

# STATE OF NEW HAMPSHIRE

## Intra-Department Communication

**DATE:** January 30, 2024

**FROM:** Division of Enforcement Audit Staff

**SUBJECT:** Liberty Utilities (EnergyNorth Natural Gas) Corp.  
d/b/a Liberty Utilities  
**Final Audit Report** DG 23-067

**TO:** Thomas Frantz, Director, Regulatory  
Faisal Deen Arif, Gas Director, Regulatory  
Alam Ashraful, Gas Analyst  
Bruce Blair, Gas Analyst  
Paul Dexter, Attorney, Director of Legal  
Molly Lynch, Staff Attorney  
Mary Schwarzer, Staff Attorney

### **INTRODUCTION**

On June 26, 2023 Liberty Utilities (Liberty, the Company) filed with the Commission a notice of intent to file for an increase in rates. On July 27, 2023, the Company filed a petition for a permanent distribution rate increase of \$27,549,837 and a request for a temporary rate increase of \$15,287,114 both to be effective October 1, 2023. The filing is based on a twelve month test year ending December 31, 2022.

Commission Order 26,122, issued April 27, 2018 in Docket DG 17-048, consolidated the Keene Division with Liberty's other operating areas for distribution rate purposes. The Keene cost of gas recovery mechanism is still separate from EnergyNorth. As a result, Audit has conducted a financial audit of the books and records for the 2022 test year of EnergyNorth and Keene, with this report resulting.

The prior EnergyNorth rate case and related audit was docketed as DG 20-105 with a test year ended December 31, 2019. The final audit report was issued on December 17, 2020.

References within this report to any filing schedules are those submitted into the docket on July 27, 2023, unless otherwise noted.

### **CORPORATE STRUCTURE**

As noted within the F-16 PUC annual report, Liberty Utilities (EnergyNorth Natural Gas) Corp. is noted to be:

- a wholly owned subsidiary of Liberty Energy Utilities (New Hampshire) Corp.
- which is a wholly owned subsidiary of Liberty Utilities Co.
- Liberty Utilities Co. is wholly owned by Liberty Utilities (America) Holdco Inc.

- which is wholly owned by Liberty Utilities (America) Holdings, LLC
- which is wholly owned by Liberty Utilities (America) Co.
- which is 15.055% owned by Algonquin Power & Utilities Corp. and 84.945% owned by Liberty Utilities (Canada) Corp.
- which is wholly owned by Algonquin Power & Utilities Corp. based in Canada.

Algonquin is traded on the Toronto Stock Exchange and the New York Stock Exchange under the symbols AQN, AQN.PR.A and AQN.PR.D.

### **Management and Structure**

Liberty provides the Commission with a quarterly organizational chart, in compliance with the Commission Order 25,370 issued in the EnergyNorth docket DG11-040. Audit has reviewed the F-16 annual reports from 2012 through 2022, and notes the following with respect to the position of NH President, which has changed as follows:

President – V. DelVecchio July 2012 – December 31, 2013  
 President – R. Leehr January 1, 2014 – July 31, 2014  
 President – D. Saad August 1, 2014 – September 23, 2015  
 President – D. Swain September 23, 2015 – December 31, 2016  
 President – J. Sweeney January 1, 2017 – September 4, 2017  
 President – S. Fleck September 15, 2017 – June 30, 2021  
 President – N. Proudman June 30, 2021 - current

### **Affiliate Service Agreements**

During the test year, the workforce in New Hampshire, for both EnergyNorth Natural Gas (ENG) and Granite State Electric (GSE), were direct employees of Liberty Utilities Services Company (LUSC). Refer to the Payroll portion of this report for additional information.

A money-pool agreement was proposed by the Company, reviewed by Commission Staff, and approved by the Commission, via Secretarial Letter in docket DA 17-188. A revision to that agreement was provided to Audit. The First Amendment to Money Pool Agreement was effective 8/24/2020, between Liberty Utilities Co. (LUCo) and:

Liberty Utilities (EnergyNorth Natural Gas) Corp.  
 Liberty Utilities (Granite State Electric) Corp.  
 Liberty Utilities (New England Natural Gas) Corp.  
 Liberty Utilities (Peach State Natural Gas) Corp.  
 Liberty Utilities (Pine Bluff Water) Corp.  
 And other direct and indirect subsidiaries or affiliates of LUCo

The agreement specifies that the “*daily outstanding balance of funds contributed to and lent through the Money Pool will earn interest...and bear interest at the daily average interest rate paid for funds obtained by LUCo from its commercial paper program...*”

The Amendment was filed in docket DA 17-188 on December 31, 2020, outside of the required 10 days per RSA 366:3. The Company requested approved (pursuant to RSA 366:4). The docket does not reflect any further action by the PUC.

### **Cost Allocation Manual (CAM)**

As outlined in the CAM, version 2017, effective January 1, 2017, costs incurred at the Algonquin Power & Utilities Corp. (APUC) level are directly charged if possible. Costs at the APUC level include financial and strategic management, access to capital, corporate governance, and administration. Those costs are allocated among Liberty Power (generating facilities) and Liberty Utilities, both regulated utilities directly and Liberty Utilities Service Corp.

### **Algonquin Power & Utilities Corp (APUC)**

Allocation methodologies applied to the specified indirect costs are allocated at noted percentages based on the types of costs identified.

Table 1 of the APUC Summary of Corporate Allocation Method of APUC Indirect Costs:

<u>Type of Cost</u>	<u># of Employees</u>	<u>Net Plant</u>	<u>O&amp;M</u>	<u>Revenue</u>
Legal	33%	33%	33%	not applicable
Tax Services		33%	33%	33%
Audit		33%	33%	33%
Investor Relations		33%	33%	33%
Director Fees/Insurance		33%	33%	33%
Licenses, Fees, Permits		33%	33%	33%
Escrow and Transfer Agent Fees		33%	33%	33%
Other Professional Services		33%	33%	33%
Other Administration Costs		50% Oakville Employees		50% Total Employees
Executive and Strategic Management		50% Oakville Employees		50% Total Employees

### **Liberty Utilities (Canada) Corp. (LUC)**

Costs at the LUC level include executive, regulatory strategy, energy, page procurement, operations, utility planning, administration, and customer experience. Costs at this level provide standardization across the Liberty Utilities' regulated companies, and are allocated based on a four factor allocation. The factors are customer count 40%, utility net plant 20%, non-labor expenses 20% and labor expenses 20%. During the test year, the (rounded) factors were:

	<u>4/2021 – 3/2022</u>	<u>4/2022 – 3/2023</u>
Liberty Water (AZ)	05.80%	05.88%
Liberty Water (TX)	00.88%	00.86%
Calpeco	06.19%	06.46%
<b>Granite State</b>	<b>04.19%</b>	<b>04.40%</b>
<b>EnergyNorth</b>	<b>09.61%</b>	<b>09.72%</b>
Midstates Gas	06.17%	06.04%
Midstates Water	00.65%	00.72%
Arkansas	01.43%	01.46%
Woodson Hensley	00.04%	00.04%

Georgia	04.91%	04.71%
New England Gas	05.59%	05.15%
Whitehall-Water	00.15%	00.14%
Whitehall-Sewer	00.16%	00.15%
Parkwater	04.85%	04.52%
Empire	33.62%	34.65%
New Brunswick Gas	02.38%	01.99%
St. Lawrence Gas	02.21%	02.06%
Tinker Transmission	00.10%	00.09%
New York Water	<u>11.06%</u>	<u>10.96%</u>
	100.0%	100.0%

### Overhead/Burden Rate

Audit requested the overhead/burden rate in place for the test year and was provided with the methodology, based on budgets for 2022. The rates were calculated for January 2022:

Service			% of	% of	
Billings	2022 Budgeted Costs	2022	Total	Payroll	Source File
X	Rent	403,188	1.03%	0.01	2022 Clarity Budget and Lease
X	IT-related costs	3,579,924	9.18%	0.11	2022 Clarity Budget
X	IT Software Depreciation	1,077,798	2.76%	0.03	2022 IT software calculation
X	Property insurance and injuries and damages	4,396,680	11.27%	0.14	2022 Budget
X	Pensions/OPEB (all costs) and Benefits	12,187,441	31.25%	0.38	2022 Budget and actuarial data
X	TNW	4,674,864	11.99%	0.15	2022 Payroll File and Budget Submissions
X	Incentive Awards @ target	3,052,711	7.83%	0.10	2022 Budget Template
X	Payroll Taxes	2,995,757	7.68%	0.09	2022 Budget
X	Back Office: Labor	2,542,288	6.52%	0.08	2022 Budget Template
X	Finance: Non-Labor	344,828	0.88%	0.01	2022 Budget
X	HR: Non-Labor	279,271	0.72%	0.01	2022 Budget
X	Regulatory: Non-Labor	133,447	0.34%	0.00	2022 Budget
X	Legal: Non-Labor	77,370	0.20%	0.00	2022 Budget
X	Executive: Non-Labor	165,210	0.42%	0.01	2022 Budget
X	EHS: Non-Labor	314,492	0.81%	0.01	2022 Budget
X	Procurement: Non-Labor	1,516,218	3.89%	0.05	2022 Budget
X	Electric Ops: Non-Labor	84,200	0.22%	0.00	2022 Budget
X	Gas Ops: Non-labor	93,329	0.24%	0.00	2022 Budget
X	Dispatch, Control & Production: Non-labor	471,659	1.21%	0.01	2022 Budget
X	Engineering: Non-labor	611,403	1.57%	0.02	2022 Budget
	Total Costs	39,002,079	100.00%	1.2236	
	Total 2022 Budgeted payroll	31,873,988			
	(Excludes Incentives/TNW/Back Office Labor)				
	Overhead/Burden For Service Billings - 8810	122.4%			

The burden calculation is then split between GSE and ENG:

	<b>GSE 30%</b>		<b>ENG 70%</b>	
X	89,553	0.8%	313,635	1.5%
X	1,261,898	11.2%	2,318,027	11.2%
X	360,253	3.2%	717,544	3.5%
X	2,646,531	23.5%	1,750,149	8.5%
X	4,510,070	40.1%	7,677,371	37.2%
X	1,402,459	12.5%	3,272,404	15.9%
X	915,813	8.1%	2,136,898	10.4%
X	898,727	8.0%	2,097,030	10.2%
X	958,351	8.5%	1,583,937	7.7%
X	103,549	0.9%	241,280	1.2%
X	85,460	0.8%	193,810	0.9%
X	41,088	0.4%	92,359	0.4%
X	23,826	0.2%	53,544	0.3%
X	26,451	0.2%	138,759	0.7%
X	97,855	0.9%	216,637	1.1%
X	614,521	5.5%	901,697	4.4%
X	84,200	0.7%	-	0.0%
X	-	0.0%	93,329	0.5%
X	74,084	0.7%	397,575	1.9%
X	311,969	2.8%	299,434	1.5%
	14,506,660	128.9%	24,495,419	118.8%
Total 2022 Budgeted payroll (Excludes Bonuses and other Burden Labor)	11,252,644.48		20,622,336.71	
<b>Burden Rates</b>	<b>GSE Burden 128.92%</b>		<b>ENG Burden 118.78%</b>	

### Liberty Utilities Regional

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

	<u>4/2021 – 3/2022</u>	<u>4/2022 – 3/2023</u>
Liberty Water (AZ)	05.16%	05.19%
Liberty Water (TX)	00.86%	00.83%
Calpeco	06.40%	06.74%
<b>Granite State</b>	<b>04.03%</b>	<b>04.30%</b>
<b>EnergyNorth</b>	<b>09.46%</b>	<b>09.60%</b>
Midstates Gas	05.56%	05.40%
Midstates Water	00.59%	00.67%

Arkansas	01.30%	01.33%
Woodson Hensley	00.04%	00.03%
Georgia	04.48%	04.24%
New England Gas	05.46%	04.90%
Whitehall-Water	00.13%	00.13%
Whitehall-Sewer	00.15%	00.14%
Parkwater	04.72%	04.33%
Empire	36.17%	37.47%
New Brunswick Gas	02.66%	02.17%
St. Lawrence Gas	02.28%	02.10%
Tinker Transmission	00.13%	00.11%
New York Water	<u>10.44%</u>	<u>10.34%</u>
	100.02%	100.02%

### **Internal and External Audits**

A listing of all internal and external audits, since the prior rate case, was requested. Liberty provided copies of the following reports:

The 2022 annual report of Algonquin Power & Utilities Corp., prepared by Algonquin for shareholders, was provided.

Confidential Internal audit reports summarizing the audits conducted by Algonquin Power & Utilities Corp. relating to EnergyNorth were provided:

- 2019 Capital Project Audit Report-issued 7/30/2019 with eight recommendations for improvement of capital projects' documentation and approvals.
- 2019 Records and Mapping New Hampshire Audit Report-issued 12/6/2019 with four recommendations for improvement of GIS records.
- Confidential results of the Capital Expenditure and Recovery Audit Report-issued 7/25/2022 covered the Central, East and West regions and summarized two medium risk observations. Medium, or moderate priority items were noted to be items requiring attention to ensure they do not escalate to an unacceptable level of exposure for the Company.
- D2.0 Supply Chain Internal Audit-issued 5/19/2022 included six observations within the East and Central regions.
- NH CapEx Review-Internal Audit memo - issued 4/12/2021 summarized a review of both EnergyNorth and Granite State Electric projects, with lack of required approvals prior to beginning projects, and lack of required approvals for change orders identified as issues.
- NH Gas Control Audit report – issued 2/18/2021 dealt with the NH Gas Control's Control Room Management Plan and included four specific areas for improvement.

There was reference to a Sarbanes-Oxley (internal control) report, but that annual review detailed report was not provided.

### **2022 Annual Report Review**

The Company filed with the PUC the 2022 Annual Report (F-16) on May 31, 2023. Audit conducted a desk audit review of the annual report, resulting in four letters sent to ENG for clarification of the report. Based on that review, there were variances on the balance sheet account affecting plant in service on page 9 and the supporting plant summary schedule on page 17. The Company refiled three versions of page 17, the plant summary, but there is still a variance regarding the 107 CWIP account. There were also issues relating to the operating revenue 400 account on page 11 of the income statement, with three separate revenue amounts reported on the operating revenue income statement page 11, operating revenue breakout on page 28 and revenue breakout supplement page 50. As a result of the differences the Company refiled the three schedules also reflecting adjustments to operations and maintenance account 920, General and Administrative charges, and the 430, Intercompany Interest Income account. After the four letters were sent to Liberty, additional letters were not sent and all remaining issues such as account variances and supporting journal entry adjustments will be reviewed in this rate case audit.

