125,000           | \$ 164,315           |
| 8830-2121        | Distribution Reliability Blanket        | 2. Mandated            | \$ 161,000           | \$ 174,854           |
| 8830-2124        | LED Street Light Conversion             | 2. Mandated            | \$ 125,000           | \$ 387,666           |
| 8830-2125        | IT Systems & Equipment Blanket          | 5. Discretionary       | \$ 3,329,840         | \$ 379,187           |
| 8830-2146        | Bare Conductor Replacement Program      | 4. Regulatory Programs | \$ 1,000,000         | \$ 691,575           |
| 8830-2180        | DTN Weather Upgrade                     | 5. Discretionary       | \$ 226,250           | \$ 182,483           |
| 8830-2185        | Meter Test Board                        | 5. Discretionary       | \$ 300,000           | \$ 248,313           |
| 8830-2190        | Transportation                          | 5. Discretionary       | \$ 1,000,000         | \$ 253,649           |
| 8830-2191        | Meter Purchases                         | 5. Discretionary       | \$ 250,000           | \$ 379,368           |
| 8830-2192        | Transformer Purchases                   | 2. Mandated            | \$ 420,000           | \$ 639,262           |
| 8830-2197        | Salem Garage                            | 5. Discretionary       | \$ 700,000           | \$ 667,641           |
|                  |   |                        | <b>\$ 13,784,840</b> | <b>\$ 10,187,078</b> |

The project list filed in DE 22-035 included substitute projects for seven projects listed in the original proposed projects.

| <u>Excluded Projects</u>        |                     | <u>Substitute Projects</u> |                     |
|---------------------------------|---------------------|----------------------------|---------------------|
| Battery Pilot                   | \$ 600,000          | Lebanon Pole Pile          | \$ 345,099          |
| Golden Rock Substation          | \$ 400,000          | General Equipment Blanket  | \$ 188,456          |
| Golden Rock Underground         | \$ 160,000          | Street Light Blanket       | \$ 98,979           |
| Tuscan Village EV Chargers      | \$ 400,000          | IT Systems & Equipment     | \$ 379,187          |
| SCACA & Distribution Automation | \$ 200,000          | DTN Weather Upgrade        | \$ 182,483          |
| Install 9L2 9L3 Tie Line        | \$ 356,405          | Meter Test Board           | \$ 248,313          |
| URD Cable Replacement           | \$ 500,000          | Salem Garage               | \$ 667,641          |
|                                 | <b>\$ 2,616,405</b> |                            | <b>\$ 2,110,158</b> |

A hearing was held on July 19, 2022 in which the Department of Energy (Energy) made three recommendations concerning the 2021 capital investments. These recommendations were noted in the July 21, 2022 Post-Hearing Summary of Position that Energy filed with the Commission.

Energy recommended completely excluding two capital projects from recovery in this step adjustment; Install Service to Tuscan Village and Golden Rock Feder 19L2. They also recommended a reduction to the amount of a third project, LED Streetlight Conversion. Further discussion regarding these adjustments is noted below in each individual project's section.

On July 27, 2022, Liberty filed a response to Energy's July 21 removal recommendation. Liberty noted that both the Tuscan Village service and Golden Rock Feeder projects were specifically listed, in the Commission approved Settlement Agreement project for step increases, as growth projects. When the Company filed the 2020 Step Adjustment, they were required to file a listing of projects proposed to be completed by December 31, 2021. That listing contained both projects as proposed to be completed by the end of 2021.

Liberty also argued that the Settlement Agreement's prohibition of growth projects only applies to new projects that were completed in 2021 and to be similar in nature to 2019 and 2020 additions, when the projects are not similar in nature, they are the exact same ones previously approved for inclusion.

The July 27 letter also noted that the Department of Energy was reviewing the LED project as part of their audit and suggested the Commission approve recovery of the costs and Liberty would make any necessary adjustments as a result of the audit. At that time, the audit had not yet begun.

Order 26,661, issued July 29, 2022 in Docket DE 22-035, approved the Petition for Approval of Step Adjustment, subject to reconciliation of Liberty's alternative project list and LED Street Light Conversion, following an audit performed by the Department of Energy. On September 1, 2022, Liberty filed a letter with the Commission noting:

*"Although the Company has a number of projects that went into service during 2021 that could serve as replacement projects, they do not meet the criteria set by the Commission for replacement projects.*

*Therefore, on behalf of Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty, I write to inform the Commission that the Company has elected not to propose any replacement projects in this docket."*

### **Required Project Documentation**

Documentation required for project types, according to the "Liberty Way Policy and Procedures Capital Expenditures Planning and Management" document, dated 10/23/2018, includes, among other things, the following high level summary, Table 1 (CPE stands for Capital Project Expenditure form):

| Category                                    | Amount      | CPE                                      | Business Case | Project Close-out Report | Over-expenditure Application |
|---|-------------|--|---------------|--------------------------|------------------------------|
| Safety & Mandated                           | All amounts | Required                                 | N/A           | Required                 | When necessary               |
| Growth, Regulatory Supported, Discretionary | <\$100,000  | Required                                 | N/A           | Required                 | When necessary               |
| Growth, Regulatory Supported, Discretionary | >\$100,000  | Required<br>(Cost Sections not required) | Required      | Required                 | When necessary               |

### **Accounting Dates and Postings- In Service vs. Closed to Plant**

Audit had prior communication with Liberty regarding the manner of determining “in-service” vs. “closed to Utility Plant account 101”.

Projects are comprised of anywhere from one to several hundred specific jobs. As each Job is completed and “in-service”, spreadsheets provided to Audit typically reference “Actual Completion Date”. That heading indicates the date on which the job was booked to account 106, Completed not Classified. If Plant Accounting or Operations anticipates additional vouchers, or other costs that may be booked to the individual job, the posting to account 106 becomes an automatically reversing journal entry which moves the project out of the CWIP 8830-2-0000-10-1618-1070 account into Completed Construction not Classified, 8830-2-0000-10-1615-1060 account at month end, then reverses on the first of the following month. System limitations do not allow late vouchers, etc. to post to the 1060 account, so jobs must be transferred back to the 1070 account. Department of Energy Audit and Staff and Liberty have discussed this problem extensively and understand that the IT system in place requires projects remain in CWIP until all accrued invoices and/or adjusting entries are received and posted. The movement between 106 and 107 ensures that monthly calculation of AFUDC ceases.

Spreadsheets that include a “Transfer to Plant” column indicate the date when the job is credited out of account 1060 (or 1070 as appropriate) and debited to account 1010, Utility Plant in Service. This indicates that the individual job is literally closed to all charges, therefore should be moved out of “In-Service” to “Closed to Plant”.

In both instances, if there is a date of 1/1/1900, or N/A, the job is not in service.

Audit requested the final journal entries that unitized the projects, for a sample of five projects. Of those five projects, only an 11% portion of one of those projects was closed to plant and the remainder of the charges for this project and the other four projects remain in account

1060, Completed Construction not Classified. The results are noted within each project section below.

### **Allocations**

Throughout the projects reviewed, certain allocations were noted. The Stores burden, identified as 8830STO, was reported to allocate overhead charges from warehouse storage based on material charges to open Construction Work in Progress projects. Audit requested and was provided the calculations for Project 8830-2124 from December 2020. The stores overhead is initially booked to a job in CWIP identified as 8830-STO. The next month a journal entry moves the calculations out of the 8830-STO job into the specific project job codes, all within CWIP.

The NH Management burden, identified as 8830-LAB and 8830-LU, also tested in Project 8830-2124, is representative of the LAB charges (field labor, payroll accruals, bonus accruals based on labor as directly charged) and LU overheads which represent the Oakville corporate costs allocated among affiliates and subsidiaries. As with the Stores allocation, the Management burden is booked to a job in CWIP and the following month credited out of the MNGT job and debited across the specific project job codes, all within CWIP.

The Labor Burden, or BRD, also tested in Project 8830-2124, represents charges related to labor, capitalized out of operations and maintenance, based on an annual calculated percentage. The calculation also includes capitalization of the monthly fleet depreciation expense of grouped asset 8830-3920, multiplied by the quarterly fleet depreciation rate. The capitalization of fleet depreciation has been an ongoing discussion between the Department and Liberty. In the 7/22/2022 hearing in docket DE 21-073, the Public Utilities Commission agreed to have it reviewed as part of the next general rate case.

Audit previously requested clarification of why any overheads would post to CWIP jobs closed to account 106, and was informed that the Company considers projects “closed” only when the project is booked to Utility Plant in Service account 101, not 106 Completed not Classified, when the individual jobs are in-service. Refer to the Accounting Dates and Postings-In Service vs. Closed to Plant section of this report.

### **Cost Elements**

Liberty posts activity to the general ledger accounts using cost elements indicating the specific type of cost. Identified by the Accounting department at Liberty, the cost elements are:

- 1-Labor
- 2-Materials
- 3-Transfer to 106 or Plant
- 4-Vouchers
- 5-Outside Services
- 6-Burden
- 7-Cost of Removal
- 8-CIAC Payments
- 9-AFUDC

## **Growth Project #8830-1958 Install Service to Tuscan Village**

Per the Direct Testimony of A. Strabone and H. Tebbets (Testimony) Bates page 014:

*“This project installed a new UG conduit loop system along Tuscan Village Park to supply new growth in the commercial development. The project consisted of providing service to a customer located on the south parcel of Tuscan Village.*

*Tuscan cost-sharing for Central Village – the scope of this project was to install necessary infrastructure inside Tuscan Village which consisted of underground conduits, manholes, underground primary and secondary cable, switchgear, and transformers. During the detailed design phase of the underground manhole and duct system for Tuscan Village, the Company identified several areas within the development that would require additional conduits to be installed in the future to provide the necessary underground infrastructure to install distribution feeders to serve area load outside the Tuscan Development in future years. Tuscan and the Company agreed there would be cost savings to install these conduits now prior to the area being developed as opposed to installing the underground infrastructure later and incurring costly pavement restoration fees. Tuscan and the Company also mutually agreed to utilize the same civil contractor and share costs for this work as this would eliminate significant schedule coordination efforts and once again provide cost savings due to economies of scale. The total request for cost recovery for project 8830-1958 is \$1,235,243.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2019        | \$1,200,000         | \$ 98,244                    | \$ 98,244                   |
| 2020        | \$ 900,000          | \$ 182,634                   | \$ 182,634                  |
| 2021        | \$1,000,000         | <u>\$ 954,365</u>            | <u>\$ 954,365</u>           |
|             |                     | \$1,235,243                  | \$1,235,243                 |

Energy’s Post Hearing Summary of Position filed July 20, 2022 noted the following regarding excluding the Install Service to Tuscan Village South:

*“the Settlement Agreement in DE 19-064 that authorized this Third Step Adjustment specifically excludes growth related projects from recovery in this Third Step Agreement. Liberty’s witnesses and project documents, as well as general observation of the development taking place at Tuscan Village, clearly demonstrate that the capital investments made to serve new load (i.e., growth). Accordingly, the Department recommends that this project (in the amount of \$1,235,243) be removed from the step adjustment calculation.”*

Order 26,661 was issued and allowed Liberty to file alternative projects in place of the Install Service to Tuscan Village South by September 1, 2022. On that date, the Company filed a notice that they would not file any alternative projects.

