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STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: March 31, 2023

FROM: Audit Staff, Division of Enforcement

SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty-Keene Division
DG 22-015, 2022 Summer Cost of Gas Reconciliation
REVISED Final Audit Report CONFIDENTIAL

TO: Thomas Frantz, Director, Regulatory, NH Department of Energy
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Introduction

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty - Keene Division, a public utility providing propane gas to customers in Keene, NH filed its summer cost of gas (COG) reconciliation for the period May 2022 – October 2022 in docket DG 22-015 on February 6, 2023.

The Commission Order 26,615 issued April 22, 2022 suspended the Company's proposed Tariff for summer 2022 for up to 3 months pending further investigation and an adjudicative hearing with a decision on cost of gas rates by the end of May 2022.

The Commission Order 26,618 issued April 28, 2022 approved the Keene winter 2021-2022 cost of gas rate of \$2.4835 per therm to be used for April 2022 and May 2022. The Order clarifies that this is not a continuation of the winter 2021-2022 cost of gas rates but only an interim option until the summer 2022 rates will be adjudicated in May 2022 and subsequent following order.

The Commission Order 26,630 issued May 20, 2022 approved a cost of gas rate effective June 1, 2023-October 31, 2023 of \$1.6220 per therm with a maximum charge up to 25% or \$2.0275 per therm.

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

Summary of DG 20-105 EnergyNorth Settlement Agreement Regarding Keene

On 6/30/2021 The Company, Commission Staff, and the OCA filed a Settlement Agreement regarding the DG 20-105 EnergyNorth rate case. The Settlement Agreement authorizes the Company to recover one half of the prior period incremental costs of CNG, over a one-year period, for the summer or winter period beginning with the 2021-2022 winter cost of gas filing.

On 7/30/2021 the Commission Order #26,505 approved the Settlement Agreement filed with the Commission on 6/30/2021.

Incremental Gas Costs

Appendix 4 in the Settlement Agreement, Bates Page 033, included the actual 2019 summer incremental gas costs that were a (\$2,524) customer refund. The summer 2020 incremental gas costs were a \$8,107 customer charge. The 2021 incremental summer gas costs were estimated because the Company did not yet have the actual costs when the Settlement Agreement was reached for March/April 2021. The Company provided to only Audit an updated appendix 4 for incremental gas costs incurred through summer 2022. The summer 2022 incremental gas costs were estimated to be a \$10,631 customer charge.

The chart below summarizes the incremental gas costs incurred through summer 2022 in the updated Appendix 4 provided to Audit.

CNG Increment Cost/Saving Risk Sharing - 50% Shareholder/Ratepayers						
Incremental CNG Supply Costs - October 2019 thru October 2022						
COG Period	Year	Incremental Cost/(Savings) Amount	Allowed Recoverable Amount from Customers due to Higher/(Lower) CNG vs Propane Costs	Incremental Costs Not Recoverable/Deferred	Incremental Costs not Recovered Balance	(Refund)/Charge
Summer (DG 20-105 Settlement Agreement)	2019	5,048	2,524	2,524	2,524	(2,524)
Summer (DG 20-105 Settlement Agreement)	2020	16,214	8,107	8,107	10,631	8,107
Summer (DG 21-050 Recon)	2021	(13,026)	(10,631)	(2,395)	(1,198)	10,631
Summer (DG 22-015 Forecast) -Note 1	2022	(11,641)	0	(11,641)	(7,018)	0

Section 7.1 of the approved DG 21-105 settlement agreement Bates page indicates the conditions for recovery of incremental gas costs are as follows:

“Beginning November 1, 2021, the Company is authorized to recoup one half of the incrementally higher CNG supply costs relative to the propane supply cost going forward through the reconciliation process. If the CNG supply cost is lower than the propane supply cost, the Company shall recover and retain the full amount of incrementally lower CNG supply cost up to the amount of incrementally higher CNG costs accrued since the commencement of CNG service, which have not been recovered from customers, at which point the Company shall recover and retain one-half of the incrementally lower CNG supply costs. The Company, per Appendix 5 of the Settlement Agreement, is required to submit a reconciliation in the summer and winter seasons comparing the CNG supply costs/savings”.

The Company allocate 75% of the CNG demand costs to the winter season and 25% to the summer season per the approved settlement agreement. This is discussed further in the review of the GL and individual invoices.

Reported Summary

Below is a summary of the 2022 Summer Cost of Gas reconciliation as filed through the PUC’s e-filing system in DG 22-015 on 2/6/2023:

Beginning under-collection (Current Period)	\$ 63,748
Revenue	\$ (623,608)
Total Costs	\$ 544,798
Interest	\$ <u>455</u>
Ending over-collection per filing	\$ (14,607)

May 1, 2022 Beginning Balances per the Filing and General Ledger

The \$63,748 May 1, 2022 under-collection beginning balance on the filing does not match the \$16,080 October 31, 2021 under-collection ending balance on the 2021 Summer COG per the prior period Audit report. The reason is because there was November 2021-April 2022 GL activity that is summarized below:

Prior Summer Audit Report Ending Balance	\$ 16,080 under-collection
November 2021-April 2022 CNG Demand costs	\$ 13,750
November 2021-April 2021 Collections	\$ (42,560)
Unbilled Revenue	\$ 38,329
Deferral CNG winter March 2022 deferral	\$ 37,680 Credited/Rec. June 2022
Interest November 2021-April 2022	\$ <u>469</u>
Filing May 1, 2022 Beg. Bal.	\$ 63,748 under-collection

The November 2021-April 2022 activity consisted of deferred interest, an unbilled commodity reversal from October 2021, CNG demand charges allocated 25% to the summer season, gas supply collections, and allocation adjustments between the winter and summer seasons.