### **Review of the F-16 and Filing Schedules to the General Ledger**

Audit requested and was provided with a summary general ledgers and detailed general ledgers for the period since the prior test year of 2019 through the test year ended 12/31/2022, for both ENG and Keene.

As noted in the Audit Report issued October 25, 2023 in the Liberty Utilities (Granite State Electric) Corp. rate case audit DE 23-039:

*“Effective October 1, 2022, the Company converted from the Great Plains (GP) software system to SAP and Power Plan. The change impacted all aspects of the utility’s business, from customer service, to accounting for Plant through use of Power Plan, to recording of financial entries in its general ledger. Audit was informed that the functionality of SAP is:*

*“The job system in SAP is known as WBS elements (Work Breakdown Structure). These are used to record and track expenses to specific areas of the business: Capital, Intercompany, and Operations and Maintenance. The process that does this is called settlements. In this process, WBS activities are reflected in 7xxxxx and 8xxxxx natural GL accounts and allocated to be reflected in income statement or balance sheet accounts. Once the settlements are run, each WBS should be zero. When a WBS is not zero it means a transaction, while in the GL, did not “settle” where it needed to be reflected. This could be either a coding issue or a timing issue.”*

*For Granite State and EnergyNorth: The conversion from GP to SAP and Power Plan has resulted in some amounts being reflected under similar categories in Power Plan but not in the GL...”*

Audit tried to verify that the 264 Great Plains Keene division general ledger accounts, the 1,048 EnergyNorth general ledger accounts and related September 2022 balances transferred into the 4,021 SAP general ledger accounts. The accuracy and appropriateness of the transition resulted in certain accounts being identified by Liberty as “mis-mapped” to the associated regulatory account in the SAP system. Incidents in which accounts on the F-16 annual report

could not be verified to the SAP related general ledger accounts are also noted throughout this report as a result of coding or settlement issues as noted above. As a result, certain year-end balances within the SAP could not be verified to the F-16 PUC annual report. Instances in which the accounts could not be verified to the filing are noted throughout this report. **Audit Issue #1**

Examples of account balances per the F-16 annual report balance sheet and the SAP follow. Revenue and Expense accounts are also detailed within those sections of this report. The accounts highlighted in yellow did not agree with the F-16. Comparison to the filing is documented within the respective sections of this report.



SAP	SAP	
Row Labels	Sum of DEC Balance	verified to the F-16 annual report
1010	709,125,447.39	these balances, combined with account 1140, agree
1012	1,015,663.27	with the annual report balance sheet, line 2
1050	852,304.56	however, 1140 is GOODWILL and should not be in Plant
1060	108,719,861.96	819,713,277.18
1070	13,240,607.37	agrees with F-16, balance sheet line 3
1080	(229,886,323.88)	the sum of these, \$249,582,833.13
1081	(264,898.15)	agrees with the annual report balance sheet
1110	(19,431,611.10)	line 5
1140	28,219,103.73	847,932,380.91
1210	146,948.70	agrees with annual report balance sheet line 10
1220	(133,283.70)	agrees with annual report balance sheet line 11
1230	3,047,227.00	F-16 = \$0...see account 2110 below
1310	(44,979,438.02)	agrees with the annual report balance sheet line 22
1350	4,740.00	agrees with the annual report balance sheet line 24
1360	-	
1420	36,027,873.19	F-16=\$37,291,338, diff of \$1,653,464.81
1430	1,111,874.74	agrees with the annual report balance sheet line 28
1440	(3,315,899.32)	agrees with the annual report balance sheet line 29
1460	1,385,038,757.53	agrees with the annual report balance sheet line 31
1510	1,163,995.50	combined with #1641 agrees with BS account 151
1540	7,232,230.10	agrees with annual report balance sheet line 35
1630	(607.68)	agrees with annual report balance sheet line 38
1641	10,465,728.39	combined with #1510 agrees with BS account 151
1642	155,862.93	agrees with annual report balance sheet line 40
1650	5,609,915.70	agrees with annual report balance sheet line 41
1730	30,763,515.32	agrees with annual report balance sheet line 45
1740	(386,460.22)	combined, these 2 sum to \$1,137,910.70, but annual
1750	1,524,370.92	report balance sheet line 46 = \$1,101,543, diff of \$36,367.70
1810	(7,315.14)	agrees with annual report balance sheet line 53
1823	34,591,616.29	F-16 = \$33,264,324 variance of \$1,327,293
1831	1,825,933.85	agrees with annual report balance sheet line 57
1832	-	
1840	(214,850.39)	combined these 2 = \$(80,212) which agrees with
1843	134,638.27	the annual report line 58
1860	36,404,722.09	F-16= 36,204,997, variance of \$199,725.09
2010	(124,147,057.70)	agrees with annual report account 201
2110	(3,047,227.00)	F-16=0...see account 123 above
2160	(102,331,799.70)	agrees w beg bal account 216, retained earn-ok
2190	729,693.34	agrees with annual report account 219
2230	(71,818,181.82)	combined with account 257 = \$159,600,000, F-16 account 223
2270	(603,011.77)	agrees with annual report account 227
2282	(24,617,774.13)	agrees with annual report account <b>228.4</b>
2283	(5,440,137.04)	agrees with annual report account 228.3
2320	(3,419,934.01)	agrees with annual report account 232
2330	-	
2340	(1,506,811,288.78)	agrees with annual report account 234
2350	(3,027,601.89)	agrees with annual report account 235
2360	-	agrees with annual report account 236
2370	(4,699,352.73)	agrees with annual report account 237
2420	(33,911,364.89)	agrees with annual report account 242
2430	(412,651.50)	agrees with annual report account 243
2520	900.00	agrees with annual report account 252
2530	-	agrees with annual report account 253
2540	(37,105,421.74)	agrees with annual report account 254
2570	(87,781,818.18)	combined with account 223=\$159,600,000, F-16 account 223
2830	(81,334,034.02)	agrees with annual report account line 281-283

Audit requested clarification for those accounts that did not agree with the F-16, (highlighted in yellow) and was provided with the following information. There are additional mapping issues noted throughout this report. Mis-mapped accounts have not been adjusted as of the end of the test year.

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
123 Investments in Associated Companies	\$ -	\$ 3,047,227.00	\$ (3,047,227.00)
211 Other Paid in Capital	\$ -	\$ (3,047,227.00)	\$ 3,047,227.00
NET of these 2 accounts reported to be shown as zero on the F-16 account 123.			\$ -

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
142 Customer Accounts Receivable	\$ 37,291,338.00	\$ 36,027,873.19	\$ 1,263,464.81
variance was noted by Liberty to be due to the exclusion of the following accounts, which were included with account 182.3			
OL-3072-130801-11 <u>142</u> 004			53,518.54
OL-3072-130802-11 <u>142</u> 005			66,457.91
OL-3072-131100-11 <u>142</u> 006			(1,383,441.12)
			\$ (1,263,464.67)

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
151 Fuel Stock	\$ 11,629,724.00	\$ 1,163,995.00	\$ 10,465,729.00
164.1 Gas Stored Underground	\$ -	\$ 10,465,728.39	\$ (10,465,728.39)

see account 164.1 on F-16 account 151

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
174 Miscellaneous Current and Accrued Assets	\$ 1,101,543.00	\$ (386,460.22)	\$ 1,488,003.22
175 Derivative Instrument Assets	\$ -	\$ 1,524,370.92	\$ (1,524,370.92)
	\$ 1,101,543.00	\$ 1,137,910.70	\$ (36,367.70)

The variance were noted by Liberty to be in three Miscellaneous Deferred Debit accounts, mapped to 175 in error:

OL-3072-130800-11 <u>186</u> 000	\$ 137,840.85
OL-3072-130803-11 <u>186</u> 000	\$ (41,778.69)
OL-3072-130804-11 <u>186</u> 000	\$ (132,429.85)
	\$ (36,367.69)

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
182.3 Other Regulatory Assets	\$ 33,264,323.00	\$ 34,591,616.29	\$ (1,327,293.29)

Liberty noted a mismatching of the accounts below to account 182.3:

0L-3072-130801-11142004			53,518.54
0L-3072-130801-11186000			(62,212.23)
0L-3072-130802-11142005			66,457.91
0L-3072-130802-11186000			(1,616.08)
0L-3072-131100-11142006			(1,383,441.12)
			(1,327,292.98)

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
186 Miscellaneous Deferred Debits	\$ 36,204,997.00	\$ 36,404,722.09	\$ (199,725.09)

Liberty indicated the following 186 accounts were mapped to the accounts noted:

130800-11186000	mapped to 174, Misc Current	\$ 137,840.85
130801-11186000	mapped to 182.3, Other Reg Assets	(62,212.23)
130802-11186000	mapped to 182.3, Other Reg Assets	(1,616.08)
130803-11186000	mapped to 174, Misc Current	(41,778.69)
130804-11186000	mapped to 174, Misc Current	(132,429.85)
189220-11186000	mapped to 225, Unamrtzd Premium	299,921.43
		199,725.43

225 Unamortized Premium on Long Term Debt	\$ 299,921.00	\$ -	\$ 299,921.00
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FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
223 Advances from Associated Companies	\$ (159,600,000.00)	\$ (71,818,181.82)	\$ (87,781,818.18)
257 Unamortized Gain on Reaquired Debt	\$ -	\$ (87,781,818.18)	\$ 87,781,818.18

combined with account 257

combined with account 223

FERC Account	F-16 Balance	SAP	F-16 vs SAP Variance
228.2 Accumulated Provision for Injuries and Damages	\$ -	\$ (24,617,774.13)	\$ 24,617,774.13
228.4 Accumulated Miscellaneous Operating Provisions	\$ (24,617,774.00)	\$ -	\$ (24,617,774.00)

on F-16, account 228.4

see SAP account 228.2

Refer to the Accumulated Depreciation section of this report, as well as the Stores Expense Undistributed section for balance sheet accounts that include expense accounts. See **Audit Issue #1**.

**PLANT****Net Plant in Service \$611,590,155**

	<b>Annual Report</b>		
	<b>12/31/2020</b>	<b>12/31/2021</b>	<b>12/31/2022</b>
Utility Plant	\$ 719,552,207	\$ 762,854,824	\$ 847,932,381
Construction Work in Progress	\$ 12,952,745	\$ 14,655,310	\$ 13,240,607
Total Utility Plant	\$ 732,504,951	\$ 777,510,134	\$ 861,172,988
(Less) Accumulated Provision for Dep. Amort. Depl	<b>\$(213,310,740)</b>	<b>\$(230,310,206)</b>	<b>\$(249,582,833)</b>
<b>Net Utility Plant</b>	<b>\$ 519,194,211</b>	<b>\$ 547,199,928</b>	<b>\$ 611,590,155</b>

<b>per Annual Report</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Right of Use Asset Moved from 303 to 105 Acct in Annual Report		\$ (765,968)		
Beginning Balance	\$ 537,746,391	\$ 594,577,195	\$ 690,099,380	\$ 732,369,591
Additions	\$ 60,540,926	\$ 96,178,636	\$ 45,817,624	\$ 86,480,486
Retirements	\$ (2,944,155)	\$ (656,421)	\$ (3,547,413)	\$ (1,004,245)
Adjustments	\$ (71,271)	\$ (30)	\$ -	\$ (520)
Transfers	\$ 71,271	\$ -	\$ -	\$ -
Ending Balance	\$ 595,343,162	\$ 690,099,380	\$ 732,369,591	\$ 817,845,310
<b>% Increase</b>	<b>11%</b>	<b>16%</b>	<b>6%</b>	<b>12%</b>
Right of Use Asset Moved from 303 to 105 Acct in Annual Report	\$ (765,968)			
CCNC 106 Acct	\$ 47,140,284	\$ (53,317,626)	\$ (58,906,115)	\$ (29,516,713)
Adjusted Balance pg. 19	<b>\$ 641,717,478</b>	<b>\$ 636,781,753</b>	<b>\$ 673,463,476</b>	<b>\$ 788,328,597</b>
CCNC 106 Acct pg. 17		\$ 53,317,626	\$ 58,906,115	\$ 29,516,713
121-122 Non Operating Plant Adj				\$ (146,950)
105 Plant Held for Future Use	\$ 1,618,272	\$ 1,233,723	\$ 2,266,130	\$ 2,014,917
CWIP	\$ 22,518,944	\$ 12,952,745	\$ 14,655,310	\$ 13,240,607
Goodwill		\$ 28,219,104	\$ 28,219,104	\$ 28,219,104
Total Utility Plant pg. 17	<b>\$ 665,854,694</b>	<b>\$ 732,504,951</b>	<b>\$ 777,510,134</b>	<b>\$ 861,172,988</b>
Accumulated Depreciation pg. 17	\$ (193,462,473)	\$(213,310,740)	\$(230,310,206)	\$(249,582,833)
Net Utility Plant pg. 17	<b>\$ 472,392,222</b>	<b>\$ 519,194,212</b>	<b>\$ 547,199,929</b>	<b>\$ 611,590,156</b>
Total Utility Plant pg. 17	\$ 665,854,694	\$ 732,504,951	\$ 777,510,134	\$ 861,172,988
CWIP	\$ (22,518,944)	\$ (12,952,745)	\$ (14,655,310)	\$ (13,240,607)
Total Plant in Service Per GL	<b>\$ 643,335,750</b>	<b>\$ 719,552,206</b>	<b>\$ 762,854,824</b>	<b>\$ 847,932,382</b>

The filing schedule, correctly, does not include the CWIP balance. Reported Plant in Service, including CWIP at 12/31/2022, per the 2022 annual report was \$861,172,988. The filing schedule RR-EN-3-5, line 55 Accumulated Depreciation Reserve and COR Reserve balance indicates the Accumulated Depreciation balance is \$(188,019,704), and RR-EN-305 WP2 shows \$(250,026,092). Refer to the Accumulated Depreciation section of this report for details regarding the variances. **Audit Issue #2**

The filing schedule RR-EN-5 reflects a total Net Utility Plant of \$818,583,027.