Audit did not perform any audit work on this project.

Please see the Conclusion section of this report.

## **Growth Project #8830-2069 Golden Rock Feeder**

Per the filed Testimony on Bates page 015:

*“The 2376W circuit supplies the Spicket River Substation and originates from Ward Hill, via a pole-mounted recloser located in the Spicket River Massachusetts Right of Way. Approximately 5.2 miles of the 2376W line is exposed to outages without any backup, with 4.3 miles in National Grid maintenance territory and 0.9 miles in Liberty’s territory. Liberty relies on National Grid to expedite repairs should an outage-related problem occur. The loss of the 22.8kV source for an outage on the 5.2-mile section would require the Spicket River circuits to be backed up by existing distribution circuit ties, however, are feeders are not positioned geographically to re-supply the Spicket River distribution feeders. Loss of the 22.8 kV sub-transmission supply circuit to the Spicket River No. 13 Station could cause Liberty to have up to 226 MWHrs of load at risk after restorative switching occurs and for an assumed repair time of 12 hours. This violates Liberty’s planning criteria to 120 MWHrs.*

*The scope of this project was to reconductor approximately 15,300 feet of overhead bare wire with 477 tree wire in Spacer Cable configuration and tie it into the newly installed 19L2 breaker position at the Golden Rock substation. The original estimate of \$2.1 million was based on average contractor bids received in 2020 for similar reconductor projects. The average contractor cost per foot for all bids received in 2020 was \$68.79/foot. Multiplying this cost/foot by length of project and including all other construction costs such as tree trimming, construction oversight, traffic control, materials, and all associated burdens, resulted in an estimate of \$2.1 million.*

*The project came in under budget due to the contractor bid price coming in less than the original estimate.*

*The total request for recovery for project 8830-2069 is \$1,523,493.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$1,300,000         | \$ 134,456                   | \$ 134,456                  |
| 2021        | \$2,100,000         | <u>\$1,389,037</u>           | <u>\$1,389,037</u>          |
|             |                     | \$1,523,493                  | \$1,523,493                 |

Energy’s Post Hearing Summary of Position filed July 20, 2022 noted the following regarding excluding the Golden Rock Feeder 19L2:

*“this project was undertaken to serve additional load in Salem (i.e., growth) and to enhance reliability in the distribution system in Salem, in light of the new load at Tuscan Village. This project is growth related and should be removed from the step adjustment calculation entirely, in the amount of \$1,523,493).”*

Order 26,661 was issued and allowed Liberty to file alternative projects in place of the Golden Rock Feeder 19L2 by September 1, 2022. On that date, the Company filed a notice that they would not file any alternative projects.

Audit did not perform any audit work on this project.

Please see the Conclusion section of this report.



**Non-Growth Project Lebanon Pole Pile**

Per the filed Testimony on Bates page 017:

*“This project addressed the severe safety regarding the pole pile at the Lebanon work center. Prior to building the new pole pile, employees had to climb onto a single large pile to access the poles they needed for jobs. The danger to employees slipping and falling or some other injury was identified as mitigated by this project, which entailed the building of a number of log bunks for the poles to lay on.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$652,750           | \$ 26,424                    | \$ 26,424                   |
| 2021        | \$652,750           | <u>\$ 318,675</u>            | <u>\$ 318,675</u>           |
|             |                     | \$ 345,099                   | \$ 345,099                  |

This project was not included in the original 4/6/2021 list, it is a substitute project.

## Attachment 4: 8830-2086 Lebanon Pole Pile

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Capex, Capital Project Expenditure Form, for the period 3/1/2020 through 12/31/2020 reflected the budget figure of \$652,750, and indicated the project type to be “Discretionary”, rather than “Mandated” as noted in Attachment 1. A discretionary project greater than \$100,000 requires a Business Case which was provided. The Capex Form indicates the project was planned and described it as severing the safety issue regarding the current pole pile in Lebanon in which a pole could roll and injure an employee. There were no identified retirements associated with the pole pile. The authorizations included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000    | signed by Douglas Dorn      | 02/07/20 |
| Senior Director/Director | up to \$250,000   | signed by Richard Foley     | 02/07/20 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 02/21/20 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 02/26/20 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | 02/26/20 |

The Capital Project Business Case dated 2/7/2020 reflected a cost estimate of \$652,750. The discretionary and safety project was identified as an Improvement. The scope statement read: *“Re-configure the pole pile in the Lebanon yard due to extreme safety issues with the current setup. We will install four low pole holders similar to what we did at the Salem location.”*

The Business Case noted date stamped authorizations of:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000  | signed by Douglas Dorn      | 02/20/20 |
| Senior Director/Director | up to \$250,000 | signed by Richard Foley     | 02/20/20 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | 02/21/20 |
| State President          | up to \$500,000 | signed by Susan Fleck       | 02/26/20 |

Regional President                      up to \$3,000,000                      signed by James Sweeney                      02/26/20

There was no Change Order Form required for Project 8830-2086 as the project was under budget.

A Project Close-out Report was dated 02/10/2022 and noted a project completion date of 12/2021. The Closeout Report noted the original requested capital as \$600,000 and the total expenditure as \$315,620. The authorizations on the Closeout Report were noted as the following:

|                 |            |            |
|-----------------|------------|------------|
| Project Lead    | Doug Dorn  | 02/09/2022 |
| Project Sponsor | Rich Foley | 02/09/2022 |

Audit requested and received the work order detail of this project summing to the in service total of \$345,099. There was one job containing 47 journal entries to 1070 and four booked to 1084. Audit reviewed the actual completion date of 12/8/2020. During the audit, Audit requested a clarification from the Company what the Actual Completion Date represented. The Company noted the following:

*“The actual completion date is the date the work order went into service and when the work order went from 107 to 106.”*

As the work order data provided shows the completion date of the project of 12/8/2020, Audit recommends the project expense of \$345,099 from this step adjustment. With a 2020 completion date, the project should have been filed in the previous step request. Please see the Conclusion section of this audit report. **Audit Issue #1**

The Lebanon Pole Pile is one of the only projects to have charges to be moved from Completed not Classified to Plant in Service. \$39,478.18 was booked to account 393, Stores Equipment, in February 2021.

| Year  | Internal Labor | Materials | Vendors       | Overheads    | CIAC | AFUDC | Total Spend   |
|-------|----------------|-----------|---------------|--------------|------|-------|---------------|
| 2020  | \$ -           | \$ -      | \$ 26,424.00  | \$ -         | \$ - | \$ -  | \$ 26,424.00  |
| 2021  | \$ 16,826.96   | \$ -      | \$ 288,793.97 | \$ 13,054.18 | \$ - | \$ -  | \$ 318,675.11 |
| Total | \$ 16,826.96   | \$ -      | \$ 315,217.97 | \$ 13,054.18 | \$ - | \$ -  | \$ 345,099.11 |

### **Non-Growth Project #8830-2107 General Equipment Blanket**

Per the filed Testimony on Bates page 017:

*“This blanket project covers general equipment used in execution of work for Liberty Electric operations. The types of tools and equipment purchases included in this project are mobile cable pullers, digital phasing meters, load break tools, and power quality meters, among other items.*

As projects under \$1000,000 do not require a business case, only a capital expenditure form was provided along with change orders and project close out forms.

This project was not included in the original listing provided on 4/6/21 and is included as a substitute.

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$50,000            | \$188,456                    | \$188,456                   |

Attachment 5: 8830-2107 General Equipment Blanket

- a. Capex Form
- b. Change Order
- c. Project Closeout Report

The Capex dated 2/11/2021 reflected a request capital figure of \$50,000, and indicated the project type to be Discretionary. The Capex Form indicates the project was planned and notes it as a blanket project that covers general equipment used for GSE operations. It also notes that tools purchased under the project will follow the Company's policy on capitalization. The authorizations included:

|                          |                 |                       |          |
|--------------------------|-----------------|-----------------------|----------|
| Senior Director/Director | up to \$250,000 | signed by Mark Parker | 02/11/21 |
|--------------------------|-----------------|-----------------------|----------|

A Change Order Form, that was not dated, requested \$415,000 that would be offset by underspending on other capital projects and would not increase the overall capital budget. \$15,000 of the requested funds was for "*the purchase of 2 PMI recorders which were required by Engineering to support service voltage analysis*". The remaining \$400,000 of the requested funds was for "*the purchase of a new electric meter test board. The current test board only has 4-meter sockets and the proposed new one has 9-meter sockets. The current test board is approximately 7-8 years old and needs repairs on an almost monthly basis*". The change order also notes that they did receive a quote from a separate manufacturer, which was similar in pricing, but did not include support to setup the board or provide a credit for the current board.

Authorizations noted on the Change Order were:

|                          |                 |             |          |
|--------------------------|-----------------|-------------|----------|
| Manager/Staff            | up to \$25,000  | Shawn Furey | 09/03/21 |
| Senior Director/Director | up to \$250,000 | Mark Parker | 09/03/21 |

Two additional digital signatures, from Christopher Steele, Senior Director and Neil Proudman, NH President, on 11/10/21, were on the bottom of the Change Order Form. The NH President has approval authority to the \$500,000 limit.

A Project Close-out Report was dated 2/8/2022 and noted a project completion date of 12/30/21. The report noted the project status as closed, and was signed by both the Project Lead and Project Sponsor.

|                 |                    |            |
|-----------------|--------------------|------------|
| Project Lead    | Mark Parker        | 02/08/2022 |
| Project Sponsor | Christopher Steele | 03/30/2022 |

The final page of the Close Out report notes the budget amount of \$50,000, actual expenses of \$264,933, resulting in a \$214,933 variance. The variance is supported by the change order.