Revenue \$623,608

The Commission Order 26,618 issued April 28, 2022 approved the Keene winter 2021-2022 April 2022 cost of gas rate of \$2.4835 per therm to be used for the entire month of May 2022. . The Commission Order 26,630 issued May 20, 2022 approved a cost of gas rate effective June 1, 2023-October 31, 2023 of \$1.6220 per therm with a maximum charge up to 25% of \$2.0275 per therm.

Audit reviewed the revenue for the period and the reported cost of gas rates for the non-fixed price option (non-FPO) for compliance with Order 26,618 in DG 22-015, issued on 4/28/2022. Specifically, the Non-FPO was initially set at \$2.4835. The Commission Order 26,630 set the \$1.6220 per therm non-fixed priced option cost of gas rates for June 1-October 31,2022. The maximum rate allowed was \$2.0275 per therm. The rates were the same for Commercial and Industrial, and Residential. The following tariff pages were submitted for rate changes:

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

- 12th Revised Page 8 The Non-fixed Price Option was changed to \$2.4835 effective 5/1/2022.
- 13th Revised Page 88 The Non-fixed Price Option was changed to \$1.6220 effective 6/1/2022.
- 14th Revised Page 88 The Non-fixed Price Option was changed to \$2.0198 effective 7/1/2022.
- 15th revised Page 88 The Non-fixed Price Option was changed to \$1.8336 effective 8/1/2022.
- 16th revised Page 88 The Non-fixed Price Option was changed to \$2.0114 effective 9/1/2022.
- 167h revised Page 88 The Non-fixed Price Option was changed to \$1.9203 effective 10/1/2022.

The chart below summarizes the total gas revenue as they appear on the filing May-October 2022:

Line	Revenue Item	May	June	July	August	September	October	Total
27	Billed FPO Sales (therms)	0	0	0	0	0	0	0
28	COG FPO Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	FPO Revenues Total (line 27*line 28)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Billed Non-FPO Sales (therms) prior month	0	8,515	12,315	12,803	12,654	3,665	49,952
31	COG Non-FPO Rate prior month	\$ -	\$ 2.4835	\$ 1.6220	\$ 2.0198	\$ 1.8336	\$ 2.0114	
32	Prior Month Billed Revenues Total (line 30*line 31)	\$ -	\$ 21,147	\$ 19,976	\$ 25,860	\$ 23,202	\$ 7,372	\$ 97,555
33	Billed Non-FPO Sales (therms) current Month	37,681	35,831	32,777	33,353	33,413	11,821	184,876
34	COG Non-FPO Rate current month	\$ 2.4835	\$ 1.6220	\$ 2.0198	\$ 1.8336	\$ 2.0114	\$ 1.9203	
35	Current Month Billed Revenues Total (line 33*line 34)	\$ 93,580	\$ 58,118	\$ 66,204	\$ 61,156	\$ 67,207	\$ 22,700	\$ 368,964
36	Billed Sales Other Prior Periods (Therms)	180	0	4	16	(17)	1	184
37	COG Other Prior Periods Blended rate	\$ 1.2524	\$ -	\$ 2.4825	\$ 1.6220	\$ 2.0732	\$ 1.8336	
38	Other Billed Revenues Totals (line 36*line 37)	\$ 225	\$ -	\$ 10	\$ 26	\$ (35)	\$ 2	\$228
39	Total Sales Therms (line 27+line 30+line 33+line 36)	37,860	44,346	45,097	46,172	46,049	15,487	235,012
40	Total Billed Revenues (line 29+line 32,+line 35+line 38)	\$ 93,805	\$ 79,265	\$ 86,189	\$ 87,042	\$ 90,373	\$ 30,074	\$ 466,747
41	Unbilled Revenues (NET)	\$ 5,622	\$ 14,976	\$ (12,755)	\$ 15,602	\$ (23,444)	\$ 156,861	\$ 156,861
42	Total Revenues (line 40+ line 41)	\$ 99,427	\$ 94,240	\$ 73,434	\$ 102,643	\$ 66,929	\$ 186,935	\$ 623,608

Gas Cost Deferral account to Filing

Gas Supply Collections	(\$466,748)
Unbilled Commodity Cost	(\$214,368)
Unbilled Commodity Reversal	<u>\$57,508</u>
Total Revenue	(\$623,608)

Audit verified the \$(466,748) in May-October 2021 revenue in the deferral account 8843-2-0000-10-1920-1741 RA-COG Costs-summer 2022 to the filing listed above. Beginning in October 2022, the Company moved to SAP and began using account 130800-11174002 for the summer deferral account. Audit reviewed the monthly Cogsdale billing reports for May-September 2022 and October SAP report for billed revenue and total therms.

The Cogsdale/October 2022 SAP billing reports matched line 39-235,012 total therms sales and line 40- \$466,747 total billed revenue. Audit reviewed Cogsdale/SAP billing reports provided by the Company. The Company in October 2022 switched to SAP for billing. The Company indicated during the September 2022 month end close, the year-to-date September 2022 results were loaded into SAP.

The SAP system records the billed amounts and the Finance department prepares the unbilled revenue as was done in Great Plains financial system prior to conversion to SAP. Audit noticed for May-September 2022 the monthly billed revenue was nearly \$90,000 per month yet in October 2022 the revenue booked was \$30,000. Audit reviewed the \$156,861 unbilled revenue journal entries and the supporting calculations the Company booked for May-October 2022. The \$156,861 total unbilled calculation is the same amount for October 2022 and this amount was zeroed out in November 2022. Audit asked the Company about the accuracy of the billings in October 2022, and they indicated,

“Where we identified that expected bills were not issued in October, the finance team adjusted the revenue accrual to capture the number of accounts not billed. As a result, revenue was recorded through three categories: (1) October revenue billed, (2) October revenue not billed, but expected to have been billed, and (3) October expected unbilled revenue.”