SAP GL Account		# of GL Accts	Regulatory Acct	Date	Amount
150XXX-11101000-1016X	Plant in Service	21	1010	12/31/2022	\$ 709,125,447
150XXX-11106000-1016X	Completed Construction Not Classified	8	1060	12/31/2022	\$ 108,719,862
Great Plains 183 and 186	Keene CNG	2	183/186	12/31/2022	\$ 737,718
				Total	\$ 818,583,027

The Company included \$737,718 in Keene CNG Preliminary Survey and Investigation charges and Miscellaneous Deferred Debits in the revenue requirement plant in service total. Audit requested specific clarification of where the total could be located, and was provided with detail, summarized as:

Great Plains accounts reflected entries from 2017 through 2022:		
8843-2-0000-10-1615-1830 Preliminary Survey and Investigations:		
WS Job Number 43C18821-18301 Keene HP Conversion to CNG- 264 entries		\$ 82,303.60
WS Job Number 43C18821-18304 Keene HP Conversion to CNG- 166 entries		\$ 7,508.57
Keene 183		\$ 89,812.17
8843-2-0000-10-1920-1860 Miscellaneous Deferred Debits- 251 entries		\$647,905.76
Combined Keene 183 and 186		\$737,717.93

The Keene conversion costs were not moved out of the deferred accounts until July 2023, therefore, at year-end 2022 they were not part of Plant in Service. **Audit Issue #3**

The Company on filing schedule RR-EN-3-5 included \$819,582,281 on the plant in service filing schedule that breaks out the depreciation and amortization charges. The plant in service balances is different than the 2022 annual report because of GAAP vs FERC lease accounting rules that are summarized above.

SAP GL Account		# of GL Accts	Regulatory Acct	Date	Amount
150XXX-11101000-1016X	Plant in Service	21	1010	12/31/2022	\$ 709,125,447
150XXX-11106000-1016X	Completed Construction Not Classified	8	1060	12/31/2022	\$ 108,719,862
150XXX-11105000-1016X	Plant Held For Future Use	6	1050	12/31/2022	\$ 852,305
150010-11121000-10168	Non Utility Property	1	121	12/31/2022	\$ 146,949
Great Plains 183 and 186	Keene CNG	2	183/186	12/31/2022	\$ 737,718
				Total	\$ 819,582,281

The detailed plant in service annual report pages 17-21 sum to the \$788,328,597. Page 19 reflects \$817,845,310 and (\$29,516,713) Completed Construction not Classified. The two net to the \$788,328,597. The accumulated depreciation figure was appropriately noted on the annual report page 17 as a credit on line 14. The Total Utility Plant on page 17 of the annual report is \$861,172,988. This net figure is the result of account 106 Completed Construction Non-Classified \$29,516,713, Non-Utility Plant accounts 121-122 (\$146,950), Plant Held for Future Use account 105 \$2,014,917, CWIP \$13,240,607 and Plant Acquisition Adjustments account 114 \$28,219,104. (Refer to the Goodwill section of this report) The 2022 ending plant in service does not sum across correctly. **Audit Issue #4**

The \$861,172,988 Total Utility Plant Less the (\$249,582,833) account 108 on page 17 of the annual report results in a \$611,590,156 Net Utility Plant for the 2022 test year.

The \$847,932,382 December 31, 2022 test year plant in service balance was verified to the SAP plant accounts. There were 21 EnergyNorth and Keene 1010 Regulatory plant in service accounts, three accounts that were part of regulatory account 1012 that is an operating lease for a legacy right of way asset. There are 6 SAP GL accounts associated with the 105 Plant Held for Future use that did not have any activity in 2022. The 114 Plant Acquisition Regulatory account, is actually Goodwill which should be reflected in account 116, did not have any activity in 2022, and is not typically considered as part of rate base. The amount is correctly excluded from the revenue requirement schedule RR-EN-3-5.

SAP GL Account	Account Description	# of GL Accts	Regulatory Acct	Date	Amount
150XXX-11101000-1016X	Plant in Service	21	1010	12/31/2022	\$ 709,125,447
150810-11101200-10168	Right of Way Asset	3	1012	12/31/2022	\$ 1,015,663
150XXX-11105000-1016X	Plant Held For Future Use	6	1050	12/31/2022	\$ 852,305
150XXX-11106000-1016X	Completed Construction Non-Classified	8	1060	12/31/2022	\$ 108,719,862
165010-11114000-10168	Goodwill	1	1140	12/31/2022	\$ 28,219,104
					<b><u>\$ 847,932,381</u></b>

### Goodwill

Audit verified the 12/31/2022 Goodwill balances included in the annual report account 114 and filing schedule 1604.01(a)(1)(a) BS, page 1 of 2, to the GP 9/30/2022 ending balance and the following general SAP ledger accounts:

1650101111400010168 - Goodwill	\$ 28,151,897
1650101111400010169 - Goodwill	<u>\$ 67,207</u>
Total Goodwill as of 12/31/2022	\$ 28,219,104

Audit reviewed the ENG and Keene Great Plains general ledgers, noting no activity in the detailed general ledgers for the 2022 test year and ending trial balances as of 9/30/22 as \$28,151,897 and \$67,207. The Company should be booking the account 114 Goodwill costs to the 116 Utility Plant Adjustments account, consistent with FERC. **Audit Issue #5**

The carryforward figures were initially reflected in accounts 1650101118600010168 and 1650101118600010168 Miscellaneous Deferred Debits, but reversed and reflected in the accounts above.

### **2020-2022 Plant Additions Annual Report**

#### 2020 Plant Additions

The 2020 plant additions on page 19, line 125 of the revised annual report, shows \$42,860,991 while the 2020 CPR records indicate the net additions are \$49,038,322. This is a \$6,177,331 difference. The Company indicated the 2020 CPR records are correct and the 2020 plant additions on the 2020 annual report are a “matter of presentation”. The 300-plant account information that is included on the annual report should agree with the CPR records. This would mean the 300 plant accounts are not reflected correctly on the 101/106 plant accounts. **Audit Issue #4**

Audit compared the originally filed 2020 F-16 annual report to the revised 2020 F-16. Beginning balances and Additions varied for sixteen specific accounts, and two additional accounts reflected retirements differently. The ending balances, however, matched to within \$17. As noted above, neither depiction of the F-16 agrees with the 2020 CPR details for plant additions.

	Originally Filed 2020 F-16 Annual Report				Revised 2020 F-16 Annual Report			
	Beg. Bal..	Additions	Retrmnt	End of Yr	Beg. Bal..	Additions	Retrmnt	End of Yr
302 Franchise	\$ 250,950	\$ -	\$ -	\$ 250,950	\$ 250,950	\$ -	\$ -	\$ 250,950
303 Misc. Intangible	\$ 17,400,902	\$ 2,285,748	\$ -	\$ 19,686,650	\$ 17,400,902	\$ 2,285,748	\$ -	\$ 19,686,650
304 Land	\$ 97,504	\$ -	\$ -	\$ 97,504	\$ 97,504	\$ -	\$ -	\$ 97,504
305 Strctrs and Imprvmnt	\$ 846,620	\$ 5,547	\$ -	\$ 852,167	\$ 852,167	\$ -	\$ -	\$ 852,167
319 Gas Mixing Equipmnt	\$ 368,345	\$ 158,463	\$ -	\$ 526,808	\$ 368,345	\$ 158,463	\$ -	\$ 526,808
320 Other Equipment	\$ 3,751,509	\$ 187,966	\$ (42,352)	\$ 3,897,123	\$ 3,793,681	\$ 145,794	\$ (42,352)	\$ 3,897,123
361 Strctrs and Imprvmnt	\$ 96,980	\$ -	\$ -	\$ 96,980	\$ 96,980	\$ -	\$ -	\$ 96,980
363.5 Other Equipment	\$ 7,646	\$ -	\$ -	\$ 7,646	\$ 7,646	\$ -	\$ -	\$ 7,646
364.1 Land	\$ 57,315	\$ -	\$ -	\$ 57,315	\$ 57,315	\$ -	\$ -	\$ 57,315
364.2 Strctrs and Imprvmnt	\$ -	\$ 657,298	\$ -	\$ 657,298	\$ 609,078	\$ 48,200	\$ -	\$ 657,278
364.8 Other Equipment	\$ -	\$ 3,896,019	\$ -	\$ 3,896,019	\$ 3,896,019	\$ -	\$ -	\$ 3,896,019
365.1 Land	\$ 197,931	\$ (197,931)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
366 Strctrs and Imprvmnt	\$ 606,526	\$ (606,526)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
367 Mains	\$ 7,284,104	\$ 4,426,495	\$ -	\$ 11,710,599	\$ 11,710,599	\$ -	\$ -	\$ 11,710,599
369 Msrng and Reg Sta Equip	\$ 4,935,264	\$ (4,797,082)	\$ -	\$ 138,182	\$ 138,182	\$ -	\$ -	\$ 138,182
374 Land	\$ 159,972	\$ 197,931	\$ -	\$ 357,903	\$ 357,903	\$ -	\$ -	\$ 357,903
375 Strctrs and Imprvmnts	\$ 1,590,024	\$ 171,466	\$ -	\$ 1,761,490	\$ 1,689,296	\$ 72,194	\$ -	\$ 1,761,490
376 Mains	\$ 294,587,134	\$ 50,769,921	\$ (357,032)	\$ 345,000,023	\$ 290,160,640	\$ 55,196,416	\$ (357,032)	\$ 345,000,024
377 Cmprssr Stn Equipment	\$ 2,246,186	\$ -	\$ -	\$ 2,246,186	\$ 2,246,186	\$ -	\$ -	\$ 2,246,186
378 Meas. and Reg Sta Equ General	\$ 7,456,489	\$ 713,588	\$ (5,278)	\$ 8,164,799	\$ 7,433,703	\$ 736,375	\$ (5,278)	\$ 8,164,800
379 Meas. and Reg Sta Equ city Gate	\$ 5,303,644	\$ 1,643	\$ -	\$ 5,305,287	\$ 5,294,746	\$ 10,541	\$ -	\$ 5,305,287
380 Services	\$ 172,179,065	\$ 25,732,660	\$ (573)	\$ 197,911,152	\$ 172,173,551	\$ 25,738,174	\$ (573)	\$ 197,911,152
381 Meters	\$ 19,560,909	\$ 2,061,313	\$ (13,807)	\$ 21,608,415	\$ 19,566,423	\$ 2,055,799	\$ (13,807)	\$ 21,608,415
382 Meter Installations	\$ 18,597,177	\$ 374,401	\$ -	\$ 18,971,578	\$ 18,597,177	\$ 374,401	\$ -	\$ 18,971,578
385 Ind. Meas and Reg Sta Equip	\$ 53,375	\$ -	\$ -	\$ 53,375	\$ 53,375	\$ -	\$ -	\$ 53,375
387 Other Equip	\$ 1,738,607	\$ 696,990	\$ -	\$ 2,435,597	\$ 1,738,607	\$ 696,990	\$ -	\$ 2,435,597
389 Land	\$ 121,489	\$ -	\$ -	\$ 121,489	\$ 121,489	\$ -	\$ -	\$ 121,489
390 Strctrs and Imprvmnts	\$ 21,537,444	\$ 2,487,158	\$ (124,954)	\$ 23,899,648	\$ 21,584,934	\$ 2,439,668	\$ (124,954)	\$ 23,899,648
391 Office Furniture and Equip	\$ 2,258,492	\$ 180,440	\$ -	\$ 2,438,932	\$ 2,258,492	\$ 180,440	\$ (5,674)	\$ 2,433,258
392 Transportation Equipment	\$ 6,776,587	\$ 3,774,854	\$ (40,962)	\$ 10,510,479	\$ 6,776,587	\$ 3,774,854	\$ (35,287)	\$ 10,516,154
393 Stores Equipment	\$ 99,421.00	\$ -	\$ -	\$ 99,421.00	\$ 99,421	\$ -	\$ -	\$ 99,421
394 Tools, Shop, Garage Equipment	\$ 3,140,593	\$ 1,007,730	\$ -	\$ 4,148,323	\$ 3,140,593	\$ 1,007,730	\$ -	\$ 4,148,323
396 Power Operated Equipment	\$ 845,884	\$ 533,163	\$ (71,493)	\$ 1,307,554	\$ 845,884	\$ 533,163	\$ (71,493)	\$ 1,307,554
397 Communication Equipment	\$ 672,899	\$ 254,111	\$ -	\$ 927,010	\$ 672,899	\$ 254,111	\$ -	\$ 927,010
398 Miscellaneous Equipment	\$ 485,924	\$ 469,556	\$ -	\$ 955,480	\$ 485,924	\$ 469,556	\$ -	\$ 955,480
<b>Total General Plant</b>	<b>\$ 595,312,911</b>	<b>\$ 95,442,922</b>	<b>\$ (656,451)</b>	<b>\$ 690,099,382</b>	<b>\$ 594,577,198</b>	<b>\$ 96,178,617</b>	<b>\$ (656,450)</b>	<b>\$ 690,099,365</b>
<b>106 Completed not Classified</b>	<b>\$ -</b>	<b>\$ (53,317,626)</b>	<b>\$ -</b>	<b>\$ (53,317,626)</b>	<b>\$ -</b>	<b>\$ (53,317,626)</b>	<b>\$ -</b>	<b>\$ (53,317,626)</b>
<b>TOTAL Gas Plant in Service</b>	<b>\$ 595,312,911</b>	<b>\$ 42,125,296</b>	<b>\$ (656,451)</b>	<b>\$ 636,781,756</b>	<b>\$ 594,577,198</b>	<b>\$ 42,860,991</b>	<b>\$ (656,450)</b>	<b>\$ 636,781,739</b>
<b>NET CHANGE REVISED vs. ORIGINAL</b>	<b>\$ (735,713)</b>	<b>\$ 735,695</b>	<b>\$ 1</b>	<b>\$ (17)</b>				

According to the 2020 CPR details, the major plant addition projects consisted of mains, services, meters, meter installations, software, transportation, tools, shop, and garage equipment, communications equipment, power operated equipment, and miscellaneous equipment. The Company spent \$2,113,546 on 2020 IT additions that were Mapping Gas Service lines, the IRestore System enhancements, and general IT corporate allocations for the year.