Audit requested and received the work order detail for project 8830-2107 totaling the in service amount of \$188,456. The detail shows 10 job numbers and 62 journal entries to account 107. Cost elements of the charges were vouchers and burdens. The actual completion dates for this project were all in 2021.

| Year | Internal Labor | Materials | Vendors       | Overheads    | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|--------------|------|-------|---------------|
| 2021 | \$ -           | \$ -      | \$ 157,206.86 | \$ 31,249.62 | \$ - | \$ -  | \$ 188,456.48 |

### **Non-Growth Project #8830-2110 Street Light Blanket**

Per the filed Testimony on Bates page 018:

*“The Street Light blanket provides funding associated with new and/or existing lighting facilities which includes installing new streetlights or floodlights, replacing streetlights or floodlights due to size, model, or condition, installing conductor service streetlights or floodlights, and installing street light poles or standard poles for street lighting.*

This project in included in 2021 step as a substitute project. It was not included on the original listing.

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$125,000           | \$98,979                     | \$98,979                    |

#### Attachment 6: 8830-2110 Street Light Blanket

- a. Capex Form
- b. Change Order – N/A
- c. Project Closeout Report

The Capex was dated 1/4/2021 for the period 1/1/2021 through 12/31/2021. The form reflected the budget figure of \$125,000, and indicated the project type to be “Mandated” as noted on Attachment 1. Mandated projects do not require a Business Case. The Capex Form described the project as “*new and/or replacement of existing municipal lighting facilities*”. The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000  | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000 | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | 01/15/21 |

A Change Order Form dated 5/17/21 requested an additional \$75,000 for the project making the total \$200,000. The Change Order notes the following reason for the request: “*Over expenditure is being driven by costs associated with numerous street light replacement work orders. Taking into account the current spend and historic spend rates of May through December, the Company anticipates requiring additional Capital for this blanket in order to perform work related to street light replacements.*”

Authorizations noted on the Change Order were:

|                          |                 |              |          |
|--------------------------|-----------------|--------------|----------|
| Manager/Staff            | up to \$50,000  | A. Strabone  | 05/19/21 |
| Senior Director/Director | up to \$250,000 | C. Rodrigues | 05/19/21 |

A Project Close-out Report was dated 2/18/22 and noted the project status as in service. The signed copy of the report contained the following signatures:

|                 |                    |          |
|-----------------|--------------------|----------|
| Capital Lead    | Melvin Emerson     | 02/28/22 |
| Senior Manager  | Anthony Strabone   | 02/28/22 |
| Senior Director | Christopher Steele | 03/24/22 |

The final page of the Close Out report notes the budget amount of \$125,000, actual expenses of \$116,261, resulting in an \$8,739 variance. The Report notes that the costs were offset by CIAC.

Audit requested and received the work order detail of the project summing to the in service total of \$98,979. The detail provided by the Company shows there were 64 jobs and 639 journal entries. Cost elements charged are labor, material, vouchers, burdens and CIAC. All charges were booked to account 106 with an actual completion date in 2021.

| Year | Internal Labor | Materials    | Vendors      | Overheads    | CIAC          | AFUDC | Total Spend  |
|------|----------------|--------------|--------------|--------------|---------------|-------|--------------|
| 2021 | \$ 17,622.50   | \$ 23,978.42 | \$ 12,671.00 | \$ 46,462.38 | \$ (1,755.00) | \$ -  | \$ 98,979.30 |

### **Non-Growth Project #8830-2111 Public Requirements Blanket**

Per the filed Testimony on Bates page 019:

*“Public Requirements Blanket provided funding for projects that arose during the year in response to requests from municipalities and the State of New Hampshire to relocate the Company’s poles, associated equipment on the poles, and guy wires to accommodate various state and municipal projects, such as road widening projects. Depending on the scope of the job, Liberty crews or contractors may have performed the work. For work requiring contractors, the Company engaged in a competitive bid process, the bids were analyzed for price, timeline, and qualifications of the contractors, and the Company awarded the project to the bidder with the best solution, which, all things being equal, price was usually the deciding factor.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2019        | \$ 630,000          | \$ 14,249                    | \$ 14,249                   |
| 2020        | \$1,000,000         | \$ 81,457                    | \$ 81,457                   |
| 2021        | \$ 520,000          | <u>\$ 212,798</u>            | <u>\$ 212,798</u>           |
|             |                     | \$ 308,503                   | \$ 308,503                  |

#### Attachment 7: 8830-2111 Public Requirements Blanket

- a. Capex Form
- b. Change Order – N/A
- c. Project Closeout Report

The Capex was dated 1/4/2021 and noted the project period of 1/1/2021 through 12/31/2021. The form reflected the budget figure of \$520,000 and indicated the project type to be “Mandated” as noted in Attachment 1. Mandated projects do not require a Business Case. The Capex Form indicates the project was planned and described it as providing for public requirements to cover DOT/Municipal requirements for relocation, removal or installation of facilities. The authorizations included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000    | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000   | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 01/15/21 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 01/15/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | no date  |

There was no Change Order Form required for Project 8830-2111 as the project was under budget.

A Project Close-out Report was dated 2/18/22 and notes the project was completed on 12/31/21 and is in service. The report was signed by the following:

|                 |                    |            |
|-----------------|--------------------|------------|
| Capital Lead    | Melvin Emerson     | 02/28/2022 |
| Senior Manager  | Anthony Strabone   | 02/28/2022 |
| Senior Director | Christopher Steele | 03/24/2022 |

The final page of the Close Out report notes the budget amount of \$520,000, actual expenses of \$413,566, resulting in a \$106,434 under-spend.

Audit requested and received work order detail for project 8830-2111 totaling the in service amount of \$308,503. The spreadsheet provided shows a total of 26 jobs under this project. The cost elements of these jobs are labor, materials, vouchers, outside services, and burdens. General ledger entries were dated 2019, 2020 and 2021 for these jobs. The actual in service date for all of the jobs were throughout 2021.

| Year  | Internal Labor | Materials    | Vendors      | Overheads     | CIAC | AFUDC | Total Spend   |
|-------|----------------|--------------|--------------|---------------|------|-------|---------------|
| 2019  | \$ 4,450.33    | \$ -         | \$ 2,476.00  | \$ 7,322.29   | \$ - | \$ -  | \$ 14,248.62  |
| 2020  | \$ 14,308.32   | \$ 8,812.31  | \$ 26,173.55 | \$ 32,162.46  | \$ - | \$ -  | \$ 81,456.64  |
| 2021  | \$ 53,023.39   | \$ 11,950.82 | \$ 40,881.73 | \$ 106,941.89 | \$ - | \$ -  | \$ 212,797.83 |
| Total | \$ 71,782.04   | \$ 20,763.13 | \$ 69,531.28 | \$ 146,426.64 | \$ - | \$ -  | \$ 308,503.09 |

### **Non-Growth Project #8830-2112 Damage/Failure Blanket**

Per the filed Testimony on Bates page 019:

*“The purpose of the Damage/Failure Blanket is to provide funding to repair damage to the Company’s equipment arising from unplanned, but regularly occurring, instances such as poles beyond their useful life, failed transformers, lightning strikes, animal contacts, and motor vehicle accidents. Depending on the scope of the job, Liberty crews or contractors may have performed the work. For work requiring contractors, the Company engaged in a competitive bid*

*process, the bids were analyzed for price, timeline, and qualification of the contractors, and the Company awarded the project to the bidder with the best solution, which, all things being equal, price was usually the deciding factor.”*

Request for recovery is higher than original budget “*due to a significant amount of equipment that was found to be damaged or failed during 2021*”.

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$1,000,000         | \$ 66,895                    | \$ 66,895                   |
| 2021        | \$1,500,000         | <u>\$1,995,691</u>           | <u>\$1,955,691</u>          |
|             |                     | \$2,022,586                  | \$2,022,586                 |

Attachment 8: 8830-2112 Damage/Failure Blanket

- a. Capex Form
- b. Change Order
- c. Project Closeout Report

The Capital Project Expenditure Form was date 1/4/2021 and reflected the budget figure of \$1,500,000. The project type noted “Mandated” as noted in Attachment 1 of the filing; therefore, a Business Case is not required. The Capex Form indicates the project was planned and described it as repairing or replacing damaged equipment found on inspection and equipment deemed about to fail. The authorizations included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000    | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000   | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 01/15/21 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 01/15/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | no date  |

A Change Order Form requesting an additional \$500,000 was dated 10/29/2021. The Form notes the basis of the change is the costs associated with the work identified needing to be addressed under this project. It also notes that the overspend amount is anticipated to be offset by the underspending of other capital projects and will not affect the overall capital budget. The form was signed by the following:

|                          |                   |                              |          |
|--------------------------|-------------------|------------------------------|----------|
| Senior Manager           | up to \$50,000    | signed by Anthony Strabone   | 11/22/21 |
| Senior Director/Director | up to \$250,000   | signed by Charles Rodrigues  | 11/22/21 |
| Senior VP/VP             | up to \$500,000   | signed by Christopher Steele | 11/24/21 |
| State President          | up to \$500,000   | signed by Neil Proudman      | 11/24/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney      | 12/13/21 |

A second Change Order Form dated 1/18/2021, which Audit believes should be 1/18/22, requested an additional \$440,000 resulting in the total project budget to be \$2,140,000. The Form notes “*the Company spent 2.6 times the 2021 monthly spend rate and 7 times the historic spend rate for the month of December. 40% of the total spent in the month of December can be attributed to two jobs that were identified as either damaged or failed and need immediate replacement*”. It also notes that the overspend amount is anticipated to be offset by the

underspending of other capital projects and will not affect the overall capital budget. The form was signed by the following:

|                          |                   |                              |          |
|--------------------------|-------------------|------------------------------|----------|
| Senior Manager           | up to \$50,000    | signed by Anthony Strabone   | 01/29/22 |
| Senior Director/Director | up to \$250,000   | signed by Christopher Steele | 02/03/22 |
| State President          | up to \$500,000   | signed by Neil Proudman      | 02/03/22 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney      | 03/31/22 |

A Project Close-out Report was dated 3/31/22 and noted the project was in service and completed on 12/31/21. Signatures on the Report were as follows:

|                 |                    |            |
|-----------------|--------------------|------------|
| Capital Lead    | Melvin Emerson     | 03/31/2022 |
| Senior Manager  | Anthony Strabone   | 03/31/2022 |
| Senior Director | Christopher Steele | 03/31/2022 |

The final page of the Close Out report notes the budget amount of \$1,200,000, actual expenses of \$2,133,569, resulting in an overspent \$933,569 variance. The variance is supported by the two change orders totaling \$940,000.