This brings into question the accuracy of the October 2022 billed revenue as an unidentified number of customers did not receive a bill. **Audit Issue #1**

Audit reviewed individual Residential/Commercial/Industrial September 2022 Cogsdale and October 2022 SAP customer bills to verify the Company was charging the correct cost of gas billed rate in compliance with the Commission Orders. This billing review was done specifically to test the transition to the new SAP billing system that was done in October 2022.

Gas Supply Collections \$(623,608) Per the Filing

April 2022 FPO Sales	\$ 0
Billed Non-FPO Sales Prior	\$ (97,555)
Billed Non-FPO Current	\$(368,964)

Billed Sales Other	\$ (228)
Unbilled Revenue	<u>\$(156,861)</u>
	\$(623,608)

April 2022 FPO Sales Lines 27-29 \$0

This represents the April 2022 fixed price option. The account activity for these line items is associated with true up of different customers on different billing cycles from the winter period. There was no activity on this line item on the filing.

Billed Non-FPO Sales Prior Month Lines 30-32 \$(97,555)

These line items represent the non-fixed price option billed in the prior month starting with April 2022. Audit verified the subsequent month COG rate and therms used were calculated correctly.

Billed Non-FPO Sales Current Month Line 33-35 \$(368,964)

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

Billed Sales Other Periods Lines 36-38 \$(228)

These line items represent adjustments for billed sales during other COG periods. The adjustments were a credit of \$(228).

Total Sales Line 39 - 235,012 Therms

This line item represents the May-October 2022 total therms used. Audit verified the 235,012 therms for May-October 2022 was calculated correctly on line 39.

Total Billed Revenues Line 40 \$466,747

This line represents the \$466,747 May-October 2022 total billed revenue.

Unbilled Revenue Line 41 \$(156,861)

This line represents the May-October 2022 total unbilled revenue, and is the net of the

Unbilled Commodity Cost	\$(214,368)
Unbilled Commodity Reversal	<u>\$57,508</u>
	\$(156,861)

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Total Revenue Line 42 \$(623,608)

This line represents the total unbilled revenue and total billed revenue totals from May-October 2022 which were verified to Cogsdale Billing Reports.

Total Gas Costs \$544,798

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

<u>Category</u>	<u>Cost</u>	<u>Filing Location</u>
Total Propane sendout 5/1/2022 through 10/31/2022	\$ [REDACTED]	Lines 1-5
Propane Cost Adjustments	\$2	Line 6
Total Propane Costs	\$ [REDACTED]	Line 7
Total CNG sendout 5/1/2022 through 10/31/2022	\$ [REDACTED]	Lines 8-12
CNG Demand Charges	\$ [REDACTED]	Line 13
CNG Adjustments	(\$ [REDACTED])	Line 14
Journal Entry to move costs from summer to winter	(\$ [REDACTED])	Line 15
Total Cost of CNG	\$ [REDACTED]	Line 16
Cost Per Therm including Demand Charges Done by Month		Line 17
Incremental summer 2019 costs per Order # 26,505	(\$ [REDACTED])	Line 18
Incremental summer 2020 costs per Order # 26,505	\$ [REDACTED]	Line 19
Incremental summer 2021 costs	\$ [REDACTED]	Line 20
Projected incremental summer 2022 costs	(\$ [REDACTED])	Line 21
Net Incremental Gas Costs	\$ [REDACTED]	Line 22
Total CNG costs	\$ [REDACTED]	Line 23
FPO Premium	\$0	Line 24
Total Cost of Gas	\$ [REDACTED]	Line 25
Return on Inventory	\$0	Line 26

Note: Lines 24 and 26 do not have any charges as the FPO premium and Return on Inventory relate to the winter season.

As noted in the reconciliation of the DG 22-015 filing, the following costs for therms sold and associated dollar amount per therm sendout were identified in the filing. The calculation on the chart seen below was derived from lines 1-5 of the filing. The total cost per therm sendout is derived by calculating the monthly therm sendout by the cost per therm. Audit also verified this to the monthly deferral account master file inventory reconciliation accounts 8843-2-0000-52-5541-8040 Natural Gas City Gate Purchases, 8843-2-0000-52-5541-8042 Gas Cost Deferral, 8843-2-0000-52-5541-8041 Natural Gas Demand Charges-Transportation, and the summer deferral account 8843-2-0000-10-1920-1741.

The chart below represents May 2022-October 2022 Total Propane Sendout Costs, Lines 1-5, summing to \$ [REDACTED]:

REDACTED

	<u>May-22</u>	<u>Jun-22</u>	<u>Jul-22</u>	<u>Aug-22</u>	<u>Sep-22</u>	<u>Oct-22</u>	<u>Total</u>
Cost Per therm	● [REDACTED]	● [REDACTED]					
Firm Sendout	● [REDACTED]	● [REDACTED]					
Company Use	● [REDACTED]	● [REDACTED]					
Total Therms	● [REDACTED]	● [REDACTED]					
Total costs	● [REDACTED]	● [REDACTED]					

Propane Cost Adjustments Line 6, \$2

This line represents May-October 2022 monthly propane cost adjustments. There was a net \$2 in May-October 2022 summer adjustments. The adjustments took place in May and July 2022.

Total Cost of Propane Line 7 \$ [REDACTED]

This line item represents the rounded total \$ [REDACTED] cost of propane for the summer 2022 season. The total is different by \$2 that is due to summer 2022 propane cost adjustments.