The Company spent capital in 2020 in the #376 Mains account and account 380 Services. The new mains and service lines installed were in Nashua, Manchester, and Concord with most projects along the route 93 corridor. The Company spent \$1,409,296 in the #390 Structures and Improvements account on security equipment, new cameras, boilers, HVAC system, and FLIR thermal imaging cameras. The Company spent \$2,447,013 in 2020 in #392 Transportation costs

per the CPR records. The vehicles purchased Ford work trucks, backhoes, and dump trucks. The Company spent \$523,348 in account #394 Tools Shop and Garage Equipment for the Manchester, Nashua, Concord, and Tilton gas plants. The large purchases were generators, Toyota lift trucks, and work tools. The Company spent \$330,770 in account #398 Miscellaneous Plant Equipment for the purchase of GPS mapping equipment and rain gear per the CPR records. The Company, in the 2020 annual report, showed retirements of only \$(656,420), which is small relative to the \$49,038,322 2020 additions per the CPR records.

#### 2021 Plant Additions

Audit was able to verify the \$45,817,623 plant additions and \$3,547,412 retirements for the annual report and CPR records. The individual 300 plant account additions on the CPR records and annual report were different than is summarized on the chart on the subsequent pages of the F-16. **Audit Issue #4**

The Company spent \$1,448,024 on computer software in 2021 per the CPR records that was identified as IT allocations and the GIS mapping of service lines. The other major capital spending during 2021 was \$27,621,378 on the account 376 mains per the CPR records, \$10,265,378 on account 380 services, and \$2,767,213 on account 381 meters per the CPR records.



Account #	Account Name	1/1/2021	January through December 2021				12/31/21
			Additions	Retirements	Adjustments		
302	Franchise and Consents	\$ 250,950	\$ -	\$ -	\$ -	\$ 250,950	
303	Misc. Intangible	\$ 19,686,650	\$ 1,315,980	\$ -	\$ -	\$ 21,002,630	
304	Land and Land Rights	\$ 97,504	\$ -	\$ -	\$ -	\$ 97,504	
305	Structures and Improvements	\$ 852,167	\$ -	\$ -	\$ -	\$ 852,167	
311	Liquified Petroleum Equip.	\$ -	\$ -	\$ -	\$ -	\$ -	
319	Gas Mixing Equipment	\$ 526,808	\$ 165,013	\$ -	\$ -	\$ 691,821	
320	Other Equipment	\$ 3,897,123	\$ -	\$ (9,352)	\$ -	\$ 3,887,771	
361	Structures and Improvements	\$ 96,980	\$ -	\$ -	\$ -	\$ 96,980	
363.5	Other Equipment	\$ 7,646	\$ -	\$ -	\$ -	\$ 7,646	
364.1	Land and Land Rights	\$ 57,315	\$ -	\$ -	\$ -	\$ 57,315	
364.2	Structures and Improvements	\$ 657,298	\$ 294,705	\$ -	\$ -	\$ 952,003	
364.3	LNG Processing Terminal Equip	\$ -	\$ -	\$ -	\$ -	\$ -	
364.8	Other Equipment	\$ 3,896,019	\$ -	\$ -	\$ -	\$ 3,896,019	
367	Mains	\$ 11,710,599	\$ -	\$ (56)	\$ -	\$ 11,710,543	
369	Measuring and Reg. Station Equip	\$ 138,182	\$ -	\$ -	\$ -	\$ 138,182	
374	Land and Land Rights	\$ 357,903	\$ 18,807	\$ -	\$ -	\$ 376,710	
375	Structures and Improvements	\$ 1,761,490	\$ -	\$ -	\$ -	\$ 1,761,490	
376	Mains	\$ 345,000,024	\$ 24,086,483	\$ (2,122,290)	\$ -	\$ 366,964,217	
377	Compressor Station Equipment	\$ 2,246,186	\$ -	\$ -	\$ -	\$ 2,246,186	
378	Measuring and Reg Stn Equip-General	\$ 8,164,800	\$ 427,546	\$ -	\$ -	\$ 8,592,346	
379	Measuring and Reg Stn Equip. City Gas	\$ 5,305,287	\$ 125,796	\$ -	\$ -	\$ 5,431,083	
380	Services	\$ 197,911,152	\$ 2,206,375	\$ (1,150,516)	\$ -	\$ 198,967,011	
381	Meters	\$ 21,608,415	\$ 5,058,219	\$ (71,405)	\$ -	\$ 26,595,229	
382	Meter Installations	\$ 18,971,578	\$ 8,098,866	\$ -	\$ -	\$ 27,070,444	
385	Distrl Meas. And Reg. Stn Equipment	\$ 53,375	\$ -	\$ -	\$ -	\$ 53,375	
387	Other Equipment	\$ 2,435,597	\$ 55,556	\$ (3,446)	\$ -	\$ 2,487,707	
389	Land and Land Rights-General Plant	\$ 121,489	\$ -	\$ -	\$ -	\$ 121,489	
390	Structures and Improvements	\$ 23,899,648	\$ 2,081,921	\$ (116,896)	\$ -	\$ 25,864,673	
391	Office Furniture and Equipment	\$ 2,433,258	\$ 1,200,513	\$ -	\$ -	\$ 3,633,771	
392	Transportation Equipment	\$ 10,516,154	\$ 972,977	\$ (68,426)	\$ -	\$ 11,420,705	
393	Stores Equipment	\$ 99,421	\$ 8,410	\$ -	\$ -	\$ 107,831	
394	Tools, Shop and Garage Equip	\$ 4,148,323	\$ 216,417	\$ (5,025)	\$ -	\$ 4,359,715	
396	Power Operated Equipment	\$ 1,307,554	\$ (444,664)	\$ -	\$ -	\$ 862,890	
397	Communication Equipment	\$ 927,010	\$ 14,806	\$ -	\$ -	\$ 941,816	
398	Miscellaneous Equipment	\$ 955,480	\$ (86,103)	\$ -	\$ -	\$ 869,377	
	TOTAL (rounded)	\$ 690,098,385	\$ 45,817,623	\$ (3,547,412)	\$ -	\$ 732,369,596	

F-16, Pg 19 line 128 Completed Construction Non-Classified Plant in Service

Net Additions line 129

\$ (58,906,115)  
Per 2021 Rev. AR \$ 673,463,481

### 2022 Plant Additions

Audit was able to verify the \$86,480,486 plant additions and \$1,004,246 2022 retirements for the annual report and CPR records. The Company in 2022 spent \$34,419,259 on account 303 software additions. The plant in service ending balance on the 2022 annual report was \$817,698,361 and does not sum across correctly as the 2022 GL figure was \$819,582,281.

### **Audit Issue #4**

The largest capital spending was the \$30,376,040 the plant unitization of the SAP Customer First project. Other large IT projects included spending \$1,503,502 on the GIS upgrade so that the software was able to be used on SAP Customer First. The Company spent \$3,367,959 on account #320 Other Equipment that spent \$2,864,228 on a new Liquefied

Petroleum tank to farm in Tilton. The Company spent \$25,562,873 on the #376 Mains account during 2022 that was routine work along the Company service territory along the I93 corridor. Most of the main additions were in Nashua, Manchester, and Concord. The Company spent \$9,119,602 on service lines booked to account 380. The new service lines were throughout the entire service territory. The Company spent significantly more on account 382-meter installations than in 2021 that the Company indicated was due to delays related to Covid.

The Company spent \$2,036,815 on the #392 Transportation account in 2022. The capital was spent on Ford work vehicles, dump trucks, and \$411,333 on a new mobile command center used during emergency operations. The Company indicated the increased spending was because of Covid with issues/delays in receiving vehicles because of shortages of parts. The Company spent \$767,595 on account 394 Tools, Shop, and Garage Equipment during 2022. The Company spent \$181,779 on an MTD Polystop 6"by8" that is used as a pipefitting system. Other shop purchases were cabinets, shop trucks, computers, propane units, electrofusion boxes, telemetry equipment, and tool adapters.

The Company spent \$1,302,247 on Miscellaneous Equipment booked to the 398 account. The Company spent \$790,250 on Nashua FLIR cameras and \$434,632 on FLIR cameras in Tilton. The FLIR cameras are an infrared camera that replaced legacy security cameras at the gas plants.

		January through December 2022					
Account #	Account Name	1/1/2022	Additions	Retirements	Adjustments	12/31/22	
302	Franchise and Consents	\$ 250,950	\$ -	\$ -	\$ -	\$ 250,950	
303	Misc. Intangible	\$ 21,002,630	\$ 34,419,259	\$ -	\$ 143,090	\$ 55,564,979	
304	Land and Land Rights	\$ 97,504	\$ -	\$ -	\$ -	\$ 97,504	
305	Structures and Improvements	\$ 852,167	\$ -	\$ -	\$ -	\$ 852,167	
311	Liquified Petroleum Equip.	\$ -	\$ 26,231	\$ -	\$ 113,626	\$ 139,857	
319	Gas Mixing Equipment	\$ 691,821	\$ 43,561	\$ -	\$ (157,460)	\$ 577,922	
320	Other Equipment	\$ 3,887,771	\$ 3,367,959	\$ -	\$ 67,832	\$ 7,323,562	
361	Structures and Improvements	\$ 96,980	\$ -	\$ -	\$ -	\$ 96,980	
363.5	Other Equipment	\$ 7,646	\$ -	\$ -	\$ -	\$ 7,646	
364.1	Land and Land Rights	\$ 57,315	\$ -	\$ -	\$ -	\$ 57,315	
364.2	Structures and Improvements	\$ 952,003	\$ 52,428	\$ -	\$ (5,256)	\$ 999,175	
364.3	LNG Processing Terminal Equip	\$ -	\$ -	\$ -	\$ 31,293	\$ 31,293	
364.8	Other Equipment	\$ 3,896,019	\$ -	\$ -	\$ -	\$ 3,896,019	
367	Mains	\$ 11,710,543	\$ 26,785	\$ -	\$ -	\$ 11,737,328	
369	Measuring and Reg. Station Equip	\$ 138,182	\$ 114,208	\$ -	\$ -	\$ 252,390	
374	Land and Land Rights	\$ 376,710	\$ (18,807)	\$ -	\$ -	\$ 357,903	
375	Structures and Improvements	\$ 1,761,490	\$ 10,385	\$ -	\$ (72,194)	\$ 1,699,681	
376	Mains	\$ 366,964,217	\$ 25,562,873	\$ (757,435)	\$ 135,697	\$ 391,905,352	
377	Compressor Station Equipment	\$ 2,246,186	\$ -	\$ -	\$ -	\$ 2,246,186	
378	Measuring and Reg Stn Equip-General	\$ 8,592,346	\$ 982,130	\$ -	\$ 15,907	\$ 9,590,383	
379	Measuring and Reg Stn Eq. City Gate	\$ 5,431,083	\$ 51,523	\$ -	\$ -	\$ 5,482,606	
380	Services	\$ 198,967,011	\$ 9,119,602	\$ (164,765)	\$ 9,304,968	\$ 217,226,816	
381	Meters	\$ 26,595,229	\$ 804,784	\$ (40,286)	\$ (2,291,865)	\$ 25,067,862	
382	Meter Installations	\$ 27,070,444	\$ 7,897,553	\$ (25,453)	\$ (6,395,241)	\$ 28,547,303	
385	Indstrl Meas. And Reg. Stn Equipment	\$ 53,375	\$ 133,026	\$ -	\$ -	\$ 186,401	
387	Other Equipment	\$ 2,487,707	\$ 85,364	\$ -	\$ 23,624	\$ 2,596,695	
389	Land and Land Rights-General Plant	\$ 121,489	\$ -	\$ -	\$ -	\$ 121,489	
390	Structures and Improvements	\$ 25,864,673	\$ (368,024)	\$ -	\$ (144,143)	\$ 25,352,506	
391	Office Furniture and Equipment	\$ 3,633,771	\$ 10,367	\$ -	\$ (728,003)	\$ 2,916,135	
392	Transportation Equipment	\$ 11,420,705	\$ 2,036,815	\$ -	\$ (41,817)	\$ 13,415,703	
393	Stores Equipment	\$ 107,831	\$ -	\$ -	\$ -	\$ 107,831	
394	Tools, Shop and Garage Equip	\$ 4,359,715	\$ 767,595	\$ -	\$ (578)	\$ 5,126,732	
396	Power Operated Equipment	\$ 862,890	\$ 52,622	\$ -	\$ -	\$ 915,512	
397	Communication Equipment	\$ 941,816	\$ -	\$ -	\$ -	\$ 941,816	
398	Miscellaneous Equipment	\$ 869,377	\$ 1,302,247	\$ (16,307)	\$ -	\$ 2,155,317	
	TOTAL (rounded)	\$ 732,369,596	\$ 86,480,486	\$ (1,004,246)	\$ (520)	\$ 817,845,316	

F-16, Pg 19 line 128 Completed Construction Non-Classified Plant in Service  
Net Additions line 129

Per 2022 Rev. AR \$ (29,516,713)  
\$ 788,328,597

### Transfer from Great Plains to SAP/ PowerPlan October 2022

In October 2022 the Company transferred from the Great Plains GL to SAP and PowerPlan for plant project accounting. Audit asked the Company how the 300 plant level accounts interact with the 101 and 106 plant accounts. The Company indicated when they transferred from GP to SAP the existing assets in the 300-plant account level were converted to like retirement units in PowerPlan. The 106 Completed Construction account was converted to 300 plant accounts based on an estimate determined by project type. If no retirement unit existed in PowerPlan at the time of conversion, the asset was classified under the appropriate FERC 300 plant-level account with a retirement unit of “reclass-research required for possible transfer” until such time as a retirement unit was created.