Audit requested and received work order detail for the Damage/Failure Blanket totaling the in service amount of \$2,022,586. The detail provided by the Company show a total of 242 job with 4,225 journal entries. Cost elements of the jobs include labor, materials, vouchers, outside services and burdens. All entries were booked to the 1070 CWIP account in 2020 and 2021. Actual completion dates were noted in every month in 2021.

| Year  | Internal Labor | Materials     | Vendors       | Overheads     | CIAC | AFUDC | Total Spend     |
|-------|----------------|---------------|---------------|---------------|------|-------|-----------------|
| 2020  | \$ 20,344.86   | \$ 3,342.48   | \$ 20,495.73  | \$ 22,711.95  | \$ - | \$ -  | \$ 66,895.02    |
| 2021  | \$ 395,410.71  | \$ 159,858.94 | \$ 544,692.49 | \$ 855,729.11 | \$ - | \$ -  | \$ 1,955,691.25 |
| Total | \$ 415,755.57  | \$ 163,201.42 | \$ 565,188.22 | \$ 878,441.06 | \$ - | \$ -  | \$ 2,022,586.27 |

### **Non-Growth Project #8830-2113 Distribution Asset Replacement Blanket**

Per the filed Testimony on Bates page 020:

*“This project is associated with the replacement of line or substation assets based upon inspection, and asset condition information. The costs associated with 2021 relate to the replacement of poles that were condemned, undersized, and/or beyond their useful lives. The Company also replaces old and failure-prone underground cable under this project.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$ 400,000          | \$ 10,705                    | \$ 10,705                   |
| 2021        | \$ 200,000          | \$ 285,702                   | \$ 285,702                  |
|             |                     | \$ 296,406                   | \$ 296,406                  |

Attachment 9: 8830-2113 Distribution Asset Replacement Blanket

- a. Capex Form
- b. Change Order
- c. Project Closeout Report



The Capex, for the period 1/1/2021 through 12/31/2021 reflected the budget figure of \$20,000, and indicated the project type to be “Mandated” as noted in Attachment 1. Mandated projects do not require a Business Case. The Capex Form indicates the project was planned and described it as replacement of line or substation assets. The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000  | signed by Anthony Strabone  | 01/22/21 |
| Senior Director/Director | up to \$250,000 | signed by Charles Rodrigues | 01/22/21 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | no date  |

A Change Order Form dated 5/17/21 requested an additional \$500,000 for the Asset Replacement project. The Form notes the basis of the change to be “*Over expenditure is being driven by costs associated with numerous asset replacement work orders. At the time this change order was prepared, approximately 50% of the current spend was associated with projects initiated in 2020 but not completed until 2021. Taking into account the current spend and historic spend rated for May through December, the Company anticipates requiring additional Capital for this blanket in order to perform work related to asset replacement requests*”. Signatures on the change order form included:

|                           |                   |                             |          |
|---------------------------|-------------------|-----------------------------|----------|
| Senior Manager            | up to \$50,000    | signed by Anthony Strabone  | 05/17/21 |
| Senior Director/Director  | up to \$250,000   | signed by Charles Rodrigues | 05/17/21 |
| State President/Senior VP | up to \$500,000   | signed by Richard MacDonald | 05/24/21 |
| Regional President        | up to \$3,000,000 | signed by James Sweeney     | 05/26/21 |

A Project Close-out Report dated 2/18/22 noted the project was in service and completed on 12/31/21. The report was signed by the following:

|                |                  |            |
|----------------|------------------|------------|
| Capital Lead   | Melvin Emerson   | 02/28/2022 |
| Senior Manager | Anthony Strabone | 02/28/2022 |

The final page of the Close Out report notes the budget amount of \$200,000, actual expenses of \$449,852, resulting in a \$249,852 variance. The variance is supported by the change order of \$500,000.

Audit requested and received the work order detail for job 8830-2113. The Company provided support showing the total in service amount of \$296,406. The detail shows there were a total of 24 jobs and 655 journal entries. All entries were booked to account 1070 for cost elements labor, materials, vouchers, outside services, and burden. Journal entries were booked in 2020 and 2021 but with actual completion dates of 2021.

| Year  | Internal Labor | Materials    | Vendors      | Overheads     | CIAC | AFUDC | Total Spend   |
|-------|----------------|--------------|--------------|---------------|------|-------|---------------|
| 2020  | \$ 1,659.21    | \$ 952.86    | \$ 4,164.00  | \$ 3,928.71   | \$ - | \$ -  | \$ 10,704.78  |
| 2021  | \$ 84,724.77   | \$ 12,617.29 | \$ 36,539.60 | \$ 151,819.90 | \$ - | \$ -  | \$ 285,701.56 |
| Total | \$ 86,383.98   | \$ 13,570.15 | \$ 40,703.60 | \$ 155,748.61 | \$ - | \$ -  | \$ 296,406.34 |

### **Non-Growth Project #8830-2114 Third Party Attachments**

Per the filed Testimony on Bates page 021:

*“This blanket project provides funding for make-ready work associated with Third Party Attachments. Re-working of electrical pole-mounted equipment is required at times to accommodate requests from third party companies (e.g., Comcast) to attach to Liberty’s poles. This project funds those requests and any other requests from third parties for attachments.*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$ 100,000          | \$ (19,384)                  | \$ (19,384)                 |
| 2021        | \$ 125,000          | <u>\$ 183,699</u>            | <u>\$ 183,699</u>           |
|             |                     | \$ 164,315                   | \$ 164,315                  |

Attachment 10: 8830-2114 Third Party Attachments Blanket

- a. Capex Form
- b. Change Order
- c. Project Closeout Report

The Capex, dated 1/4/2021, for the period 1/17/2021 through 12/31/2021 reflected the budget figure of \$125,000. The Form indicated the project type to be “Mandated” which is the same as Attachment 1. A Business Case is not required for mandated projects. The Capex Form indicates the project was planned and described it as funding for work associated with Third Party Attachments. The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000  | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000 | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | 01/15/21 |

A Change Order Form dated 4/22/2021 was issued for an additional \$175,000 making the total budget \$300,000. The Form noted the basis of the change to be for costs associated with two carry over projects from 2020. At the time of the change order, the two 2020 carry over projects totaled approximately 62% of the current expenses. The form contained the following signatures:

|                           |                 |                             |          |
|---------------------------|-----------------|-----------------------------|----------|
| Senior Manager            | up to \$50,000  | signed by Anthony Strabone  | 04/23/21 |
| Senior Director/Director  | up to \$250,000 | signed by Charles Rodrigues | 04/27/21 |
| State President/Senior VP | up to \$500,000 | signed by Richard MacDonald | 04/27/21 |

The Project Close-out Report was dated 2/18/2022 and noted the project was completed on 12/31/2021 and is in service. The report was signed by:

|                 |                    |            |
|-----------------|--------------------|------------|
| Capital Lead    | Melvin Emerson     | 02/28/2022 |
| Senior Manager  | Anthony Strabone   | 02/28/2022 |
| Senior Director | Christopher Steele | 03/28/2022 |

The final page of the Close Out report notes the budget amount of \$125,000, actual expenses of \$173,924, resulting in a \$48,924 variance. The variance is supported by the Change Order which totaled \$175,000.

Audit requested and received work order detail totaling the in service amount of \$164,315. The detail provided by the Company shows there were 17 jobs under this project. The cost elements of these transactions are labor, materials, vouchers, outside services, burden,

CIAC and AFUDC. Journal entries were booked in 2020 and 2021 but the actual completion date is noted as 2021.

| Year  | Internal Labor | Materials    | Vendors       | Overheads    | CIAC            | AFUDC     | Total Spend    |
|-------|----------------|--------------|---------------|--------------|-----------------|-----------|----------------|
| 2020  | \$ 8,958.12    | \$ 644.02    | \$ 42,897.86  | \$ 22,883.22 | \$ (94,959.47)  | \$ 192.55 | \$ (19,383.70) |
| 2021  | \$ 21,413.80   | \$ 12,953.04 | \$ 82,422.36  | \$ 75,744.28 | \$ (9,377.70)   | \$ 543.05 | \$ 183,698.83  |
| Total | \$ 30,371.92   | \$ 13,597.06 | \$ 125,320.22 | \$ 98,627.50 | \$ (104,337.17) | \$ 735.60 | \$ 164,315.13  |

### **Non-Growth Project #8830-2121 Distribution Reliability Blanket**

Per the filed Testimony on Bates page 021:

*“This project provides funding for resolution and improvements to system reliability performance. The types of work completed under this project are reconductoring due to mechanical capacity, replacing bare conductors to minimize tree-related interruptions, replacing open wire secondary with cable, replacing customer overhead service wire due to condition, installing sectionalizing equipment, and increasing pole sizes for proper spacing and/or road clearance.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$ 218,000          | \$ 42,176                    | \$ 42,176                   |
| 2021        | \$ 161,000          | \$ 132,678                   | \$ 132,678                  |
|             |                     | \$ 174,854                   | \$ 174,854                  |

#### Attachment 11: 8830-2121 Distribution Reliability Blanket

- a. Capex Form
- b. Change Order – N/A
- c. Project Closeout Report

The Capex for the Distribution Reliability Blanket noted a project period of 1/1/2021 through 12/31/2021. The Form was dated 1/4/2021 and reflected the budget figure of \$161,000. The project type was noted to be “Mandated” which was also reflected on Attachment 1. A Business Case is not required for mandated projects. The Capex Form indicates the project was planned and described it as providing funding for projects identified to resolve and/or improve system reliability performance. The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000  | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000 | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | 01/15/21 |

A Change Order Form was submitted for the project on 5/17/2021. The Form requested an additional \$88,460 due to the over expenditure being driven by costs associated with numerous reliability work orders. The Form was signed by:

|                 |                   |          |
|-----------------|-------------------|----------|
| Senior Manager  | Anthony Strabone  | 05/17/21 |
| Senior Director | Charles Rodrigues | 05/17/21 |

A Project Close-out Report, dated 2/18/22, noted the project was completed on 12/31/21 and in service. The Report contained the following signatures:

|                 |                    |            |
|-----------------|--------------------|------------|
| Capital Lead    | Melvin Emerson     | 02/28/2022 |
| Senior Manager  | Anthony Strabone   | 02/28/2022 |
| Senior Director | Christopher Steele | 03/28/2022 |

The final page of the Close Out report notes the budget amount of \$161,540, actual expenses of \$249,821, resulting in an \$88,281 variance. The variance is supported by the change order totaling \$88,460.