CNG Commodity Costs- Lines 8-12 \$ [REDACTED]

These line items represent the net \$ [REDACTED] May-October 2022 weighted average cost of CNG commodity charges. Lines 8-10 represent the total [REDACTED] CNG send out therms that were used during the 2022 summer season. The Company, on line 10 for May 2022, did not foot the total CNG send out therms correctly.

Lines 11 and 12 of the filing represent the weighted average cost per therm for CNG and the total weighted average cost of CNG for May-October 2022. The calculated weighted average cost of CNG for summer 2022 is \$ [REDACTED] per the filing.

The chart below represents the correct weighted average total cost of CNG per the e-filing spreadsheet:

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	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Total
Cost Per therm	●	●	●	●	●	●	
Firm Sendout	●	●	●	●	●	●	●
Company Use	●	●	●	●	●	●	●
Total Therms	●	●	●	●	●	●	●
Total costs	●	●	●	●	●	●	●

CNG Demand Charges Line 13, \$ [REDACTED]

These charges represent the fixed monthly \$ [REDACTED] CNG Demand charges with Xpress Natural Gas, per the \$ [REDACTED] annual demand charges contract the Company has with Xpress Natural Gas. The current contract was signed on July 1, 2021. The demand costs are allocated 75% to the winter season and 25% to the summer season. The 75% percent allocation represents the November 2021- April 2022 \$ [REDACTED] monthly allocation. The May-October 2022 summer allocation is \$ [REDACTED]. The DG 20-105 Settlement Agreement indicates going forward for the Company is to allocate 75% to the winter season and 25% to the summer season. Audit reviewed the contract and invoices that are discussed later in this Audit Report in the invoice review section.

The Company, in October 2022, allocated an additional \$ [REDACTED] in CNG Demand Charges that represents the \$ [REDACTED] monthly summer CNG Demand allocation multiplied by six on line 13 of the filing. The Company allocates the \$ [REDACTED] winter/ \$ [REDACTED] summer CNG Demand charges monthly in the 1740 winter deferral account and 1741 summer deferral account. The Company indicated the \$ [REDACTED] represents 25% of the \$ [REDACTED] annual CNG demand charge contract over a one-year period. The Company books CNG demand charges monthly to the 1741 summer cost of gas deferral account that is included in the monthly over under balance, so the Company included an additional 6 months or \$ [REDACTED] in October 2022 in CNG demand charges on the filing. The Company credited the (\$ [REDACTED]) additional 6 months of CNG Demand charges out on Line 14 in October 2022 on the filing.

CNG Adjustments Line 14 (\$ [REDACTED])

The line represents adjustments to the cost of CNG such as adjustments to actual amounts booked monthly vs. the estimated costs booked for CNG purchases that was (\$ [REDACTED]) during the summer of 2022. The Company included a (\$ [REDACTED]) October 2022 CNG demand charge credit out of (\$ [REDACTED]) in total October 2022 adjustments. The (\$ [REDACTED]) credit adjustment is to reverse the effects of the additional six months of demand charges included in line 13 of the filing.

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Journal Entry to move summer deferral costs to winter Line 15 (\$ [REDACTED])

This (\$ [REDACTED]) credit on line 15 was done to correct an entry in March 2022 in which the gas deferral was inadvertently recorded to the summer instead of the winter period. Audit reviewed the June 15, 2022 adjusting entry that debited the winter deferral account 8843-2-0000-10-1920-1740 for \$ [REDACTED] and a credit to the summer deferral account 8843-2-0000-10-1920-1741 for the same amount.

Total Calculated cost of CNG including Demand Charges Line 16, \$ [REDACTED]

This line represents the total \$ [REDACTED] total calculated cost of CNG for May-October 2022.

Cost Per Therm Including Demand Charges Line 17

This line represents the total monthly per therm cost of CNG including demand charges that is arrived at Line 16 Total Cost of CNG including demand charges divided by line 10 the Total CNG Sendout.

Incremental 2019 summer costs per Order # 26.505 in DG 20-105 Line 18 (\$ [REDACTED])

This line item represents the approved summer 2019 (\$ [REDACTED]) incremental CNG/Propane customer charge on Bates Page 033 Appendix 4 of the Settlement Agreement. The Settlement Agreement was approved by Order 26,505. The Company did not perform the adjusting entry in May 2022 to the 1741 summer deferral account. **Audit Issue #2**

Incremental 2020 summer costs per Order # 26.505 in DG 20-105 Line 19 \$ [REDACTED]

This line item represents the approved summer 2020 \$ [REDACTED] incremental CNG/Propane refund charge on Bates Page 033 Appendix 4 of the Settlement Agreement. The Settlement Agreement was approved by Order 26,505. The Company did not perform the adjusting entry in May 2022 to the 1741 summer deferral account. **Audit Issue #2**

Incremental 2021 summer costs Line 20 \$ [REDACTED]

This line item represents the summer \$ [REDACTED] incremental CNG/Propane customer charge. On Bates Page 033 Appendix 4 of the Settlement Agreement estimated gas cost charges were \$ [REDACTED] for summer with a 50% recovery of (\$ [REDACTED]). The appendix 4 included a note 2 that indicates the incremental gas cost savings were estimated and the actual CNG incremental cost/savings are to be determined in the Keene summer cost of gas reconciliation. The DG 20-105 Settlement Agreement was approved by Order 26,505.