The Company explained how plant projects are booked in SAP/PowerPlan:

*“When a project is placed in service, PowerPlan credits Construction Work in Progress, FERC account 107, and debits Completed Construction not Classified, FERC account 106. When the project is completed, PowerPlan credits Completed Construction not Classified, FERC account 106, and debits Plant in Service, FERC account 101. A project can also be closed in PowerPlan directly from Construction Work in Progress, FERC account 107, to Plant in Service, FERC account 101. An interface runs twice daily, or on an ad hoc basis if needed, pushes these transactions from PowerPlan to SAP. The FERC.”*

Audit verified the 300 plant in service accounts were transferred to the 101/106 plant in service accounts correctly as of October 2022 in a reconciliation of PowerPlan summarized below.

Account 106	Amount	Account 101	Amount
303.00-U\$GSFR-MISC INTANGIBLE PLANT	\$ 2,353,305	302.00-U\$GSFR-FRANCHISES & CONSENTS	\$ 250,950
311.00-U\$GSFR-LIQUEFIED PETR GAS EQ	\$ 139,857	303.00-U\$GSFR-MISC INTANGIBLE PLANT	\$ 19,671,445
319.00-U\$GSFR-GAS MIXING EQUIPMENT	\$ 7,070	304.00-U\$GSFR-LAND AND LAND RIGHTS	\$ 515,889
320.00-U\$GSFR-OTHER EQUIPMENT	\$ 70,349	305.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 852,167
364.20-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 390,098	319.00-U\$GSFR-GAS MIXING EQUIPMENT	\$ 527,292
364.30-U\$GSFR-LNG PROCESNG TRMNL EQ	\$ 31,293	320.00-U\$GSFR-OTHER EQUIPMENT	\$ 3,887,770
367.00-U\$GSFR-TRANSMISSION MAINS	\$ 26,785	361.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 96,980
369.00-U\$GSFR-MEAS & REG EQUIPMENT	\$ 114,208	363.50-U\$GSFR-OTHER EQUIPMENT	\$ 7,646
375.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 10,385	364.10-U\$GSFR-LAND AND LAND RIGHTS	\$ 57,315
376.00-U\$GSFR-DISTRIBUTION MAINS	\$ 36,088,964	364.20-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 609,078
378.00-U\$GSFR-MEAS & REG EQ GENERAL	\$ 787,864	364.80-U\$GSFR-OTHER EQUIPMENT	\$ 3,896,019
379.00-U\$GSFR-MEAS & REG EQ CT GATE	\$ 177,319	367.00-U\$GSFR-TRANSMISSION MAINS	\$ 11,710,542
380.00-U\$GSFR-SERVICES	\$ 20,641,437	369.00-U\$GSFR-MEAS & REG EQUIPMENT	\$ 138,182
381.00-U\$GSFR-METERS	\$ 4,656,829	374.00-U\$GSFR-LAND AND LAND RIGHTS	\$ 791,823
381.20-U\$GSFR-METERS-COMM DEVICES	\$ -	375.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 1,689,296
382.00-U\$GSFR-METER INSTALLATIONS	\$ 5,659,064	376.00-U\$GSFR-DISTRIBUTION MAINS	\$ 343,147,625
385.00-U\$GSFR-IND MEAS & REG STN EQ	\$ 133,026	377.00-U\$GSFR-COMPRESSOR STATION EQ	\$ 2,246,186
387.00-U\$GSFR-OTHER EQUIPMENT	\$ 276,617	378.00-U\$GSFR-MEAS & REG EQ GENERAL	\$ 8,112,128
390.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 3,096,192	379.00-U\$GSFR-MEAS & REG EQ CT GATE	\$ 5,305,287
391.00-U\$GSFR-OFFICE FURNITURE & EQ	\$ 511,626	380.00-U\$GSFR-SERVICES	\$ 189,225,827
391.10-U\$GSFR-ELECT DATA PROCESS EQ	\$ 20,888	381.00-U\$GSFR-METERS	\$ 14,004,153
391.20-U\$GSFR-LAPTOP COMPUTERS	\$ 20,888	381.20-U\$GSFR-METERS-COMM DEVICES	\$ 6,347,958
392.00-U\$GSFR-TRANSPORTATION EQPMNT	\$ 1,217,063	382.00-U\$GSFR-METER INSTALLATIONS	\$ 21,792,975
394.00-U\$GSFR-TOOL SHOP & GARAGE EQ	\$ 915,692	385.00-U\$GSFR-IND MEAS & REG STN EQ	\$ 53,375
396.00-U\$GSFR-POWER OPERATED EQPMNT	\$ 138,330	387.00-U\$GSFR-OTHER EQUIPMENT	\$ 2,320,078
397.00-U\$GSFR-COMMUNICATION EQPMNT	\$ 127,466	389.00-U\$GSFR-LAND AND LAND RIGHTS	\$ 121,489
398.00-U\$GSFR-MISCELLANEOUS EQPMNT	\$ 1,590,533	390.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 22,230,420
	\$ 79,203,149	391.00-U\$GSFR-OFFICE FURNITURE & EQ	\$ 593,435
		391.10-U\$GSFR-ELECT DATA PROCESS EQ	\$ 923,137
		391.20-U\$GSFR-LAPTOP COMPUTERS	\$ 838,779
		392.00-U\$GSFR-TRANSPORTATION EQPMNT	\$ 11,331,252
		393.00-U\$GSFR-STORES EQUIPMENT	\$ 107,831
		394.00-U\$GSFR-TOOL SHOP & GARAGE EQ	\$ 3,740,947
		396.00-U\$GSFR-POWER OPERATED EQPMNT	\$ 777,181
		397.00-U\$GSFR-COMMUNICATION EQPMNT	\$ 814,350
		398.00-U\$GSFR-MISCELLANEOUS EQPMNT	\$ 581,091
		601.00-U\$GSFR-LAND AND LAND RIGHTS	\$ 13,665
		611.00-U\$GSFR-STRUCTURS & IMPRVMNTS	\$ 133,284
			\$ 679,464,844

The Company provided the 300-plant account accounting mapping to the 101 plant in service.

<b>Summary of 300 Account Recon</b>		
Plant Held in Service 300 Accounts	\$	817,845,309
Plant Held For Future Use	\$	999,253
Lease	\$	1,015,663
CWIP	\$	13,299,054
Goodwill	\$	28,219,104
Non Utility Property Adj.	\$	(146,949)
CWIP Variance Annual Report	\$	(58,447)
Total Per Annual Report	\$	<b>861,172,988</b>

### Procurement/Bids

Liberty Utilities purchases goods and services for NH to support divisional activities. Most purchase orders and contracts for NH based purchases are supported by the purchasing group located in NH. The corporate policy most recently dated from May 1, 2022 indicates all purchases of supplies/service that exceed \$1,000,000 will have a competitive bid process performed. In NH, operations and purchasing frequently work to obtain Requests for Proposals (RFP) for expenditures lower than this threshold where a competitive marketplace to provide the goods and services exists.

Formal RFPs are issued by the Purchasing department based on the scope of work with input and specifications provided by the requesting department. In general, RFP include a pre-bid meeting with potential suppliers outlining the materials or services required and provide an overall bid schedule for the purchase from RFP issuance date through proposed award date. All questions to the company regarding the RFP are compiled and responses to these bid questions are provided to all potential bidders. Informally, buyers review new sources to determine competitiveness of routine purchases of commonly used goods. Bids are reviewed with the appropriate stakeholders and a selection process is performed on the award based on overall pricing, supplier availability and capabilities and ability to meet schedule requirements. See the review of the 2020-2022 project additions section of this report for review of individual project bids.

### Granite Bridge Project

On January 6, 2021 the DG 20-105 Granite Bridge Final Audit Report was issued that reviewed the \$7,479,317 million request for recovery of the total \$9.130,540 million Granite Bridge project costs. The Company excluded \$1,651,223 in Granite Bridge project costs that did not meet the recovery criteria per the Company. The Company booked the costs to the 183 Preliminary Survey and Investigation account, 107 CWIP account, and 186 Miscellaneous Deferred Debits account. The Audit Report identified two additional invoices that were not included in the general ledger at that time. The Gradient invoice was a typo and a Vanasse Hangen Brustlin invoice that was approved but not yet paid. The two additional invoices brought the proposed recovery, per the Audit Report, to \$7,489,309.

Gradient	Overpayment (Typo)	(\$180)
Vanasse Hangen Brustlin	Invoice 326766 Approved/Not Yet Paid	<u>\$10,172</u>
	Total Proposed for Recovery per 1/6/2021 Audit Report	\$7,489,309

The Summary Page of the report indicates that the Company should recover zero costs since the project was never placed into service and was not used and useful. Thus, the costs incurred should be written off. Staff of the PUC agreed, and outlined that in testimony submitted 3/18/2021. PUC Order 26,505, issued 7/30/2021 excluded recovery of Granite Bridge costs from the settlement agreement. PUC Order 26,536 issued 10/29/2021 specifically denied Liberty's request to recover any costs related to Granite Bridge. The Company filed a motion for rehearing on 11/24/2021. Order 26,558 issued 12/22/2021 suspended Order 26,536. On 2/17/2022, the PUC issued Order 26,583 denying the motion for rehearing. The Company appealed the Order to the NH Supreme Court on 3/25/2022.

On November 15<sup>th</sup> 2023 the NH Supreme Court, in case number 2022-0146 in the Appeal of Liberty Utilities (EnergyNorth Natural Gas) Corp. D/B/A Liberty vs. the New Hampshire Public Utilities Commission, ruled that the Company is not authorized to recover an estimated \$7.5 million in Granite Bridge construction/development costs out of roughly \$9.1 million in total costs incurred. The basis of the ruling was that Liberty could not recover the costs because of the NH Anti-CWIP statute RSA 378:30-a because Liberty ultimately did not pursue the Granite Bridge project.

The Anti-CWIP statute indicates that, "*public utility rates or charges shall not in any manner be based on the cost of construction work in progress. At no time shall any rates or charges be based upon any costs associated with construction work if said construction work is not completed. All costs of CWIP, including but not limited to, any costs associated with constructing, owning, maintaining, or financing construction work in progress, shall not be included in utility rate base nor be allowed as an expense for ratemaking purposes until, and not before, said construction project is actually providing services to customers.*" As a result, of the NH Supreme Court ruling the Company is not authorized to recover any Granite Bridge costs incurred.

#### November 30, 2023 ENG Granite Bridge Write Off Entry

The Company indicated the Gradient and Vanasse Hagen Brustlin proposed above adjustments per the Audit Report were not performed as write offs between December 31,2020 and November 30,2023, but were recorded in net amounts rather than at the invoice level. The Company clarified the invoice adjustments were a \$10,715.44 Vanasse Hagen Brustlin invoice and a \$136.25 De Maximis Data Management Solutions Inc invoice. The two adjustments sum to \$10,851.69 were booked to the Preliminary Survey and Investigative Charges account 8840-2-0000-10-1615-1830.

8840-2-0000-1615-1830	Preliminary Survey and Investigation	\$9,271,281
8840-2-0000-1920-1860	Miscellaneous Deferred Debits	(\$131,192)
8840-2-0000-1618-1070	Construction Work in Progress	<u>(\$9,548)</u>
Total Granite Bridge Costs booked to GL		\$9,130,540

8840-2-0000-1615-1830	Preliminary Survey and Investigation	(\$7,223,347)
8840-2-0000-1920-1860	Miscellaneous Deferred Debits	\$9,277,097
8840-2-0000-1618-1070	Construction Work in Progress	<u>(\$402,528)</u>
Total Granite Bridge Costs <u>Excluded</u> from recovery request		\$1,651,223

8840-2-0000-1615-1830	Preliminary Survey and Investigation	\$7,092,154
8840-2-0000-1920-1860	Miscellaneous Deferred Debits	(\$5,817)
8840-2-0000-1618-1070	Construction Work in Progress	<u>\$392,979</u>
Total Granite Bridge Costs booked to GL <u>sought to recover</u>		\$7,479,317

#### Additional Adjustments November 30, 2023

8840-2-0000-1615-1830 Preliminary Survey and Inv. Charges	
Vanasse Hagen Brustlin Invoice	\$10,715
DMDS invoice	<u>\$136</u>
Total November 30, 2023 Write Off Entry	\$7,490,169

The Company provided a copy of the November 30, 2023 write off entry debited the General Work Order Miscellaneous Other Deductions account #58532011426500010168 for \$7,490,169 and credited the Miscellaneous Deferred Debits account 1717101118600010168 for the same amount.

Audit noted that the combined costs had been included in total in accounts:

8840-2-0000-10-1618-1070 CWIP	\$ (9,548.11)
8840-2-0000-10-1615-1830 Preliminary Survey and Investigation	\$ (131,192.35)
8840-2-0000-10-1920-1860 Misc. Deferred Debits	<u>\$9,271,280.82</u>
Costs for Granite Bridge Projects 2016 through 2020	\$9,130,540.36

The Company should have performed the entry to also include the 183 Preliminary Survey and Investigation account and 107 CWIP regulatory accounts, writing down both the total requested for recovery, and the total not requested. **Audit Issue #6**

Audit recommends that the entry should have been:

Debit # 58532011 <u>4265</u> 00010168	Other Deductions	\$9,130,540
Debit #15010011 <u>107</u> 00010168	Construction Work In Progress	\$9,548
Debit #15050011 <u>183</u> 10010168	Prelim. Survey and Investigation	\$131,192
Credit #17171011 <u>186</u> 00010168	Misc. Deferred Debits	(\$9,271,281)

### **K Meter Replacements**

The Company per the 2020-2022 CPR records spent money on a safety mandated K Meter replacement program. The K meters are in Manchester and are obsolete and were originally used for meters that are inside of a building. The K meters are no longer allowed to be inside of a building from a safety perspective and ENG is replacing them and moving the meter outside. The K meters are gas flow registers.