Audit requested and received the work order detail for job 8830-2121, which totaled to the in service amount of \$174,854. There were a total of 11 jobs under the project with 439 journal entries. Entries were booked to the GL in 2020 and 2021 and have an actual completion date of 2021. Cost elements include labor, materials, vouchers, outside services, burden, and AFUDC.

| Year  | Internal Labor | Materials    | Vendors      | Overheads    | CIAC | AFUDC     | Total Spend   |
|-------|----------------|--------------|--------------|--------------|------|-----------|---------------|
| 2020  | \$ 21,337.83   | \$ 333.16    | \$ 7,681.84  | \$ 12,662.59 | \$ - | \$ 160.47 | \$ 42,175.89  |
| 2021  | \$ 29,160.84   | \$ 14,411.05 | \$ 14,429.00 | \$ 74,512.89 | \$ - | \$ 164.67 | \$ 132,678.45 |
| Total | \$ 50,498.67   | \$ 14,744.21 | \$ 22,110.84 | \$ 87,175.48 | \$ - | \$ 325.14 | \$ 174,854.34 |

### **Non-Growth Project #8830-2124 LED Street Light Conversion**

Per the filed Testimony on Bates page 022:

*“This project provides funding to respond to Town/Municipality requests to convert existing Street Lighting to LED Street Lighting. The towns of Salem and Charlestown converted portions of their streetlights to LED. The costs include installing street or floodlights, replacing street or floodlights due to size, model, or condition, installing conductor serving the street or floodlights, and installing streetlight poles or standard poles.*

*The total request for cost recovery for project 8830-2124 is \$387,666, which is above the planned amount for 2021 as the projects spanned 2020 and 2021 but the lights were not in service until 2021.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$ 200,000          | \$ 114,064                   | \$ 114,064                  |
| 2021        | \$ 125,000          | <u>\$ 273,602</u>            | <u>\$ 273,602</u>           |
|             |                     | \$ 387,666                   | \$ 387,666                  |

Energy’s Post Hearing Summary of Position filed July 20, 2022 noted the following regarding the LED Street Light Conversion:

*“This projects spans 2020 and 2021, and the Settlement Agreement provides for recovery of only 2021 investments in this Third Step Adjustment. The project documents state that 100 streetlights were installed in Salem in 2020 and that several hundred more were planned for 2021. Liberty listed the expenditures by year for this project, indicating that \$114,064 (net of CIAC) was spent in 2020. While it is possible that Liberty spent \$114,064 in 2020, for light replacements made in 2021, the weight of the evidence suggests otherwise. The record shows*

*that funds were spent in 2020 and that installations were made in 2020. The notion that significant preliminary investment was made in 2020, for street light replacements that were finished in 2021 is not supported by the facts. Replacing a light fixture is a relatively quick process, and there is no reason to expect that Liberty would expend significant funds to remove a light fixture in one calendar year, leave these areas unlighted for a period of time, only to complete the job in another calendar year. Based on the evidence in this record, the Department recommends excluding the 2020 spending, in the amount of \$114,064 from this Third Step Adjustment.”*

Attachment 12: 8830-2124 LED Street Light Conversion

- a. Capex Form
- b. Change Order – N/A
- c. Project Closeout Report

The Capital Project Expenditure Form, for the period 1/1/2021 through 12/31/2021, was dated 1/4/2021. The Form reflected the budget figure of \$125,000, and indicated the project type to be “Mandated” as noted in Attachment 1. Mandated projects do not require a Business Case. The Capex Form indicates the project was planned and described it as providing funds for Towns/Municipalities wanting to convert their existing streetlights to LED streetlights. The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Manager           | up to \$50,000  | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000 | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | 01/15/21 |

There were two Change Order Forms issued for Project 8830-2124. The first Change Order was issued 11/22/2021 in the amount of \$150,000, increasing the project total to \$275,000. The Form noted the basis of the change to be the fact that *“over expenditure is being driven by costs associated with light replacements that were carryover from 2020 to 2021. The Town of Salem requested 630 streetlights to be converted in 2020. Unfortunately, due to the Town of Salem not signing the agreement and issuing payment until October 2020, Liberty was only able to complete 100 street light conversions, pushing the remaining replacements into 2021”*. The change order was signed by:

|                 |                    |          |
|-----------------|--------------------|----------|
| Senior Manager  | Anthony Strabone   | 11/23/21 |
| Senior Director | Charles Rodrigues  | 11/23/21 |
| Senior Director | Christopher Steele | 11/24/21 |

The second change order was dated 1/18/2022 and requested an additional \$82,000, making the new project budget \$357,000. The Form noted the basis of the change to be the fact that *“over expenditure is being driven by costs associated with light replacements that were carryover from 2020 to 2021. The Town of Salem requested 630 streetlights to be converted in 2020. Unfortunately, due to the Town of Salem not signing the agreement and issuing payment until October 2020, Liberty was only able to complete 100 street light conversions, pushing the remaining replacements into 2021”*. The change order was signed by:

|                 |                    |          |
|-----------------|--------------------|----------|
| Senior Manager  | Anthony Strabone   | 01/29/22 |
| Senior Director | Christopher Steele | 02/03/22 |
| State President | Neil Proudman      | 02/03/22 |

A Project Close-out Report, dated 2/18/2022, noted the project was in service and completed 12/31/2021. The report contained the following signatures:

|                 |                    |            |
|-----------------|--------------------|------------|
| Capital Lead    | Melvin Emerson     | 02/28/2022 |
| Senior Manager  | Anthony Strabone   | 02/28/2022 |
| Senior Director | Christopher Steele | 03/31/2022 |

The final page of the Close Out report notes the budget amount of \$125,000, actual expenses of \$331,565, resulting in a \$206,565 variance. The variance is supported by the two change orders totaling \$232,000.

There were two jobs, 302024-01001 and 302024-01002, under the LED project. Project 302024-01001 contained 564 journal entries booking items to 1070 CWIP and to account 1084 Accumulated Depreciation Cost of Removal. Journal entries for the project were booked to the ledger in 2020 and 2021. 234 entries, totaling \$74,059.82, were booked in 2020 and 330 entries, totaling \$268,877.28 were booked in 2021. The job total of \$342,937.10 was fully booked to account 1060, Completed not Classified on 2/24/2022.

Please see the Conclusion of this report. **Audit Issue #1**

Project 302024-01002 contained 181 entries booking items to 1070 and 1084. As with the above noted project, entries were booked to the ledger in both 2020 and 2021. 145 entries, totaling \$40,004.40, were booked in 2020 and 36 entries, totaling \$4,724.76, were booked in 2021. The job total of \$44,729.16 was fully booked to account 1060 on 2/12/2021.

The below chart shows the projects break down by cost element and year.

|              | Labor       | Materials     | Vouchers    | Burden        | CIAC           | AFUDC        | Total         |
|--------------|-------------|---------------|-------------|---------------|----------------|--------------|---------------|
| 302024-01001 |             |               |             |               |                |              |               |
| 2020         | \$21,491.25 | \$ 18,459.30  | \$ 337.12   | \$ 32,851.65  |                | \$ 920.50    | \$ 74,059.82  |
| 2021         | \$34,363.16 | \$ 120,286.91 | \$ 5,625.00 | \$ 131,594.45 | \$ (32,938.10) | \$ 9,945.86  | \$ 268,877.28 |
| Total        | \$55,854.41 | \$ 138,746.21 | \$ 5,962.12 | \$ 164,446.10 | \$ (32,938.10) | \$ 10,866.36 | \$ 342,937.10 |
| 302024-01002 |             |               |             |               |                |              |               |
| 2020         | \$18,647.22 | \$ 288.78     | \$ 3,314.13 | \$ 29,025.10  | \$ (11,325.00) | \$ 54.17     | \$ 40,004.40  |
| 2021         | \$ 1,366.37 |               |             | \$ 3,175.05   |                | \$ 183.34    | \$ 4,724.76   |
| Total        | \$20,013.59 | \$ 288.78     | \$ 3,314.13 | \$ 32,200.15  | \$ (11,325.00) | \$ 237.51    | \$ 44,729.16  |
| Grand Total  | \$75,868.00 | \$ 139,034.99 | \$ 9,276.25 | \$ 196,646.25 | \$ (44,263.10) | \$ 11,103.87 | \$ 387,666.26 |

Audit requested clarification from the Company regarding the timing of moving the job charges from account 1070 to 1060 and received the following:

*“For most jobs, once the asset is providing service in the field, the paperwork gets back to our operations coordinators to enter the date in our system when the asset was placed in service, this is a short turnaround period. With street lighting conversions, which the job you are looking at, this is a bit tricky because we have a job where we are converting many (50+) high-pressure sodium streetlights to LED streetlights under one work order. We won’t create a single work order for each streetlight so once all of those streetlights are placed in service in the*

*field, the paperwork will be sent to the operations coordinators to enter a single date for the work order. Street light conversions aren't always completed in a short time because it could be work that is completed in between other jobs during the year."*

The Company also noted the following regarding the booking of job 302024-01001 to Completed not Classified in 2022:

*"All of the charges occurred in 2020 and 2021 but the actual in service dates occurred in 2021, with the 2022 in service date occurring due to paperwork being submitted late to the analyst who enters the in service date into the system."*

Audit reviewed the general ledger detail for both LED Street Light projects. Audit made journal entry selections to review in detail of burdens and an AFUDC clearing entry.

Audit reviewed the Labor Burden for the cost of removal for February which was booked to the general ledger account 1084 in March 2020. The Company provided the journal entry and supporting calculation for each job. The support noted the total labor, the labor burden of 131.62% and fleet burden of 6.86%, which are the 2020 Quarter 1 burden rates, resulting in the total labor burden booked to the job. Audit recalculated the burden without exception.

Audit reviewed the Stores Burden from December 2020 booked to account 1070 in January 2021. The Stores Burden is calculated at 11.55%, which is the 2020 Quarter 4 burden rate, of the total stores' transactions for the month. Audit recalculated the stores burden without exception.

The NH Management Burden was also reviewed for December 2020 and booked to account 1070 in January 2021. The 2020 Quarter 4 LAB burden is calculated at 44.90% of field labor, payroll accruals, and bonus accruals based on labor as directly charged. The 2020 Quarter 4 LU burden overheads which represent the Oakville corporate costs allocated among affiliates and subsidiaries is 4.5%. Audit recalculated the LAB and LU burdens without exception.

The final entry selected for review was the AFUDC clearing entry for November 2021 booked in December 2021. There was \$55,853.76 in total debt and equity listed on the journal entry for the month. The debt portion was credited to account #8830-2-0000-80-8550-4320 AFUDC-borrowed for \$21,066.46. The equity portion was credited to account #8830-2-0000-40-4700-4191 for \$34,787.30. Audit sampled a \$1,574.06 AFUDC allocation which was debited to account 1070.

#### **Non-Growth Project #8830-2125 IT Systems and Equipment Blanket**

Per the filed Testimony on Bates page 023:

*"As the Company transitions to SAP, it is beginning to streamline the operation of various payment vendors. Since the payment vendors operate independently of each other, there are challenges in delivering a consistent customer experience and payment product offering across the enterprise. By serving customers through a single channel, the Company can expect*

*to see operational efficiencies through call reduction, vendor cost reduction, and business process improvements. With the current technological innovation in the payments industry and the regulations that contribute to this evolution, there is a significant shift in customer expectations of doing business with the Company. Customers now expect and/or demand not only consistent and robust self-service payment options but also a smoother user experience in a manner that balances security and convenience.*

*The Company completed the Payment Processing Project delivering the foundation for a single payment processing platform for the enterprise. The enterprise-wide cost of the project was \$3,329,840 with approximately 11 percent allocated to the Company.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$ 3,329,840        | \$379,187                    | \$379,187                   |

This project is included as a substitute project as it was not included in proposed project filing.