The Company indicated during the summer 2021 period that they recorded an incrementally lower CNG supply cost of (\$ [REDACTED]). Per the DG 20-105 Settlement Agreement Section 7.1 *"If the CNG supply cost is lower than the propane supply costs, the Company shall*

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recover and retain the full amount of incrementally lower CNG supply cost up to the amount of incrementally higher CNG costs accrued since the commencement of CNG service which have not been recovered from customers.” During a review of the DG 21-132 docket for the 2021-2022 winter cost of gas reconciliation the Company in an updated Appendix 4 solely to Audit Staff indicated the summer 2021 incremental gas costs should be \$[REDACTED]. The Company indicated the amount to be recovered from customers is \$[REDACTED] net of the 50% excess savings of \$([REDACTED]) which sums to \$[REDACTED] on line 20 of the filing. The Company did not perform any adjusting entry in May 2022 to the 1741 summer deferral account. **Audit Issue #2**

Projected Incremental 2022 summer costs Line 21 (\$[REDACTED])

This line item represents the summer (\$[REDACTED]) incremental CNG/Propane customer refund.

The Company indicated during the summer 2022 period that they recorded an incrementally lower CNG supply cost of \$[REDACTED]. Per the DG 20-105 Settlement Agreement Section 7.1 Keene COG *“the Company is authorized to recover one half of the incrementally higher CNG supply costs compared to the propane since the commencement of CNG service through October 31, 2021, to be recovered through the inclusion over one year in the next summer/winter cost of gas reconciliations consistent with the season in which the incremental costs were originally incurred.”* The Company indicated the amount to be recovered from customers is (\$[REDACTED]). The Company did not perform the (\$[REDACTED]) incremental gas cost adjusting entry on 1741 summer deferral account. **Audit Issue #2**

Net Incremental Costs Line 22 \$[REDACTED]

This line items represent the net summer 2019-2022 sum of incremental gas costs.

Total CNG Gas Costs Line 23 \$[REDACTED]

This line item represents total amount spent on CNG including the incremental gas costs. The Company spent \$[REDACTED] on CNG gas costs in summer 2022.

FPO Premium Line 24 \$0

There is no fixed price premium is the summer 2022 season as the fixed price option is available only in the winter season.

Total Gas Costs Line 25 \$[REDACTED]

This line item represents the total amount spent on CNG and Propane during the summer 2022 season that was \$[REDACTED].

Return on Inventory Line 26 \$0

This line item is zero as the charge only occurs in the winter season.

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Gas Costs Deferral account to Filing

Total summer period deferred propane costs	\$ [REDACTED]
Total summer CNG Commodity cost	\$ [REDACTED]
Total summer CNG Demand Charges	\$ [REDACTED]
CNG Cost Adjustments	(\$ [REDACTED])
2019-2022 Net Incremental Gas Costs	\$ [REDACTED]
CNG season adjustment	(\$ [REDACTED])
Total summer CNG gas costs	\$ [REDACTED]
Total summer gas costs	\$ [REDACTED]

Audit was only able to verify \$ [REDACTED] out of \$ [REDACTED] in gas costs to the 8843-2-0000-10-1920-1741 RA-Summer COG deferral account for propane and CNG gas costs. The reason for the \$ [REDACTED] difference was due to the 2019-2022 summer incremental gas cost journal entries not being done. **Audit Issue #2**

Bidding for Propane and CNG

The Company received informal quotes on the spot market for propane for the 2022 summer season. NGL Supply was chosen for routine delivery of propane, as they were noted by the Company to provide safe, reliable, service and were the lowest cost provider and have been used in the past. The Company refilled the Amherst propane storage facility. The propane is purchased for injection into storage, which is used for winter supply. The Amherst Storage tank is cheaper to fill during the summer months. Summer is the least expensive time to purchase propane. Patriot Gas was selected as the least cost supplier to fill the storage tank for the winter season.

Gas Supply Invoices

Propane

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

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Month	Supplier	Invoice #	Gallons	Gas
5/2/2022	NGL	22130334C	██████	\$ ██████
5/11/2022	NGL	22145525A	██████	\$ ██████
7/7/2022	NGL	22180157A	██████	\$ ██████
8/3/2022	NGL	22200055A	██████	\$ ██████
8/8/2022	NGL	22201380A	██████	\$ ██████
8/18/2022	NGL	22211450a	██████	\$ ██████
9/1/2022	NGL	22216851A	██████	\$ ██████
9/1/2022	NGL	22221740A	██████	\$ ██████
10/13/2022	NGL	2225384A	██████	\$ ██████
10/26/2022	NGL	22263484A	██████	\$ ██████
				\$ ██████

- 5/2/2022 \$██████ was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$██████ for propane plus the PERC charge of \$██████ per gallon. Audit recalculated the invoice without exception.
- 5/11/2022 \$██████ was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$██████ for propane plus the PERC charge of \$██████ per gallon. Audit recalculated the invoice without exception.
- 7/7/2022 \$██████ was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$██████ for propane plus the PERC charge of \$██████ per gallon. Audit recalculated the invoice without exception.
- 8/3/2022 \$██████ was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$██████ for propane plus the PERC charge of \$██████ per gallon. Audit recalculated the invoice without exception.
- 8/8/2022 \$██████ was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$██████ for propane plus the PERC charge of \$██████ per gallon. Audit recalculated the invoice without exception.
- 8/18/2022 \$██████ was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$██████ for propane plus the PERC charge of \$██████ per gallon. Audit recalculated the invoice without exception.

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- 9/1/2022 \$ [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$ [REDACTED] for propane plus the PERC charge of \$ [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 9/1/2022 \$ [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$ [REDACTED] for propane plus the PERC charge of \$ [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 10/13/2022 \$ [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$ [REDACTED] for propane plus the PERC charge of \$ [REDACTED] per gallon. Audit recalculated the invoice without exception.
- 10/26/2022 \$ [REDACTED] was verified to an invoice from NGL Supply Wholesale, LLC reflecting the Enterprise, Selkirk, NY terminal to New Hampshire at the rack price of \$ [REDACTED] for propane plus the PERC charge of \$ [REDACTED] per gallon. Audit recalculated the invoice without exception.