#### **Per CPR records**

<b><u>Year</u></b>	<b><u>Project</u></b>	<b><u>Account</u></b>	<b><u>Amount</u></b>
2020	8840-2014	381 Meters	\$ 42,056
2021	8840-2114	380 Services	\$ 615,063
2022	8840-2214	380 Services	\$ 320,562
2022	8840-2214	381 Meters	\$ 8,535
2022	8840-2214	382 Meter Installations	\$ 101,051
Total for 2022			\$ 430,148
Total for All Years			<span style="border: 1px solid black;">\$ 1,087,267</span>

### **DG 20-105 Step Adjustment Audit Reports**

#### **First Step Adjustment**

There were two Step Adjustment Audit Reports since the DG 20-105 rate case. The first step adjustment Audit Report was issued on June 4, 2021. There were seven audit issues noted in the report. The issues related to the inclusion of growth-related projects whereas the recovery specifically indicated only non-growth-related projects were eligible for recovery. Certain projects indicated not all the assets were unitized to plant in service in 2020. There was an issue that indicated the Company needed to provide specific documentation to comply with Company Capital Policies such as not having project closeout reports for a few projects reviewed.

The Company included overhead on capitalized fleet depreciation charges when per FERC that should not have been. The last issue related to a \$647,380 meter protection program that should have been covered under the PUC 500 rules and any costs to retrofit meters should be paid for by shareholders. The Final Audit Report indicated a recommended recovery of \$16,155,573 in 2020 non-growth capital additions based on the specific projects. This is a (\$2,611,905) difference compared to the filed \$18,767,478 2020 plant additions in the projects reviewed. The Commission Order 26,603 issued on April 4, 2022 approved approximately \$36 million in 2020 non-growth plant additions.

#### **Second Step Adjustment**

The DG 22-028 second step adjustment Final Audit Report was issued on August 1, 2022. The Report indicates there were three audit issues. The first was a \$484,378 repeat audit issue with the inclusion of the meters protection program that was not in compliance with the



PUC 500 rules. The second issue recommended a disallowance of (\$1,131,152) in project costs that were the result of a project that should have been unitized in 2020, some meters that were allocated to growth projects, and an IT project that was still in CWIP and not unitized to plant in service. The last issue related to projects did not include a specific completion date on the project closeout report. The Audit Report reviewed \$28,177,868 in 2021 plant additions and recommended a total disallowance of (\$1,615,531) bringing the total to a \$26,562,337 for the 2021 growth related plant additions recommended for recovery.

The Commission Order 26,676 issued on August 31, 2022 approved the recovery of the 2021 plant additions as filed by the Company and the subsequent replacement projects they had sought to replace prior disallowed projects. The Order also approved the Normand Depreciation Study that was ordered as part of the DG 20-105 rate case because of the Company having a large unrecovered reserve balance that indicated a large Cost of Removal reserve figure that was previously based on a 10% rate rather than actual historical actual costs. The Normand Study recommended the recovery of COR costs based on a three-year average going forward. For 2022 the study recommended a 7.5% COR rate. The study did not recommend any changes to the annual \$1,657,796 depreciation reserve amount because that will be fully amounted in April 2024. The study also indicates the Company should retire assets in a timelier manner.

#### Meter Protection Program

The Company on the 2020-2022 CPR records spent \$1,599,236 on the Gas Meter Protection Program that the DG 20-105 step adjustment audits recommended disallowing. The Company should not be authorized to recover these costs because the meters did not comply with the PUC 500 rules and CFR 192. Audit also recommends that any cost to retrofit meters for compliance with Puc 505.01 (c) and 506.01(a) be borne by shareholders not ratepayers. **Audit Issue #7**

Puc 505.01(c) states: *“Meter installations shall be protected from anticipated or potential dangers, including but not limited to vehicles, ice, snow, flooding, or corrosion.”*

In addition, Puc 506.01(a) incorporates 49 CFR Parts 191, 192, 193, 198 and 199. 49 CFR 192.353(a) *“Each meter and service regulator, whether inside or outside a building, must be installed in a readily accessible location and be protected from corrosion and other damage, including, if installed outside a building, vehicular damage*

The 2020-2022 Meter Protection capital spending is summarized below per the CPR records.

<u>Project Name</u>	<u>Year</u>	<u>Account</u>	<u>Amount</u>
Meter Protection Program	2020	382 Meter Inst	\$646,962
	2021	382 Meter Inst.	\$158,567
	2022	381 Meters	<u>\$793,707</u>
	Total		\$1,599,236

#### Test of Additions Closed to Plant Since the Prior Audit

Audit requested a listing of projects which were closed to plant in service accounts in 2020-2022. Audit reviewed a total of twelve projects or four for each year for 2020-2022. For

2022 Audit also reviewed the Customer First-SAP Enterprise Resource Planning (ERP)  
Enterprise Asset Management Project (EAM)

Project #	Project Description	Year	Budgeted Amount	Actual Unitized Amount	Variance (Over) Under	% Variance
8840-2048	New Reinforcement Main for Growth ENG	2020	\$ 368,180	\$ 106,221	\$ 261,959	-71%
8840-2061	Windham-Pelham Managed Expansion Project	2020	\$ 450,000	\$ 69,776	\$ 380,224	-84%
8843-2015	Growth New Main	2020	\$ 100,000	\$ 67,741	\$ 32,259	-32%
8840-2018	Purchase Misc Capital Equipment & Tools	2020	\$ 280,000	\$ 410,333	\$ (130,333)	47%
8843-2115	Growth New Main	2021	\$ 100,000	\$ 70,969	\$ 29,031	-29%
8840-2172	Service Mapping Project	2021	\$ 300,000	\$ 352,679	\$ (52,679)	18%
8840-1933	Tilton Control Panel Replacement	2021	\$ -	\$ 294,705	\$ (294,705)	100%
8843-2108	Main Replacement City/State Construction	2021	\$ 300,000	\$ 205,229	\$ 94,771	-32%
8840-2141	Flir Cameras - Security - Nashua	2022	\$ 400,000	\$ 790,250	\$ (390,250)	-98%
8840-2290	Transportation Fleet and Equipment Purchases	2022	\$ 800,000	\$ 1,992,979	\$ (1,192,979)	-149%
8843-2190	Transportation/Fleet	2022	\$ -	\$ 203,834	\$ (203,834)	100%
8843-2125	Propane-Air Plant Refurbishment	2022	\$ -	\$ 68,306	\$ (68,306)	100%
8840-2299	Customer First SAP - ERP/EAM	2022	\$ 35,584,183	\$ 30,376,040	\$ 5,208,143	15%
Total			<b>\$38,682,364</b>	<b>\$35,009,062</b>	<b>\$3,673,302</b>	

## **Projects Tested**

### **2020 Projects**

#### **8840-2048 New Reinforcement Main for ENG Growth**

#### **Unitized in 2020 8840-2048 Liberty Center Capital Upgrade \$106,221**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll \$ 766

Cost Element 4-Vouchers \$ 30,298

Cost Element 6- Burden \$ 90,210

Cost Element 7-Cost of Removal \$ (15,056)

Total of all costs for the job: \$ 106,221

Cost Element 3-Reflects the 2020 Transfer to Plant \$ (106,221) 12/29/2020

Cost Element 3-reflects the 2020 Transfer to Plant \$ (106,221) 12/29/2020

Net Plant Asset Detail Total Project \$ (431,890)

Audit reviewed solely the 2020 project costs. The additional \$325,669 in project costs are from prior years. The Company unitized the entire project to plant in service on December 29, 2020 for \$431,890. The Company debited the Plant in Service-Not Classified account 8840-2-0000-10-1615-1060 for \$431,890 and credited the CWIP account 8840-2-0000-10-1618-1070 for the same amount. The Company unitized the entire project for \$431,890 to the 376 Mains account on 12/29/2020.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	<b>2020</b>	<b>Total</b>	<b>Total Overhead</b>
Contractors	\$ 30,301	\$ 30,301	
Labor	\$ 766	\$ 766	
Materials	\$ -	\$ -	
Overheads	\$ 90,210	\$ 90,210	<b>85%</b>
COR	\$ (15,056)	\$ (15,056)	
	<u>\$106,221</u>	<u>\$ 106,221</u>	

#### Invoices

Audit reviewed a May 2020 City of Concord invoice that was for \$10,520. The work was for paving and putting curbing along Centre Street in Concord as well as patching trench holes.

Audit reviewed three Midway Utilities invoices from June and October 2020 that was for asphalt paving, flagging, loam seeding, main trenching, and main restoration on Centre Street in Concord.

#### Overheads

Audit sampled a 2020 labor burden calculation that was for \$50,887 and reviewed the calculations provided by the Company. Audit reviewed solely the 2020 plant assets for this project. However, based on the assets reviewed, 85% of the project costs were overhead charges which is rather high. **Audit Issue #8**

#### Cost of Removal

The Company provided \$15,053 in main cost of removal entries that were booked throughout 2020. The Company booked the retirements by debiting the 8840-2-0000-10-1655-108 Accumulated Depreciation Cost of Removal for \$15,053 and Crediting the CWIP account 8840-2-0000-10-1618-1070 for the same amount.

#### Retirements

The Company did not provide any retirement entries for this project or specify why any entries were not done. The Company specified in the GSE 23-039 rate case audit they are presently behind and trying to catch up because of the SAP system implementation in October 2022. **Audit Issue #8**

Bids and Project Documentation

This is an annual blanket project and the Company notified 7 vendors and awarded a contract to four vendors. The selection criteria were based on pricing, quality of work, safety record, and past record of performance working with the gas operations group. The four vendors were part of a contract that covered April 1, 2020 through March 31, 2024.

Business Case

Audit reviewed the 2020 project 8840-2048 blanket project that was for the installation of new main and replacement of undersized mains that have not been yet identified to allow new customers to come onto the system without a detrimental impact to the winter 2020-2021 gas operations. The other goal of the project was to loop and connect system end points to the newly installed main. The Company indicated the 2018 business case format was a typo. The project was budgeted to cost \$368,180. The project was to take place during calendar year 2020 and was signed/approved in March 2020 by the Project Manager up to \$25,000, Gas Engineering Manager up to \$50,000, Director of Engineering up to \$250,000, and the Senior VP of Gas Operations up to \$500,000.

Capital Expenditure Form

The March 2020 Capital Expenditure Form authorized spending up to \$368,180 in calendar year 2020. The CEF was signed/approved in March 2020 by the Project Manager up to \$25,000, Gas Engineering Manager up to \$50,000, Director of Engineering up to \$250,000, and the Senior VP of Gas Operations up to \$500,000.

Project Closeout

The project closeout indicates the project was budgeted to cost \$368,180 and the actual project cost was \$105,628. This is a \$262,553 cost under run. The closeout does not give a specific reason for why the project was so underbudget. The Company indicated the reason for the cost underrun was due to the limited amount of reinforcement work than originally planned. The closeout was signed solely by the Project Lead and Project Sponsor.

**8840-2061 Windham-Pelham Managed Expansion Project**  
**Unitized in 2020 8840-2061 \$69,776**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 4-Vouchers	\$ 62,385
Cost Element 6- Burden	\$ 7,391
Total of all costs for the job:	\$ 69,776
Cost Element 3-Reflects the 2020 Transfer to Plant	\$ (69,776) 5/29/2020
Cost Element 3-reflects the 2020 Transfer to Plant	\$ (69,776) 5/29/2020
Net Plant Asset Detail Total Project	\$ (214,470)

Audit reviewed solely the 2020 portion of the project only that consisted of \$69,776. The entire Pelham Expansion project was unitized to plant in service on May 29, 2020 for \$214,470. The project began in 2017 when the franchise expansion was approved by the PUC. The

Company debited the Plant in Service-Not Classified account 8840-2-0000-10-1615-1060 for \$214,470 and credited the CWIP account 8840-2-0000-10-1618-1070 for the same amount. The Company unitized the entire project for \$214,470 to the 376 Mains account on 5/29/2020.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	<u>2020</u>	<u>Total</u>	
Contractor	\$62,385	\$62,385	
Labor	\$ -	\$ -	
Materials	\$ -	\$ -	
Overhead:	\$ 7,391	\$ 7,391	<b>10.6%</b>
AFUDC	\$ -	\$ -	
	<u>\$69,776</u>	<u><b>\$69,776</b></u>	

#### Invoices

Audit reviewed a May 2020 Keach-Nordstrom Associates, Inc invoice for \$16,925 for Engineering. The work performed consisted of project meetings, plans review, preparation of estimates, grading design, meetings, reviews, bill preparation, ACAD site preparation, field investigations, roadway design, and project research. Audit verified the hourly rates and hours worked were charged correctly on the invoice.

Audit reviewed two James W. Sewall Company from May and October 2017 that summed to \$29,960 that were for GIS mapping service for the Windham/Pelham franchise expansion. The invoice indicates the GIS services performed consisted of taking aerial captures of digital images and control capture and modeling.

#### Cost of Removal

There were not any cost of removal entries because the additions are part of a franchise expansion.

#### Retirements

There are not any retirement entries because the additions are part of a franchise expansion.

#### Bids and Project Documentation

For the Pelham expansion project, the Company did not provide any actual bid documents but indicated they selected vendors that they have worked with in the past. The Company should have considered going out to bid for the project. **Audit Issue #8**

#### Business Case

In 2017 EnergyNorth began franchise expansion into Pelham. In 2017 and 2018 as part of the expansion into Pelham the Company installed a new City Gate Station that tapped into the existing Kinder Morgan Transmission line and cut the pressure to the distribution line pressure. The Company was to install approximately 5 miles of new distribution main. The 2020 project includes outstanding restoration design, permitting, and sidewalk work. The project work was to

be done during 2020 with a budgeted cost of \$450,000. The Business Case was signed/approved in February 2020 by the Project Manager up to \$25,000, Gas Engineering Manger up to \$50,000, Director of Engineering up to \$250,000, and the Senior VP of Gas Operations up to \$500,000.

#### Capital Project Expenditure Form

The Capital Expenditure Form authorized spending of up to \$450,000. The Capital Project Expenditure Form was signed/approved in April 2020 by the Project Manager up to \$25,000, Gas Engineering Manger up to \$50,000, Director of Engineering up to \$250,000, and the Senior VP of Gas Operations up to \$500,000.

#### Project Closeout

The March 2021 project closeout indicates the project was budgeted to cost \$450,000 and the actual project cost was \$419,445. This is a \$30,555 cost underrun. The closeout does not indicate any specific reason for the cost underrun. This is different than the \$69,776 what was unitized to plant in service. The Company indicated this is because the costs Audit reviewed were 2020 costs only. The Company indicated the 2020 budget was based on CWIP spending and the actual CWIP spending was 93% of the project budget for 2020. The Company indicated a majority of the 2020 spending was placed into service in 2022. The Closeout was signed/approved in April 2020 by the Project Manager up to \$25,000, Gas Engineering Manger up to \$50,000, Director of Engineering up to \$250,000, and the Senior VP of Gas Operations up to \$500,000.