Attachment 13: 8830-2125 IT Systems & Equipment Blanket

- a. Business Case
- b. Change Order
- c. Project Closeout Report – N/A, project is ongoing through 2022

The Capital Project Business Case dated 2/11/2020 noted a project start date of 2/18/2020 and an end date of 10/1/2020. The Business Case noted the project was planned and mandated and reflected a cost estimate of \$3,329,840. The scope statement read: *“The Payment Processing Project will deliver the foundation for a single payment processing platform for the enterprise. This will allow Liberty Utilities to provide a positive and consistent payment experience and enable payments to be processed efficiently, accurately, and securely”.*

The Business Case noted date stamped authorizations of:

|                  |                   |                          |          |
|------------------|-------------------|--------------------------|----------|
| Manager          | up to \$25,000    | signed by Prafull Koli   | 01/10/22 |
| State President  | up to \$500,000   | signed by Lauren Preston | 01/10/22 |
| Corporate Sr. VP | up to \$5,000,000 | signed by Gerald Trembly | 01/20/22 |

Audit questioned the dates on the Business Case as it was prepared on 2/11/2020, work was performed in 2021, but authorizing signatures were not completed until January 2022. Liberty provided the following response:

*“In 2021, the Liberty New Hampshire leadership was aware of the project and the associated costs, but since the project originated through the corporate office, not Liberty New Hampshire, the signing of the business case did not follow the typical path through NH leadership. The signing of the business case prior to the work being completed was an oversight and, when that was found, the business case was signed immediately.”*

There have no Change Order Forms submitted for this project through 2021.

A Project Close-out Report has not been issued as the project is currently still in process; however, the Payment Processing Project has been completed.



Audit requested and received work order detail for the IT system project. The detail provided by the Company noted there were three jobs and three journal entries; one for each job. The expenses were vouchers, one from September and two from December. The total of these three entries is the in service amount of \$379,187. The entries were booked in 2021 and have actual completion dates in 2021.

| Year | Internal Labor | Materials | Vendors       | Overheads | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|-----------|------|-------|---------------|
| 2021 | \$ -           | \$ -      | \$ 379,186.69 | \$ -      | \$ - | \$ -  | \$ 379,186.69 |

### **Non-Growth Project #8830-2146 Bare Conductor Replacement Program**

Per the filed Testimony filed on Bates page 024:

*“The scope of this project was to reconductor approximately 7,920 feet of overhead bare wire with 477 tree wire in Spacer Cable configuration. The original estimate of \$1 million was based on average contractor bids received in 2019 for similar reconductor projects. The average contractor cost per foot for all bids received in 2019 was \$74/foot. Multiplying this cost/foot by length of the project and including all other construction costs such as tree trimming, construction oversight, traffic control, materials, and all associated burdens, resulting in an estimate of \$1 million. A local New Hampshire contractor was the successful bidder for this project through a competitive bid process.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2020        | \$ 875,000          | \$ 23,483                    | \$ 23,483                   |
| 2021        | \$1,000,000         | <u>\$ 668,092</u>            | <u>\$ 668,092</u>           |
|             |                     | \$ 691,575                   | \$ 691,575                  |

#### Attachment 14: 8830-2146 Bare Conductor Replacement Program

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 1/4/2021, for the period 1/1/2021 through 12/31/2021 reflected the budget figure of \$1,000,000. The Business Case indicated the project type to be “Discretionary”, rather than “Regulatory Programs” as noted in Attachment 1. The Business Case indicates the project was planned and described it as replacing primary overhead bare conductors with 477 aluminum spacer cable in areas susceptible to tree contact. The authorizations included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Manger            | up to \$50,000    | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000   | signed by Charles Rodrigues | 01/15/21 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 01/15/21 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 02/08/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | no date  |

The CapEx showed the same dates and budget as the Business Case. The only difference between the CapEx and Business Case is the CapEx notes the project type to be “Regulatory Supported” which matches Attachment 1. The Cap Ex noted a project description the same as the Business Case. The authorizations noted on the CapEx included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Manger            | up to \$50,000    | signed by Anthony Strabone  | 01/14/21 |
| Senior Director/Director | up to \$250,000   | signed by Charles Rodrigues | 01/16/21 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 01/22/21 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 02/08/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | no date  |

There was no Change Order Form required for Project 8830-2146 as the project was under budget.

A Project Close-out Report, dated 2/18/2022, noted the project was completed 12/31/2021 and in service. Signatures included on the Report were:

|                 |                    |            |
|-----------------|--------------------|------------|
| Capital Lead    | Melvin Emerson     | 02/28/2022 |
| Senior Manager  | Anthony Strabone   | 02/28/2022 |
| Senior Director | Christopher Steele | 03/24/2022 |

The final page of the Close Out report notes the budget amount of \$1,000,000, actual expenses of \$655,591, resulting in a \$344,409 variance. The Report notes that the project was underbudget as the actual construction costs were less than originally planned.

Audit requested and received the work order detail for the Bare Conductor Replacement Program, totaling the in service amount of \$691,575. Audit reviewed the detail and note a total of one project with 344 journal entries. Cost elements of labor, materials, vouchers, outside services, burden, and AFUDC. Entries were posted on 2020 and 2021 with an actual in service date of 4/5/2021. \$691,500.87 was booked to account 1070 and \$74.03 was booked to 1084.

| Year  | Internal Labor | Materials     | Vendors       | Overheads     | CIAC | AFUDC       | Total Spend   |
|-------|----------------|---------------|---------------|---------------|------|-------------|---------------|
| 2020  | \$ -           | \$ (274.42)   | \$ 17,173.62  | \$ 5,669.39   | \$ - | \$ 914.49   | \$ 23,483.08  |
| 2021  | \$ 3,958.23    | \$ 112,584.78 | \$ 392,615.69 | \$ 158,237.60 | \$ - | \$ 695.52   | \$ 668,091.82 |
| Total | \$ 3,958.23    | \$ 112,310.36 | \$ 409,789.31 | \$ 163,906.99 | \$ - | \$ 1,610.01 | \$ 691,574.90 |

### **Non-Growth Project #8830-2180 DTN Weather Upgrade**

Per the filed testimony on Bates page 025:

*“The Company updated its storm tool from DTN, the subscription weather service that provides the Company with weather forecasts to assist in storm restoration planning efforts and providing the necessary support for determining whether an event qualifies as a major storm for cost recovery purposes. Prior to the upgrade, the Company only received static data provided by the meteorologists each day without a prediction of hazards to our distribution system. The upgrade provides storm even modeling through artificial intelligence (AI). The AI provides machine learning applied to outage prediction, meteorologist-enhanced artificial intelligence,*

*and probabilistic outcomes and risk communications. Modeling hazards have provided greater detail and allows us to make better, potentially less expensive, decisions on how to respond to the storm event.*

This project was not included in original schedule was included as substitute in this filing.

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$ 226,250          | \$182,483                    | \$182,483                   |

Attachment 15: 8830-2180 DTN Weather Upgrade

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 2/12/2021, for the period 1/1/2021 through 12/31/2021 reflected a cost estimate of \$226,250. The Business Case indicated the project type to be “Discretionary” as noted in Attachment 1. The Business Case indicates the project was an unplanned improvement and described it as updating the storm tool from DTN from static data to artificial intelligence. The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Manager                  | up to \$25,000  | signed by Heather Tebbetts  | 02/24/21 |
| Senior Manger            | up to \$50,000  | signed by Anthony Strabone  | 02/24/21 |
| Senior Director/Director | up to \$250,000 | signed by Charles Rodrigues | 02/24/21 |

The CapEx showed the same dates and budget as the Business Case. The project type and description are the same as noted on the Business Case. The authorizations noted on the CapEx were also the same as noted on the Business Case.

There was no Change Order Form required for Project 8830-2180 as the project was under budget.

A Project Close-out Report, dated 2/8/2022, noted the project was in service but does not contain a completion date. Signatures included on the Report were:

|                 |                   |            |
|-----------------|-------------------|------------|
| Project Lead    | Heather Tebbetts  | 02/08/2022 |
| Project Sponsor | Charles Rodrigues | 02/08/2022 |

The final page of the Close Out report notes the budget amount of \$226,250, actual expenses of \$182,482, resulting in a \$43,767 variance.

Audit requested and received work order detail for the DTN Weather Upgrade project. The detail provided notes the in service amount of \$182,483 for one job. There are only 3 journal entries; NH Management Burden, LU Corporate Burden and a Voucher for miscellaneous intangible plant. The entries were booked to account 1070 in April and May 2021 and contained and actual completion date of September 2021.

| Year | Internal Labor | Materials | Vendors       | Overheads    | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|--------------|------|-------|---------------|
| 2021 | \$ -           | \$ -      | \$ 150,000.00 | \$ 32,482.92 | \$ - | \$ -  | \$ 182,482.92 |

### **Non-Growth Project #8830-2185 Meter Test Board**

Per the filed Testimony on Bates page 026:

*“Liberty’s meter test board is used to test its electric meters in compliance with state and federal guidelines. The board is used to test new meters purchased from the manufacturer as well as meters returned from the field. The new meter board allows the Company’s meter workers to be more efficient as the board is sized appropriately for the meters going in and out of the meter shop. The current test board has four-meter sockets and has reached its end of life. The new test board is larger and has the additional functionality to test remote disconnect/reconnect functionality of the meters.”*

This project was not included in original filing it was one of several projects added in 2021.

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$ 300,000          | \$248,313                    | \$248,313                   |

#### Attachment 16: 8830-2185 Meter Test Board

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 9/20/2021, for the period 9/16/2021 through 12/31/2021, reflected a budget figure of \$300,000. The Business Case does not indicate the project type or if it was a planned project. The Business Case does note the spending rationale as improvement. The project is described it as the purchase of a new meter test board. The authorizations included:

|                          |                 |                              |          |
|--------------------------|-----------------|------------------------------|----------|
| Manager                  | up to \$25,000  | signed by Shawn Furey        | 09/20/21 |
| Senior Director/Director | up to \$250,000 | signed by Christopher Steele | 03/08/22 |
| Senior VP/VP             | up to \$500,000 | signed by Neil Proudman      | 03/11/22 |

The CapEx, dated 9/20/2021, for the period 9/20/21/2021 through 12/31/2021 reflected the budget figure of \$300,000. The CapEx indicated the project type to be “Discretionary”, which is the same as what is noted in Attachment 1. The Business Case indicates the project was unplanned and described it as the purchase of a new electric meter test board. The authorizations included:

|                          |                 |                              |          |
|--------------------------|-----------------|------------------------------|----------|
| Manger                   | up to \$25,000  | signed by Shawn Furey        | 09/20/21 |
| Senior Director/Director | up to \$250,000 | signed by Christopher Steele | 09/21/21 |
| State President          | up to \$500,000 | signed by Neil Proudman      | 09/22/21 |

There was no Change Order Form required for Project 8830-2146 as the project was under budget.