Compressed Natural Gas

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

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

Month	Supplier	MMBTU	Commodity	Marketers	Service	Invoice	Monthly	Invoice
May-22	Xpress	[REDACTED]						
Jun-22	Xpress	[REDACTED]						
Jul-22	Xpress	[REDACTED]						
Aug-22	Xpress	[REDACTED]						
Sep-22	Xpress	[REDACTED]						
Oct-22	Xpress	[REDACTED]						

REDACTED

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

Marketers' Charges

• May 2022	\$	
• June 2022	\$	
• July 2022	\$	
• August 2022	\$	
• September 2022	\$	
• October 2022	\$	
Total	\$	

Service Adder Charges

• May 2022	\$	
• June 2022	\$	
• July 2022	\$	
• August 2022	\$	
• September 2022	\$	
• October 2022	\$	
Total	\$	

Interest \$455

The originally reported interest expense of \$455 was reviewed by Audit. The monthly figures represent the calculation of the average monthly General Ledger balance * interest rate divided by twelve. The calculated monthly figure is then rolled into the beginning balance for the next month. Keene provided supporting documentation for the interest without exception. The Company used the monthly Federal Reserve Statistical Release of Selected Interest Rates to reflect the interest rate.

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Interest</u>
May-22	\$ 64,714.00	3.50%	31	\$ 192
Jun-22	\$ 41,351.00	4.00%	30	\$ 136
Jul-22	\$ 18,685.00	4.75%	31	\$ 75
Aug-22	\$ 8,554.00	5.50%	31	\$ 40
Sep-22	\$ 7,553.00	5.50%	30	\$ 34
Oct-22	\$ (4,311.00)	6.25%	31	\$ (23)
				<u>\$ 455</u>

General Ledger

Audit reviewed the May-October 2022 Summer Cost of Gas general ledger account reconciliation 8843-2-0000-10-1920-1741 and beginning in October 2022 SAP summer deferral account 130800-11174002 . Audit was able to verify and recalculate the gas supply collections, interest, deferrals, reversals, CNG Demand charges, adjusting entries, production costs and unbilled revenue costs on the general ledger. Audit reviewed a monthly reconciliation between the deferral account and the filing. The October 31, 2022 deferral ending balance is an over collection of (\$14,607). This is \$12,511 difference from the summer deferral account that has an (\$27,118) October 31, 2022 ending balance. The reason for the difference is the incremental gas cost adjusting entries were not done. **Audit Issue #1**

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

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

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

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

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

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

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

The following SAP accounts began to be used in October 2022 as the Company transitioned from Great Plains GL. The Company indicated they submitted an updated Tariff of the accounts, and the PUC Tariff Administrator is presently reviewing the proposed tariff pages.

Great Plains Account	Description	SAP GL Code
8843-2-0000-10-1163-1755	Deferred Reserve EE	0L_3072_10169_130800_11175000
8843-2-0000-10-1168-1420	Phased in Revenue - Short term	0L_3072_10169_131100_11142000
8843-2-0000-10-1168-1823	Deferral Decoupling Asset	0L_3072_10169_131200_11182300
8843-2-0000-10-1168-1828	Property Tax Adjustment Mechanism	0L_3072_10169_170700_11182300
8843-2-0000-10-1169-1756	Deferred RLIAP	0L_3072_10169_131100_11175000
8843-2-0000-10-1920-1740	R/A - COG Costs - Winter	0L_3072_10169_130800_11174000
8843-2-0000-10-1920-1741	R/A - COG Costs - Summer	0L_3072_10169_130800_11174000
8843-2-0000-10-1920-1863	R/A Environmental-Materials	0L_3072_10169_170700_11186000
8843-2-0000-10-1930-1745	Rate Case Recovery	0L_3072_10169_171200_11174000
8843-2-0000-20-2910-2542	Deferral Decoupling Liability	0L_3072_10169_241100_11254000
8843-2-0000-52-5541-8040	Natural Gas City Gate Purchases	0L_3072_10169_1016960100_521020_11804000
8843-2-0000-52-5541-8041	Natural Gas Demand Charges - Transportation	0L_3072_10169_1016960100_521030_11804100
8843-2-0000-52-5541-8042	Deferred Gas Costs	0L_3072_10169_1016960100_521040_11804000
8843-2-0000-52-5543-8081	Natural Gas Withdrawn from Storage	0L_3072_10169_1016960100_521180_11808100
8843-2-0000-52-5543-8082	Natural Gas Delivered to Storage	0L_3072_10169_1016960100_521190_11808200

Production Costs

Audit notes the Company did not seek recovery of any production costs in the summer 2022 cost of gas reconciliation. During a review of 2022 summer cost of gas reconciliation, the Company provided GL details through December 2022 that included the 1740 winter deferral account with \$34,688 monthly production costs for November and December 2022. The Company first recovered \$208,129 in production costs in the winter 2021-2022 cost of gas reconciliation. This was authorized per Commission Order 26,505 approving the DG 20-105 rate case settlement agreement. The \$208,129 production costs included in winter 2021-2022 were a one-time recovery item only. The Company indicated on the tariff page sixth revised page 97 they are seeking to recover \$208,129 in annual production costs in winter 2022-2023 November 2022-April 2023. The Company should adjust the sixth revised tariff page 97 removing the \$208,129 winter 2022-2023 production costs. The Company should adjust the 1740 winter deferral account and any Tariff approved SAP account reversing the 2022-2023 winter production costs. **Audit Issue #3**

REDACTED

Summary

Filing Summary

Beginning (Over)/Under Collection	\$ 63,748
Revenue 5/2022-10/2022	\$(466,747)
Unbilled Revenue 5/2022-10/2022	\$(156,861)
Interest 5/2022-10/2022	\$ 455
Total Propane Costs	\$ [REDACTED]
Total CNG costs	\$ [REDACTED]
Total Gas Costs	\$ [REDACTED]