#### **8843-2015 Growth New Main-Keene** **Unitized in 2020 8843-2015 \$67,741**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll	\$ 11,528
Cost Element 2-Stores and Materials	\$ 4,630
Cost Element 4-Vouchers	\$ 35,328
Cost Element 5-Outside Services	\$ 0
Cost Element 6- Burden	\$ 16,221
Cost Element 9-AFUDC	\$ 34
Total of all costs for the job:	\$ 67,741
Cost Element 3-Reflects the 2020 Transfer to Plant	\$ (67,741) 8/27/2020

Cost Element 3-reflects the 2020 Transfer to Plant	\$ (67,741) 8/27/2020
Net Plant Asset Detail Total Project	\$ (189,062)

Audit reviewed solely the 2020 project costs that were Keene main growth additions. The additional \$121,321 in project costs were from prior years. The entire new Keene mains growth project was unitized to plant in service on August 27, 2020 for \$189,062. The Company debited the Plant in Service-Not Classified account 8840-2-0000-10-1615-1060 for \$189,062 and credited the CWIP account 8840-2-0000-10-1618-1070 for the same amount.

Review of Payroll, Invoices, Materials, and Overhead Support

	<b>2020</b>	<b>Total</b>	
Contractors	\$35,328	\$ 35,328	
Labor	\$11,528	\$ 11,528	
Materials	\$ 4,630	\$ 4,630	
Overheads	\$16,221	\$ 16,221	<b>23.9%</b>
AFUDC	\$ 34	\$ 34	
	<b>\$67,741</b>	<b>\$ 67,741</b>	

Invoices

Audit reviewed two November 2019 RH White Construction invoices that summed to \$7,080. The work performed consisted of construction work, asphalt, and the usage of equipment such as backhoes, bobcats, and dump trucks on west street in Keene. Audit verified the hourly rate and hours worked on the invoice were calculated correctly.

Audit reviewed a September 2019 MME Construction, LLC invoice for \$4,400. The work performed consisted of construction labor, excavation, and use of a dump truck. Audit verified the hours worked and hourly rate was charged correctly on the invoice.

Materials

Audit reviewed a December 31, 2019 \$8,910.50 plant inventory general ledger transaction that was for 3,550 feet of 4-inch main that are of medium density that were booked to the 376 account.

Cost of Removal

The Company did not provide any COR entries or specify why they were not done. **Audit Issue #8**

Retirements

The Company did not provide any retirement entries or specify why they were not done. **Audit Issue #8**

Bids and Project Documentation

This is an annual blanket project and the Company notified 7 vendors and awarded a contract to four vendors. The selection criteria were based on pricing, quality of work, safety record, and past record of performance working with the gas operations group. The four vendors were part of a contract that covered April 1, 2020 through March 31, 2024.

Business Case

Audit reviewed the 2020 project 8843-2015 blanket project that was for the installation of new main and replacement of undersized mains that have not been yet identified to allow new customers to come onto the system without a detrimental impact to the winter 2020-2021 gas operations. The other goal of the project was to loop and connect system end points to the newly installed main. The project was budgeted to cost \$100,000. The project was to take place during

calendar year 2020 and was signed/approved in March 2020 by the Project Manager up to \$25,000, Gas Engineering Manager up to \$50,000, and the Director of Engineering up to \$250,000.

#### Capital Expenditure Form

The 2020 Capital Expenditure Form authorized spending up to \$100,000. The CEF was signed/approved in April 2020 by the Project Manager up to \$25,000, Gas Engineering Manager up to \$50,000, and the Director of Engineering up to \$250,000.

#### Project Closeout

The March 2021 Project Closeout Report was signed/approved by the Project Manager up to \$25,000 and the VP of Gas Operations up to \$500,000. The closeout indicates the Company only spent \$6,257 on new Keene gas mains in 2020. This is a \$93,743 cost underrun compared to the \$100,000 that was budgeted. The closeout does not give a reason for the cost underrun. The Company indicated the cost underrun was due to limited customer demand during 2020. The project reviewed by Audit indicates the project cost \$67,741 so this is different than the \$6,257 actual amount spent on the project closeout. **Audit Issue #8**

#### 8840-2018 Purchase Miscellaneous Capital Equipment and Tools

##### Unitized in 2020 8840-2018 \$410,333

Audit was provided with the Plant asset system summary of expenses:

Cost Element 4-Vouchers	\$ 339,023
Cost Element 6- Burden	\$ 51,309
Total of all costs for the job:	\$ 410,333
Cost Element 3-Reflects the 2020 Transfer to Plant	\$ (410,333) 12/1/2020

Cost Element 3-reflects the 2020 Transfer to Plant	\$ (410,333) 12/1/2020
Net Plant Asset Detail Total Project	\$ (472,858) 12/31/2021

Audit reviewed purchase of capital equipment and tools project costs that were unitized in 2020 only that summed to \$410,333 with the remaining \$62,525 in project costs unitized in 2021. The entire new project was unitized to plant in service on December 1, 2020 for \$472,858. The Company debited the Plant in Service-Not Classified account 8840-2-0000-10-1615-1060 for \$472,858 and credited the CWIP account 8840-2-0000-10-1618-1070 for the same amount.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	2018	2019	2020	Total	
Contractors	\$ 1,999	\$ 42,236	\$294,788	\$ 339,023	
Labor				\$ -	
Materials				\$ -	
Overheads	\$ 395	\$ 44,192	\$ 26,723	\$ 71,310	17.4%
AFUDC				\$ -	
	\$ 2,394	\$ 86,428	\$321,511	\$ 410,333	



Invoices

Audit reviewed a March 2020 PC Connection invoice that was for \$20,100 that was for the purchase of six Panasonic Tough Pad FZ-G1 computers.

Audit reviewed a December 2020 Central New Hampshire Trailers invoice that was for \$9,614. The invoice costs included LED outlets, 2021 8.5X20 foot enclosed trailer, title fee, and motor base amp.

Audit reviewed an April 2020 PLCS, LLC invoice for \$12,623. The invoice indicates the Company purchased a complete rapid window cutter. Audit reviewed a November 2020 Mulcare Pipeline Solutions invoice for \$30,000. The invoice indicates the Company purchased a Mulcare Phoenix Electrofusion processor with USB port, low/high temp display, and smart scanner.

Audit reviewed a December 2020 Waypoint Technology Group invoice that was for \$117,640. The invoice indicates the Company purchased 20 Trimble R2 single receivers, batteries, adapters, accessories, and installation.

Audit reviewed a June 2019 WD Matthews Machinery Company for \$27,696. The invoice indicates the Company purchased an internal combustion Toyota pneumatic hydraulic forklift.

Cost of Removal

The Company did not provide any Cost of Removal entries for this project or specify why none were done. **Audit Issue #8**

Retirements

The Company did not provide any retirement entries for this project or specify why they were not done. **Audit Issue #8**

Bids and Project Documentation

This particular blanket project was for the purchase of new tools and equipment needed for non-infrastructure projects. The Company indicated they went out to bid for projects and issued an RFP in compliance with the Corporate Procurement Policy.

Business Case

Audit reviewed the 2020 Business Case for the purchase of discretionary tools and equipment as part of the annual blanket project 8840-2018. The project relates to the purchase of tools that are non-critical infrastructure. The Business Case authorized a budget of \$280,000. The Business Case was signed/approved in April 2020 by the Project Manager up to \$25,000, Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

Capital Expenditure Form

The 2020 Capital Expenditure Form authorized spending up to \$280,000. The CEF was signed/approved in April 2020 by the Project Manager up to \$25,000, Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

Change Order

Audit reviewed a March 2021 Change Order Form that increased the project from \$280,000 to \$423,950 or an increase of \$143,950. The increase was related to the purchase of a new GPS Antenna Receiver Combo Units 20-Waypoint Trimble R2 as the older units were outdated and no longer supported by the vendor. The GPS units are used for mapping out the gas distribution system. The Company also needed to purchase 15 new radio detection transmitters for the purpose of marking out the system. The Change Order was signed/approved in March 2021 by the Project Manager up to \$25,000, Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

Project Closeout Form

The 2020 Project Closeout Report was similar to the Change Order Form as they were prepared at the same time. The project closeout indicates the actual cost of the project was \$423,950. This is different than the entire \$472,858 in project costs that were unitized to plant in service including the 2021 assets. This is a \$48,908 difference. **Audit Issue #8**

The Closeout was signed/approved in March 2021 by the Project Manager up to \$25,000, Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

2021 Projects8840-2172 Service Mapping ProjectUnitized in 2021 GIS Service Mapping 8840-2172 \$352,679

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll	\$ 56,352
Cost Element 4-Vouchers	\$ 142,815
Cost Element 6- Burden	<u>\$ 153,511</u>
Total of all costs for the job:	\$ 352,679
Cost Element 3-Reflects the 2021 Transfer to Plant	\$ (352,679) 12/1/2021
Cost Element 3-reflects the 2021 Transfer to Plant	\$ (352,679) 12/1/2021
Net Plant Asset Detail Total Project	\$ (352,679)

The GIS Mapping project was unitized to plant in service in December 2021. The Company provided a screenshot of costs being unitized in PowerPlan to the Completed Construction-Not Classified 106 account.

Review of Payroll, Invoices, Materials, and Overhead Support

	2019	2020	2021	Total	
Contractors	\$23,599	\$ 99,232	\$19,984	\$ 142,815	
Labor	\$ 8,168	\$ 47,252	\$ 932	\$ 56,352	
Materials	\$ -	\$ -	\$ -	\$ -	
Overheads	\$ 7,374	\$127,601	\$18,536	\$ 153,511	<b>43.5%</b>
AFUDC	\$ -	\$ -	\$ -	\$ -	
	<u>\$39,141</u>	<u>\$274,085</u>	<u>\$39,452</u>	<u>\$ 352,678</u>	

Invoices

Audit reviewed five Plainview Utility Services invoices that summed to \$66,631.50. The invoices were from January 2020 to May 3 2020 that were for GIS consulting and project management for gas mapping. Audit verified the hours worked and hourly rates were calculated correctly on the invoice.

Overheads

Audit sampled a March 2020 labor burden overhead transaction that was for \$21,772. Audit was provided and was able to verify the \$21,772 calculations. Audit understands that labor burdens are part of overhead and part of the overall cost of the project but 43.5% of the project cost consists of overheads. **Audit Issue #8**

Cost of Removal

The Company did not provide any cost of removal entries or specify why they were not done. **Audit Issue #8**

Retirements

The Company did not provide any retirement entries or specify why they were not done. **Audit Issue #8**

Bids and Project Documentation

The Company did not specify whether this project went out to a competitive bid other than they chose consultants that were very knowledgeable about the Companies GIS mapping system and had a familiarity in the past of working with the contractor. The Company wanted to go with a reliable vendor that knew the Company IT systems.

Business Case

This 2021 GIS system improvement project was to map 65,000 gas service lines in the GIS, from the original source documents. Prior to 2015 gas service lines were not mapped to the NH GIS system as a general rule by the Company. This project goal was to map the existing service lines from the non-graphical data in the Service Pipe Database. The Business Case indicates a program was written to create service lines in the GIS from relationships with services and mains, and service/centerlines. The service lines need to be accurately reflected in the new GIS taken from the existing data. The Business Case indicates the project is very important to having accurate service line data so that lines are not accidentally hit. The 2021

project was budgeted to cost \$300,000. The Business Case was signed/approved in January 2021 by the Project Manager up to \$25,000 Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

#### Capital Project Expenditure Form

Audit reviewed the January 2021 Capital Project Expenditure Form that authorized spending \$300,000. The project capital expenditure form was signed/approved in January 2021 by the Project Manager up to \$25,000 Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

#### Project Closeout

The Company provided the March 2021 GIS Mapping Project Closeout Report that indicated the budgeted amount of the project was reduced from \$300,000 to \$100,000. The Company provided a change order dated 4/30/2020 that increased the anticipated spending from \$100,000 to \$300,000 due to *“resources from Gas Field Operations and an Outside Consultant [which] have become available for us to utilize in collecting Gas Service Line source data and Mapping in GIS.”* The change order was for Project 8840-1972. The Company noted that *“Project 8840-2172 has been ongoing, and the 2020 spending was recorded under project 8840-1972. It used to be protocol to open a yearly project number every year, even if the project was a multi-year project.”* The change order for project 8840-1972 is associated with project 8840-2172.

The 2020 closeout indicates the project actually spent \$273,898. This is \$26,102 different than the original business case authorized spending. Based on a review of the actual project costs the Company spent \$352,679. This is (\$78,781) cost overrun compared to the project closeout and there were no additional change orders authorizing this increase in spending.

#### **Audit Issue #8**

#### **8843-2115 Keene Growth New Mains**

#### **Unitized in 2021 Main Growth 8843-2115 \$70,969**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll	\$ 12,622
Cost Element 2-Materials	\$ 6,865
Cost Element 4-Vouchers	\$ 44,506
Cost Element 6- Burden	\$ 6,300
Cost Element 9-AFUDC	\$ 676
Total of all costs for the job:	\$ 70,969
Cost Element 3-Reflects the 2021 Transfer to Plant	\$ (70,969) 8/29/2021

Cost Element 3-reflects the 2021 Transfer to Plant	\$ (70,969) 8/29/2021
Net Plant Asset Detail Total Project	\$ (169,750)

Audit reviewed \$70,969 in 2021 project costs only. The remaining \$98,781 in costs are costs from prior years. The entire Keene Growth Mains project was unitized to plant in service

on August 29, 2021. The Company debited the mains account 8843-2-0000-10-1615-3762 for \$169,750 and credited the Completed Construction-Non-Classified account 8843-2-0000-1615-1060 for the same amount.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	<b>2021</b>	<b>Total</b>	
Contractors	\$44,506	\$ 44,506	
Labor	\$12,622	\$ 12,622	
Materials	\$ 6,865	\$ 6,865	
Overheads	\$ 6,300	\$ 6,300	<b>9%</b>
AFUDC	\$ 676	\$ 676	
	<u>\$70,969</u>	<u>\$ 70,969</u>	

#### Invoices

Audit reviewed an October 2019 RH White Construction invoice that was for \$27,335. The invoice indicates charges for construction work installing main and using construction equipment such as backhoes, diggers, and dump trucks on Key St. in Keene. Audit verified the hours worked and hourly rates were calculated correctly.