A Project Close-out Report, dated 2/08/2022, noted the project was completed 12/31/2022, which audit believes should read 12/31/2021. The Report does note that the project is in service. Signatures included on the Report were:

|                 |             |            |
|-----------------|-------------|------------|
| Project Lead    | Shawn Furey | 02/08/2022 |
| Project Sponsor | Mark Parker | 02/08/2022 |

The final page of the Close Out report notes the budget amount of \$300,000, actual expenses of \$248,313, resulting in a \$51,687 variance. The Report notes that the project was underbudget due to less burdens being applied than estimated.

Audit requested and received work order documentation for project 8830-2185. The total matches the in service amount of \$248,313. There was one job number containing seven journal entries. Cost elements included vouchers and burdens which were booked to account 1070. The journal entries were posted to the GL in December 2021 which is the same as the actual completion date.

|      |                |           |               |              |      |       |               |
|------|----------------|-----------|---------------|--------------|------|-------|---------------|
| Year | Internal Labor | Materials | Vendors       | Overheads    | CIAC | AFUDC | Total Spend   |
| 2021 | \$ -           | \$ -      | \$ 218,336.25 | \$ 29,976.54 | \$ - | \$ -  | \$ 248,312.79 |

### **Non-Growth Project #8830-2190 Transportation**

Per the filed Testimony on Bates page 027:

*“The scope of this project provides for annual purchases of vehicles required for the Company. A review and assessment of the fleet is performed in conjunction with operations to determine if any fleet additional and replacements are needed based on the current condition (mileage and age) of the fleet as determined in the corporate fleet policy.*

|             |                     |                              |                             |
|-------------|---------------------|------------------------------|-----------------------------|
| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
| 2021        | \$ 1,000,000        | \$253,649                    | \$253,649                   |

Project underspent due to vehicle orders not being placed in service by December 31, 2021.

Attachment 17: 8830-2190 Transportation

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 1/21/2021, for the period 1/31/2021 through 12/31/2021 reflected a cost estimate of \$1,000,000. The Business Case indicated the project type to be “Discretionary” as noted in Attachment 1. The Business Case indicates the project was planned and described it as the annual purchase of vehicles. The authorizations included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Director/Director | up to \$250,000   | signed by Richard Foley     | 01/21/21 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 01/22/21 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 02/12/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | 03/02/21 |

The CapEx showed the same dates and budget as the Business Case. It also matched the Business Case in noting the project was discretionary and the project description. The authorizations noted on the CapEx were the same as the Business Case with the only difference is Richard MacDonald signed the CapEx on 2/11/2021.

There was no Change Order Form required for Project 8830-2190 as the project was under budget.

A Project Close-out Report, dated 2/10/2022, noted the project was completed 12/31/2021 and in service. Signatures included on the Report were:

|                    |               |            |
|--------------------|---------------|------------|
| Project Sponsor    | Richard Foley | 02/09/2022 |
| Operations Manager | Mark Parker   | 02/10/2022 |

The final page of the Close Out report notes the budget amount of \$1,000,000, actual expenses of \$448,120, resulting in a \$551,880 variance. The Report notes that the project was under budget due to supply chain issues.

Audit requested and received the work order detail for the Transportation project. The detail matched the in service total of \$253,649. The detail shows 5 jobs and 37 journal entries. Entries for the cost elements of vouchers and burdens were booked to GL account 1070 in 2021. Actual in service dates are noted as \$49,826.87 on 11/1/2021, \$29,119.30 on 1/7/2022 and \$174,703.20 on 1/1/1900. The Account Dates section of this audit report notes that an actual in service date of 1/1/1900 means it is not in service.

Audit recommends removing \$203,822.50 which is the total of the 1/7/2022 and 1/1/1900 actual completion dates. The remaining \$49,826.87 was booked to account 106 in 2021 and therefore does not need to be removed.

Please see the Conclusion of this audit report. **Audit Issue #1**

| Year | Internal Labor | Materials | Vendors       | Overheads    | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|--------------|------|-------|---------------|
| 2021 | \$ -           | \$ -      | \$ 231,813.66 | \$ 21,835.71 | \$ - | \$ -  | \$ 253,649.37 |

### **Non-Growth Project #8830-2191 Meter Purchases**

Per the filed Testimony on Bates page 027:

*“This project provided funding for the purchase of electric meters. These meters were required to replace units that has failed in the field and for meters required to serve new customers requesting service. The Company purchase 1,208 meters along with other devices such as current transformers to meet the metering needs for 2021.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$ 250,000          | \$379,368                    | \$379,368                   |

Project was overbudget due to needed to purchase more meters than anticipated.

Attachment 18: 8830-2191 Granite State Meter Purchases

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 1/21/2021, reflects a project start date of 1/1/2020 and no end date. The Business Case indicated a budget of \$250,000 and noted the project type to be “Discretionary” as noted in Attachment 1. The Business Case indicates the project was planned and described it as the annual purchase of electric meters. The authorizations included:

|                          |                 |                       |          |
|--------------------------|-----------------|-----------------------|----------|
| Manger                   | up to \$25,000  | signed by Shawn Furey | 02/04/21 |
| Senior Director/Director | up to \$250,000 | signed by Mark Parker | 02/04/21 |

The CapEx was dated 1/21/2021 and shows a project date of 1/31/2021 through 12/31/2021. The Cap Ex noted a project type and project description the same as the Business Case. The authorizations noted on the CapEx were the same as the Business Case.

A Change Order Form dated 4/22/2021 requested an additional \$260,000 resulting in a new budget of \$510,000. The basis of the change is noted as:

*“In 2021, there was one large meter order that the metering group is receiving in 4 bathes throughout the year. This is the standard order for basic meter to run the business on existing and new meters to support growth. The total amount of the order is 166k. To reduce spend, Operations recently cancelled one of the orders which reduced this amount to 126k. 62k has been received and there are 2 more batches expected in the fall. That leaves a total remaining direct charge of 64k. Operations also needs a few sets of CT’s to support existing growth which amounts to approximately 85k in direct charges remaining.*

*Other charges that have already hit this account were G1 cell meters to replenish inventory for growth, primary CT and PT equipment needed to support growth in the northern division and CT/PT testing equipment to test the effectiveness or out equipment on large accounts. Between these three purchase that amount to approximately 50k.”*

Signatures included on the change order were:

|                    |                   |            |
|--------------------|-------------------|------------|
| Manager            | Shawn Furey       | 04/22/2021 |
| Senior Director    | Mark Parker       | 04/22/2021 |
| State President    | Richard MacDonald | 04/22/2021 |
| Regional President | James Sweeney     | no date    |

A second Change Order Form, dated 1/18/2022 requested an additional \$19,000 resulting in a new budget of \$579,000. The basis of the change is noted as:

*“Additional cost related to final purchase of 2021 meters and pre-capitalized install labor. Costs directly related to meter replacements and new installations.”*

Signatures include on the change order were:

|                    |                    |            |
|--------------------|--------------------|------------|
| Manager            | Shawn Furey        | 01/19/2022 |
| Senior Director    | Christopher Steele | 02/11/2022 |
| State President    | Neil Proudman      | 03/11/2022 |
| Regional President | James Sweeney      | 03/29/2022 |

A Project Close-out Report, dated 12/31/2021, noted the project was completed 12/31/2021 and in service. Signatures included on the Report were:

|                    |               |            |
|--------------------|---------------|------------|
| Project Lead       | Shawn Furey   | 02/09/2022 |
| Project Sponsor    | Richard Foley | 02/09/2022 |
| Operations Manager | Mark Parker   | 02/10/2022 |

The final page of the Close Out report notes the budget amount of \$250,000, actual expenses of \$528,709, resulting in a \$278,709 variance. The variance is supported by the two change orders totaling \$279,000.

Audit requested and received the work order detail for the Meter Purchases. The supporting document, provided by the Company, shows one job with 30 entries. The total of \$379,368 matches the in service total of the project. Cost Elements of the expenses were labor, vouchers and burdens. Entries were booked to account 1070 in 2021 and was noted with an actual completion date of 6/30/2021.

There were three labor entries totaling \$184,971.55. The transaction description noted the entries were for pre-capitalized labor. Audit notes that labor should only be charged to the work order when the pre-capitalized meters are actually installed. Audit recommends removing the pre-capitalized labor from the 2021 in service amount.

Please see the Conclusion of this audit report. **Audit Issue #1**

| Year | Internal Labor | Materials | Vendors       | Overheads    | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|--------------|------|-------|---------------|
| 2021 | \$ 184,971.55  | \$ -      | \$ 110,152.95 | \$ 84,243.40 | \$ - | \$ -  | \$ 379,367.90 |

### **Growth/Non-Growth Project #8830-2192 Transformer Purchases**

Per the filed Testimony on Bates page 028:

*“The transformer purchases project provided funding for the purchase of electric transformers to replace units that had failed in the field and for transformers required to support electric reliability and new construction.*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$ 420,000          | \$639,262                    | \$639,262                   |

The project was over budget due to the need to purchase more transformers than anticipated.



Attachment 19: 8830-2192 Granite State Transformer Purchases

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 1/21/2021, for the period 1/31/2021 through 12/31/2021 reflected the budget figure of \$420,000. The Business Case indicated the project type to be “Growth” and “Regulatory Supported”, rather than “Mandated” as noted in Attachment 1. The Business Case indicates the project was planned with a spending rationale as growth and replenishment. The scope of the project is described as the annual purchase of electric transformers for Liberty Utilities to support equipment failure and growth. **Audit Issue #2**

The authorizations included:

|                          |                 |                             |          |
|--------------------------|-----------------|-----------------------------|----------|
| Senior Director/Director | up to \$250,000 | signed by Richard Foley     | 01/21/21 |
| Senior VP/VP             | up to \$500,000 | signed by Richard MacDonald | 01/22/21 |

One Change Order Form, dated 12/22/2021, for \$480,000 was issued for the project. The basis of the change order was:

*“Due to under-runs in other Granite State capital projects, the opportunity and funds were available to purchase additional transformers. Advance purchase strategically planned to try to be prepared for current supply chain issues”.*

Authorizing signatures were noted to be:

|                    |               |            |
|--------------------|---------------|------------|
| Senior Director    | Richard Foley | 01/24/2022 |
| State President    | Neil Proudman | 03/11/2022 |
| Regional President | James Sweeney | 03/29/2022 |

A Project Close-out Report, dated 12/31/2021, noted the project was completed 12/31/2021 and in service. Signatures included on the Report were:

|                    |               |            |
|--------------------|---------------|------------|
| Project Sponsor    | Richard Foley | 02/09/2022 |
| Operations Manager | Mark Parker   | 02/10/2022 |

The final page of the Close Out report notes the budget amount of \$420,000, actual expenses of \$895,844, resulting in a \$475,844 variance. The variance is supported by the change order in the amount of \$480,000.