Total Over-Collection \$ (14,607) per filing

Per 8843-2-0000-10-1920-1741 Summer Deferral General Ledger Account

October 2022 Def. Over-Coll. End Bal.	(\$27,118)
2019 summer incremental gas costs	(\$ [REDACTED])
2020 summer incremental gas costs	\$ [REDACTED]
2021 summer incremental gas costs	\$ [REDACTED]
2022 summer incremental gas costs	(\$ [REDACTED])
Net Incremental Gas Cost JE not done	\$ [REDACTED] Audit Issue #2

Adjusted Total over-collection (\$14,607) Per GL

The 10/31/2022 filing balance of (\$14,607) appears to correct. The general ledger ending 10/2022 balance is an over-collection of (\$27,118). The variance is due to the Company not posting the incremental gas costs to the general ledger.

Commission Order 26,505, issued 7/31/2021 in docket DG 20-105, approved a settlement agreement. Appendix 4 of the Settlement Agreement included the 2019 summer (\$ [REDACTED]), the 2020 summer \$ [REDACTED] incremental gas costs, and an estimated (\$ [REDACTED]) refund for summer 2021 incremental gas costs. The 2021 figure was an estimate because the settlement agreement was approved in July 2021, prior to the end of the summer 2021 season.

The DG 21-050 summer 2021 cost of gas reconciliation was filed on January 7, 2022. The filing did not seek recovery of summer 2021 incremental gas costs as they were not approved for recovery at the time. The filing indicates the summer incremental CNG gas cost savings vs. propane cost was (\$ [REDACTED]), included for information only. The Company, in the response to DG 22-057, Keene Winter Cost of Gas 2022/2023, DOE TS-1-C provided an updated Appendix 4 incremental gas costs that included the winter season only. This appropriately did not include the summer season.

REDACTED

The Company provided an updated Appendix 4 to Audit only during the DG 21-132 winter 2021-2022 cost of gas reconciliation that indicates the summer 2021 incremental gas costs were \$[REDACTED]. The Company on the DG 22-015 summer 2022 reconciliation filing indicates the summer 2021 incremental gas costs were \$[REDACTED].

\$[REDACTED] recovery amount was calculated by the Company as:

$$\$([REDACTED]) + \$[REDACTED] = \$([REDACTED]) * 50\% = \$([REDACTED]) \text{ refund to customers} + \$[REDACTED] = \$[REDACTED]$$

Where:

\$([REDACTED]) amount of money saved during the summer 2021 by purchasing CNG rather than propane. The Company is authorized to retain 100% of the savings, up to any remaining amount to be recovered from customers. 50% of any excess savings is to be refunded to the customers.

- \$ [REDACTED] remaining 50% of 2019 deferred summer costs, allowed to recover per settlement
- \$ [REDACTED] remaining 50% of 2020 deferred summer costs, allowed to recover per settlement
- \$ [REDACTED] remaining to collect from customers and netted against the \$([REDACTED]) refund figure.

As discussed in the text of this report, the 2022 savings figure of \$([REDACTED]) was verified without exception.

Audit Issue #1

SAP Billed/Unbilled Revenue

Background

The Company transitioned to the SAP general ledger and revenue billing system in October 2022.

Issue

The Company since October 2022 has been using the SAP billing system to calculate billed revenue and unbilled revenue. The October 2022 billed revenue, on line 40 of the filing total billed revenue was only \$30,074 while in the other months May-September 2022 monthly billed revenue was nearly \$90,000. This is only a third of what Keene normally billed in revenue for the other months.

Audit reviewed the \$156,861 unbilled revenue journal entries and the supporting calculations the Company booked for May-October 2022. The \$156,861 total unbilled calculation is the same amount for October 2022 and this amount was zeroed out in November 2022. Audit asked the Company about the accuracy of the billings in October 2022, and they indicated, *“Where we identified that expected bills were not issued in October, the finance team adjusted the revenue accrual to capture the number of accounts not billed. As a result, revenue was recorded through three categories: (1) October revenue billed, (2) October revenue not billed, but expected to have been billed, and (3) October expected unbilled revenue.”* This brings into question the accuracy of the October 2022 billed/unbilled revenue as an unidentified number of customers did not receive a bill. Audit was not able to quantify the exact number of Keene customers that did not receive a bill, or the necessary adjustment needed October billed revenue and any unbilled revenue adjustments needed.

Recommendation

The Company should make any necessary adjustments to the filing schedule regarding October 2022 billed revenue and unbilled revenue as an unidentified number of customers did not receive a bill. The Company should perform any needed adjusting journal entries to revenue.

Company Response

The Company revised Schedule B to reflect the reversal of the October 2022 unbilled revenue in November 2022. In addition, Schedule B reflects canceled and billed revenues associated with the summer months in November 2022 through March 2023 which were initially booked to the winter COG period. The Company will make the necessary journal entries to reflect the appropriate period and will incorporate the corrections in the beginning balance of the

upcoming summer COG rate filing. The Company will provide Audit Staff verification of the journal entry within 30 days of the issuance of the final audit report or sooner when final March 2023 books are closed. Please refer to the Attachment provided with the revised Schedule B for the summer period.

Audit Response

Audit has reviewed the proposed Revised Schedule B summer period 2022 cost of gas reconciliation that was not filed with the PUC. The Company is reminded any revised filing schedule must be filed with the Commission. The audit work was based on the original filing schedules. The Company in the updated schedule B includes billed/unbilled revenues actuals November 2022-February 2023 and estimates through April 2023. The scope of the summer 2022 reconciliation runs May-October 2022. The Company included Unbilled Revenue in November 2022 credited the entire (\$156,861) in May-October 2022 billed revenue. There are also other adjustments on the Revised Schedule B such as minor adjustments to Billed Sales to Other Periods for November 2022-February 2023 that were initially billed to the winter period rather than summer for cancelled/rebills.

Audit reiterates the Company should provide any adjusting entries within 30 days issuance of the final audit report. Audit does not take a specific position on the accuracy of the billed/unbilled revenues on Revised filing schedule B as an unidentified number of customers did not receive bills for months at a time.

On the updated Revised Schedule B, the Company netted the revenues with the adjustments and as a result the beginning balance as of May 1, 2022 and ending balance as of April 30, 2023 are different than the Schedule B filed with the PUC on February 6, 2023. The Company should not net the beginning balances with the adjustments above on the upcoming summer filing, but list individually the prior summer period ending balance, and each adjustment on separate lines of the filing. This will ensure that the rolling beginning and ending balances are accurate and able to be easily discerned.

REDACTED

Audit Issue #2

Incremental Gas Costs

Background

The Company on the filing schedule did not perform journal entries for the 2019-2022 incremental gas costs.

Issue

The filing schedule lines 18-22 list the net \$ [REDACTED] summer 2019-2022 incremental gas costs that were approved in Commission Order 26,505 approving the DG 20-105 rate case Settlement Agreement Appendix 4. The Company did not perform any of the journal entries on the 1741 summer deferral account.

<u>Incremental Gas Costs per the filing</u>	<u>Amount</u>
Summer 2019 incremental Gas Costs	(\$ [REDACTED])
Summer 2020 incremental Gas Costs	\$ [REDACTED]
Summer 2021 incremental Gas Costs	\$ [REDACTED]
Summer 2022 incremental Gas Costs	(\$ [REDACTED])
Filing Total	\$ [REDACTED]

Recommendation

The Company should perform the \$ [REDACTED] in net 2019-2022 summer incremental gas cost adjusting entries that were not done. The entries should be provided to Audit Staff within 30 days of the issuance of the final audit report.

Company Response

A journal entry for a charge of \$ [REDACTED] in net 2019-2022 summer incremental gas costs was completed in March 2023. The Company will provide Audit Staff verification of the journal entry within 30 days of the issuance of the final audit report or sooner when final March 2023 books are closed. While the journal entry for net 2019-2022 summer incremental gas costs had not been completed at the time of submittal of the reconciliation, Schedule B reflects \$ [REDACTED] in costs included in total costs of gas which is further factored into the final over/under collection amount.

REDACTED

Audit Response

Audit understands that the \$ [REDACTED] adjusting figure does not yet include the 50% refund to customers of \$([REDACTED]) as discussed in the **Summary** of this report. \$ [REDACTED] - \$ [REDACTED] = \$ [REDACTED], and that the adjusting entries will be provided to Audit.

Audit has reviewed the proposed Revised Schedule B summer period 2022 cost of gas reconciliation that has not yet been filed with the PUC. Audit understands that the Company updated filing Schedule B with the 2019-2022 net \$ [REDACTED] in May-October 2022 summer incremental gas costs.

Audit notes the revised Schedule B submitted to Audit in the Company response includes additional reported actual costs November 2022-February 2023 and estimates for March and April 2023. The summer 2022 cost of gas reconciliation is May-October 2022 on filing schedule B.

Audit Issue #3

Production Costs

Background

The Company in the 1740 winter deferral account is seeking to recovery \$208,129 in winter 2022-2023 production costs.

Issue

The Company first recovered \$208,129 in production costs in the winter 2021-2022 cost of gas reconciliation. This was authorized per Commission Order 26,505 approving the DG 20-105 rate case settlement agreement. During a review of 2022 summer cost of gas reconciliation, the Company provided GL details through December 2022 that included the 1740 winter deferral account with \$34,688 monthly production costs for November and December 2022. The Company indicated on the tariff page sixth revised page 97 they are seeking to recover \$208,129 in annual production costs in winter 2022-2023 November 2022-April 2023. The recovery of the \$208,129 in production costs were a one-time recovery only and should not have been included on the sixth revised tariff page 97. The Company should adjust the 1740 winter deferral account and any Tariff approved new SAP account reversing the 2022-2023 winter production costs on the winter deferral account.

Recommendation

The Company should indicate why \$208,129 in production costs were included on the winter 2022-2023 sixth revised Tariff Page 97 when the production costs were a one-time recovery item only for winter 2021-2022. The Company should adjust the sixth revised tariff page 97 removing the \$208,129 winter 2022-2023 production costs. The Company should perform any reversal entries related to 2022-2023 production costs and provide them to Audit Staff within 30 days issuance of the Final Audit Report.

Company Response

The indirect/production costs are an annual recovery. The settlement agreement in DG 20-105, Section 11.2 Revenue Calculations, (a) Indirect Gas Costs, Bates page 19, reads as follows: "The Indirect COG Revenue shall not change until the next rate case. The Indirect COG Revenue collected through COG rates shall be included in the revenue calculation for all future filings. The Settling Parties agree that the \$3,893,588 of Indirect COG Revenue includes \$206,248 of propane production costs allocated to Keene and \$1,881 of Phase 1 conversion costs. The Keene COG tariff shall reflect the combined total of \$208,129 as indirect gas costs."

Audit Response

Audit appreciates the re-referenced settlement agreement section. The entire agreement has been reviewed again, and Audit concurs with the interpretation the Company made, and the subsequent tariff. Audit encourages both the Department of Energy Staff and the Company, within the next rate case, to re-examine the inclusion of any Keene Production costs within the total Indirect Gas Costs.