Audit requested and received work order detail for the Transformer Purchase project. The detail reconciled to the in service amount of \$639,262. The detail showed only one job with 178 entries. Cost elements included vouchers and burdens. Journal entries were booked to account 1070 in 2021 and show an actual completion date of 6/30/2021.

| Year | Internal Labor | Materials | Vendors       | Overheads     | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|---------------|------|-------|---------------|
| 2021 | \$ -           | \$ -      | \$ 491,856.56 | \$ 147,405.53 | \$ - | \$ -  | \$ 639,262.09 |

**Non-Growth Project #8830-2197 Salem Garage**

Per the filed Testimony on Bates page 028:

*“The Salem Garage project is the expansion of the back garage at the Salem operations center to house a substation repair and testing facility. The purpose of the expansion is to provide a dedicated, secure, and safe site for substation employees to perform repairs and testing. The prior testing location at the Lebanon operations center was not adequate.”*

| <u>Year</u> | <u>Total Budget</u> | <u>Total 2021 In Service</u> | <u>Request for Recovery</u> |
|-------------|---------------------|------------------------------|-----------------------------|
| 2021        | \$ 700,000          | \$667,641                    | \$667,641                   |

This project was not included in original filling and was a substitute project.

Attachment 20: 8830-2197 Salem garage

- a. Business Case
- b. Change Order – N/A
- c. Project Closeout Report

The Business Case, dated 1/12/2021, for the period 2/1/2021 through 12/15/2021 reflected the budget figure of \$700,000. The Business Case indicated the project type to be “Safety”, rather than “Discretionary” as noted in Attachment 1. The Business Case indicates the project was planned and described it as expanding the back garage at the Salem NH Liberty Operations Center to house a substation repair and testing facility approximately 45x50 feet. The authorizations included:

|                          |                   |                             |          |
|--------------------------|-------------------|-----------------------------|----------|
| Senior Manger            | up to \$50,000    | signed by Doug Dorn         | 01/15/21 |
| Senior Director/Director | up to \$250,000   | signed by Richard Foley     | 01/15/21 |
| Senior VP/VP             | up to \$500,000   | signed by Richard MacDonald | 01/15/21 |
| State President          | up to \$500,000   | signed by Susan Fleck       | 01/15/21 |
| Regional President       | up to \$3,000,000 | signed by James Sweeney     | 03/09/21 |

The CapEx showed the same dates and budget as the Business Case. . The Cap Ex noted the same project description and project type as the Business Case. The authorizations noted on the CapEx were the same as the Business Case.

There was no Change Order Form required for Project 8830-2197 as the project was under budget.

A Project Close-out Report, dated 2/10/2022, noted the project was in service, complete, and closed. The Report does not note a project completion date. Signatures included on the Report were:

|                 |               |            |
|-----------------|---------------|------------|
| Project Lead    | Doug Dorn     | 02/09/2022 |
| Project Sponsor | Richard Foley | 02/09/2022 |

The final page of the Close Out report notes the budget amount of \$700,000, actual expenses of \$667,641, resulting in a \$32,359 variance. The Report notes that the project was underbudget due to savings by the vendor through improved timeliness.

Audit requested and received the work order detail for project 8830-2197. The Company provided the detail in which the in service amount totals \$667,641. The documentation shows

one job with 93 journal entries. Cost elements of the charges are labor, vouchers, outside services and burdens. All entries were booked to account 1070 in 2021. The actual completion date is noted to be 12/22/2021.

| Year | Internal Labor | Materials | Vendors       | Overheads     | CIAC | AFUDC | Total Spend   |
|------|----------------|-----------|---------------|---------------|------|-------|---------------|
| 2021 | \$ 46,542.81   | \$ -      | \$ 451,095.00 | \$ 170,003.31 | \$ - | \$ -  | \$ 667,641.12 |

### **Step Conclusion**

Based on the limited review of the reported projects, it appears that the reported 2021 assets placed in service should be:

| <b><u>Project #</u></b> | <b><u>Project Description</u></b>       | <b><u>Filing</u></b> | <b><u>Recommendations</u></b> | <b><u>New Total</u></b> |
|-------------------------|---|----------------------|-------------------------------|-------------------------|
| 8830-1958               | Install Service to Tuscan Village South | \$ 1,235,243         | \$ (1,235,243)                | \$ -                    |
| 8830-2069               | Golden Rock Feeders 19L2                | \$ 1,523,493         | \$ (1,523,493)                | \$ -                    |
| 8830-2086               | Lebanon Pole Pile                       | \$ 345,099           | \$ (345,099)                  | \$ -                    |
| 8830-2107               | General Equipment Blanket               | \$ 188,456           | \$ -                          | \$ 188,456              |
| 8830-2110               | Street Light Blanket                    | \$ 98,979            | \$ -                          | \$ 98,979               |
| 8830-2111               | Public Requirements Blanket             | \$ 308,503           | \$ -                          | \$ 308,503              |
| 8830-2112               | Damage/Failure Blanket                  | \$ 2,022,586         | \$ -                          | \$ 2,022,586            |
| 8830-2113               | Distribution Asset Replacement Blanket  | \$ 296,406           | \$ -                          | \$ 296,406              |
| 8830-2114               | 3rd Party Attachment Blanket            | \$ 164,315           | \$ -                          | \$ 164,315              |
| 8830-2121               | Distribution Reliability Blanket        | \$ 174,854           | \$ -                          | \$ 174,854              |
| 8830-2124               | LED Street Light Conversion             | \$ 387,666           | \$ (342,937)                  | \$ 44,729               |
| 8830-2125               | IT Systems & Equipment Blanket          | \$ 379,187           | \$ -                          | \$ 379,187              |
| 8830-2146               | Bare Conductor Replacement Program      | \$ 691,575           | \$ -                          | \$ 691,575              |
| 8830-2180               | DTN Weather Upgrade                     | \$ 182,483           | \$ -                          | \$ 182,483              |
| 8830-2185               | Meter Test Board                        | \$ 248,313           | \$ -                          | \$ 248,313              |
| 8830-2190               | Transportation                          | \$ 253,649           | \$ (203,822)                  | \$ 49,827               |
| 8830-2191               | Meter Purchases                         | \$ 379,368           | \$ (184,972)                  | \$ 194,396              |
| 8830-2192               | Transformer Purchases                   | \$ 639,262           | \$ -                          | \$ 639,262              |
| 8830-2197               | Salem Garage                            | \$ 667,641           | \$ -                          | \$ 667,641              |
|                         |   | \$ 10,187,078        | \$ (3,835,566)                | \$ 6,351,512            |

The recommended figures above have not been adjusted for what Audit considers an overstatement of Plant based on the inclusion of depreciation expense within the BRD labor burden posted to CWIP.

The figures have also not been adjusted for the growth portion of the transformers purchased in project 8830-2192

The review did not include any Growth projects, thus, this report does not conclude on the accuracy of any Growth project's inclusion in Plant in Service.

## **Audit Issue #1**

### **Audit Recommendations**

#### **Background**

Audit requested and reviewed the work order detail for each of the projects included in the 2021 step filing.

#### **Issue**

- a. The work order detail for the Lebanon Pole Pile project show an actual completion date of 12/8/2020. The project total of \$345,099 should be removed from the filing as it should have been included in the previous step for projects completed in 2020.
- b. \$342,937 of the LED project shows an actual completion date of 2/24/2022. As the project was not in service in 2021, the expenses should be removed from the step filing.
- c. A total of \$203,822.50 from the Transportation project should be removed from the filing as a portion of these expenses contained an actual completion date of 1/7/2022 and the remaining portion is not in service per the work order detail actual completion date of 1/1/1900.
- d. The Meter Purchases project included \$184,972 of pre-capitalized labor. Labor should be booked to the work order as the pre-capitalized meters are installed. These expenses should be removed from the filing.

#### **Recommendation**

Audit recommends the above noted adjustments as shown in the chart located in the Conclusion.

#### **Company Comment**

Please see the Company's response to each of the items below:

- a. The Company will agree to remove this amount from the filing.
- b. The Company will agree to remove this amount from the filing.
- c. The Company will agree to remove this amount from the filing.
- d. The Company disagrees with the Audit Staff's finding. The purpose of precapitalizing meters is to include the materials and labor when the assets are entered into inventory and to expense the labor when the asset is installed. Labor is never booked to a work order when the single meter is installed as there would be hundreds, if not thousands of entries necessary to book labor as meters are installed weekly, if not daily.

### **Audit Conclusion**

Audit concurs with the Company's response to items a, b and c above. Regarding item d above, Audit understands the explanation to mean that if the Company continues to pre-capitalize the labor associated with the installation of meters, it debits a labor expense account and credits the capitalized meter account once the meter is actually installed.

## **Audit Issue #2**

### **Project 8830-2192 Transformers**

#### **Background**

Audit reviewed the work order detail for the Transformer Purchases project.

#### **Issue**

The Business Case noted that the scope of the project is described as the annual purchase of electric transformers for Liberty Utilities to support equipment failure and growth. Step adjustments include the expenses of non-growth projects only.

#### **Recommendation**

Audit requested from the Company a percentage split of growth versus failure installations. Liberty noted that they do not track the Transformers installed for growth and failure.

As growth projects are not allowed in step adjustments, Audit recommend that the Company determine the portion of the expenses that were incurred for growth projects and remove that from the filing.

#### **Company Comment**

The Company disagrees with the Audit Staff's conclusion. As provided in the response to the Audit Staff's question asking for the percentage split between growth and damage for the transformers, the Company answered that the Company does not track transformers installed for damage or growth as they are pre-capitalized plant and only labor is charged to a work order opened for either damage or growth.

#### **Audit Conclusion**

Audit understands that the Company does not track transformer installations that are for damage versus growth. Audit notes that the Company must have knowledge of an approximate percentage of the inventory that will be used for growth related purposes. Audit reiterates the issue that the growth portion should be removed from the project.