Audit reviewed an August 2021 New England Traffic Control invoice that was for \$4,296. The invoice was for flagging service in Keene. Audit verified the hours worked and hourly rates on the invoice were calculated correctly.

Audit reviewed a July 2021 Badger Daylighting Corp. invoice that was for \$3,826.01. The charges on the invoice were for 12 hours of labor for the Badger Hydrovac Operator that is used in the trenching of gas main. The other charges consisted of supply water and fuel. Audit verified the hours worked and hourly rates were calculated correctly.

#### Materials

Audit reviewed a July 28, 2021 Filter Screen Gasket that per the GL inventory transaction report indicates the Company used 50 of them for a total \$908.50 of inventory costs that were booked to the 376 account.

#### Payroll

Audit reviewed an August 2021 \$1,643.01 sample payroll entry for the installation of main on Key St in Keene that was charged to Operations Engineering. Audit verified the hourly rates and the hours worked on the payroll report.

#### Bids and Project Documentation

This is an annual blanket project and the Company notified 7 vendors and awarded a contract to four vendors. The selection criteria were based on pricing, quality of work, safety record, and past record of performance working with the gas operations group. The four vendors were part of a contract that covered April 1, 2020 through March 31, 2024.

Cost of Removal

The Company did not provide any cost of removal entries for this project or specify why they were not conducted. **Audit Issue #8**

Retirements

The Company did not provide any retirement entries or specify why they were not done. **Audit Issue #8**

Business Case

The Company did not provide a Business Case for this project because projects below \$100,000 do not require a Business Case.

Capital Project Expenditure Form

The February 2021 Capital Project Expenditure Form was a growth project for the installation of new mains that allowed the connection of new residential, commercial, and industrial customers. The project indicates that each job is reviewed to ensure the cost incurred meets the Company's required rate of return. The Capital Project Expenditure Form authorized spending up to \$100,000. The CEF was signed/approved in February 2021 by the Project Manager up to \$25,000, Gas Operations Manager up to \$50,000, and Gas Operations Director up to \$250,000.

Project Closeout

Audit reviewed the March 2022 Project Closeout Report that indicted the Company actually spent \$67,951 on project costs. This was (\$32,049) cost under run compared to the budgeted project amount. Based on a review of the actual project to Audit the Company spent \$70,969. This is a \$3,018 difference. **Audit Issue #8**

The project closeout was signed/approved in March 2022 by the Project Manager and Gas Operations Manager.

**8840-1933 Tilton Control Panel Replacement****Unitized in 2021 8840-1933 Tilton LNG SCADA Control Panel Replacement \$294,705**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll	\$ 11,240
Cost Element 4-Vouchers	\$ 176,658
Cost Element 6- Burden	<u>\$ 106,807</u>
Total of all costs for the job:	\$ 294,705
Cost Element 3-Reflects the 2021 Transfer to Plant	\$ (294,705) 12/1/2020
Cost Element 3-reflects the 2021 Transfer to Plant	\$ (294,705) 12/1/2020
Net Plant Asset Detail Total Project	\$ (294,705)

The Company spent \$106,807 out of \$294,705 on burden costs or 36.2% on overhead costs. This is a large number of overhead charges. The project was reviewed as part of a 2021

addition sample, but the charges were unitized to plant in service in December 2020. The Company provided a PowerPlan screenshot that indicates the Tilton Control panel was unitized to the 106 Completed Construction-Non-Classified account and the 364-plant account.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	<b>2019</b>	<b>2020</b>	<b>Total</b>	
Contractors	\$ 116,299	\$ 60,360	\$ 176,659	
Labor	\$ 10,897	\$ 342	\$ 11,239	
Materials	\$ -	\$ -	\$ -	
Overheads	\$ 42,554	\$ 64,253	\$ 106,807	<b>36.2%</b>
AFUDC			\$ -	
	<b>\$ 169,750</b>	<b>\$ 124,955</b>	<b>\$ 294,705</b>	

#### Invoices

Audit reviewed four Accurate Instrument Service invoices that summed to \$117,045. The invoices were from December 2019 to April 2020 that was for the Tilton LNG PLC control panel replacement, discovery work, PLC-HMI programming, and retrofitting the manual control panel. Audit verified the hours worked and hourly rates on the invoices were calculated correctly.

#### Payroll

Audit sampled an October 2019 \$1,387.52 and November 2019 \$1,734.40 Tilton PLC panel installation costs. Audit reviewed the hours worked and hourly rates were charged correctly to the payroll report.

#### Overheads

Audit reviewed a December 2019 \$15,202 Management Burden calculations and was able to verify they were calculated correctly. The project indicates the entire cost is 36.2% in overhead charges which should be lower for a capital project. **Audit Issue #8**

#### Retirements

The Company did not provide any retirement entries or specify why they were not done. **Audit Issue #8**

#### Cost of Removal

The Company provided \$3,163 in Tilton CNG PLC-LCP Cost of Removal entries that were booked in August, September, and December 2021. The Company debited the 8840-2-0000-10-1655-1084 Accumulated Depreciation for \$3,163 and credited CWIP account 8840-2-0000-10-1618-1070 for the same amount.

#### Bids and Project Documentation

The Company provided a contract award summary for Accurate Instrument Services that indicated the contract was for \$100,000. The contract award indicates the contract was not put

out to bid. The scope of work was to replace the PLC Control Panel Hardware at the Tilton LNG facility. The Company should have considered going out to bid for the project. **Audit Issue #8**

#### Business Case

The Company did not provide a Business Case for the project, because on the 2020 Capital Expenditure form, the requested Safety project does not require a Business Case.

#### Capital Project Expenditure Form

Audit reviewed the April 2020 Tilton LNG SCADA control panel replacement Capital Project Expenditure Form for the existing AB SLC 5/03 PLC. The replacement was done for safety purposes as the old panel had reached the end of its useful life. The project was authorized to spend up to \$150,000. The April 2020 Project Expenditure Form was signed/approved by the Project Manager up to \$25,000 and the Gas Operations Director up to \$250,000.

#### Change Order Form

Audit reviewed an April 2020 Change Order Form that increased spending from \$150,000 to \$210,000. This was an increase of \$60,000. The April 2020 Change Order Form was signed/approved by the Project Manager up to \$25,000 and the Gas Operations Director up to \$250,000.

#### Project Closeout

Audit reviewed a March 2021 project closeout report that indicated the budgeted costs were zero the actual project spending was \$124,956. Based on a review by Audit the Company spent \$294,705. This is a \$169,749 difference compared to the actual costs Audit reviewed.

#### **Audit Issue #8**

#### **8843-2108 Main Replacement City/State Construction** **Unitized in 2021 8843-2108 Main Replacement \$205,229**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll	\$ 1,916
Cost Element 2-Materials	\$ 10,761
Cost Element 4-Vouchers	\$ 163,159
Cost Element 6- Burden	\$ 25,552
Cost Element 9-AFUDC	\$ 3,841
Total of all costs for the job:	\$ 205,229
Cost Element 3-Reflects the 2021 Transfer to Plant	\$ (205,229) 12/1/2021

Cost Element 3-reflects the 2021 Transfer to Plant	\$ (205,229) 12/1/2021
Net Plant Asset Detail Total Project	\$ (205,229)

The Company originally did not provide the journal entries for when the project was unitized to plant in service. The Company provided the CWIP entries only. In response to the Draft version of this report, the Company provided the detailed listing of 2021 transfers out of



the 107 CWIP account and into the 106 Completed Construction Not-classified, fully completed by August 29, 2021.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	2019	2020	Total	
Contractors	\$ 114,110	\$49,049	\$ 163,159	
Labor	\$ -	\$ 1,916	\$ 1,916	
Materials	\$ 6,184	\$ 4,578	\$ 10,762	
Overheads	\$ 10	\$25,542	\$ 25,552	12.5%
AFUDC	\$ 92	\$ 3,748	\$ 3,840	
	\$ 120,396	\$84,833	\$ 205,229	

#### Invoices

Audit reviewed a November 2020 Henniker Directional Drilling, LLC invoice that was for \$16,500. The invoices indicate the costs were for horizontal directional drilling installation of an 8" customer supplied pipe a distance of 220 feet. Audit verified the hours worked and hourly rates on the invoice were calculated correctly.

Audit reviewed two March 2021 RH White Construction invoices that summed to \$124,351 that was part of the main installation and movement/relocation of utilities as part of the annual blanket city/state project. Audit verified the hours worked and hourly rates on the invoices were calculated correctly.

#### AFUDC

Audit reviewed a \$6.17 AFUDC sample transaction for a city/state project for the replacement of main on Jennison St. in Keene. The Company provided the Great Plains journal entries that were part of a larger \$309.38 entry. The Company debited the e 1618-1070 CWIP account for \$309.38 and credited the Keene 8550-4320 AFUDC-Borrowed for \$101.31 as well as the 4700-4191 AFUDC account. Audit verified the AFUDC rates were in compliance with Commission Order #26,122 that approved the DG 17-048 rate case.

#### Retirements

The Company did not provide any retirement entries to Audit that were requested for this project. **Audit Issue #8**

#### Cost of Removal

The Company provided \$71,092 main cost of removal that were done in May 2021. The Company debited the 8840-2-0000-10-1655-1084 Accumulated Depreciation Cost of Removal for \$71,092 and crediting the CWIP account 8840-2-0000-10-1655-1070 for the same amount.

#### Bids and Project Documentation

This is an annual blanket project and the Company notified 7 vendors and awarded a contract to four vendors. The selection criteria were based on pricing, quality of work, safety record, and past record of performance working with the gas operations group. The four vendors were part of a contract that covered April 1, 2020 through March 31, 2024.

Business Case

The Company did not provide a Business Case for this project, but this is an annual blanket mandatory project related to state/municipal ongoing construction projects that threaten the integrity of the Company's natural gas facilities in Keene. **Audit Issue #8**

Capital Project Expenditure Form

Audit reviewed the March 2021 Capital Project Expenditure Form that authorized spending up to \$300,000. The project expenditure form was signed/approved by the Project Manager up to \$25,000, Gas Operations Manager up to \$50,000, the Gas Operations Director up to \$250,000, the VP of Gas Operations up to \$500,00, and the State President up to \$500,000.

Project Closeout

Audit reviewed the March 2022 Project Closeout Report that indicated the project was budgeted for \$300,000 and the actual cost is \$82,387. This is a cost under run of \$217,613. The project closeout was signed/approved by the Project Manager up to \$25,000 and the Gas Operations Manager up to \$250,000. Based on a review by Audit the actual project costs were \$205,229. This is a \$122,842 difference. **Audit Issue #8**

2022 Projects8840-2141 FLIR Cameras-Security Nashua-ManchesterUnitized in 2022 8840-2141 FLIR Security Camera \$792,892

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Payroll	\$ 16,411
Cost Element 2-Materials	\$ 1,341
Cost Element 4-Vouchers	\$ 590,896
Cost Element 6- Burden	<u>\$ 181,601</u>

Total of all costs for the job: \$ 790,250

Cost Element 3-Reflects the 2022 Transfer to Plant \$ (790,250) 5/1/2022

Cost Element 3-reflects the 2022 Transfer to Plant \$ (790,250) 5/1/2022

Net Plant Asset Detail Total Project \$ (790,250)

The project was unitized to plant for \$790,250 in May 2022 per a PowerPlan screenshot to the 106 Completed Construction-Non-Classified account and the 398-plant account. The closeout provided by ENG indicates the project was unitized to plant in service for \$792,892. This is a \$2,642 difference.

Review of Payroll, Invoices, Materials, and Overhead Support

	2022	Total	
Contractors	\$590,897	\$ 590,897	
Labor	\$ 16,411	\$ 16,411	
Materials	\$ 1,341	\$ 1,341	
Overheads	\$181,601	\$ 181,601	23.0%
AFUDC	\$ -	\$ -	
	\$790,250	\$ 790,250	

Invoices

Audit reviewed a January and September 2022 Allied Universal invoices. The January 2022 invoice was for \$377,145.45. The costs on the invoice consisted of the thermal HD cameras, wall mounts, pole adapters, sensors, surge protectors, control software, camera controllers, and assembly. The September 2022 invoice was for \$213,720.36. The charges consisted of lift rental, electrical materials, electrical contractors, installation, permits, engineering, CAD, and project management. Audit verified the hours worked and hourly rates charged on the invoices were calculated correctly.

Payroll

Audit reviewed a May 2022 \$1,519.36 payroll transaction for the installation of FLIR Thermal Infrared Cameras. Audit verified the hours worked and hourly rates on the payroll reports were calculated correctly.

Retirements

The Company did not provide any retirement entries or specify why they were not done. **Audit Issue #8**

Cost of Removal

The Company did not provide any cost of removal entries or specify why they were not done. **Audit Issue #8**

Bids and Project Documentation

The Company indicated the FLIR Security Cameras are part of a master service contract that was bid by the Company corporate headquarters in Canada. The Company indicated the suppliers were required to meet specific security requirements that are issued by the US Department of Homeland Security. The Company indicated the winning bidder was Allied Universal (previously Surveillance Specialties) that met the security requirements required by the Company.

Business Case

The Company did not provide a Business Case for this project, as it is a Safety project, and thus does not require a Business Case.

Capital Project Expenditure Form

Audit reviewed a December 2021 Capital Project Expenditure Form that was to install FLIR Thermal imaging cameras to replace the shaker fence system used for the gas production yards to protect against break ins. The cameras were needed for safety because the gas plants had previously used an antiquated security system for the fence that is expensive to repair and is often unreliable. The cameras were to be installed in Nashua. The CEF authorized spending of \$400,000. The CEF was signed/approved by the Project Manager up to \$25,000, Gas Operations Manager up to \$50,000, Director of Gas Operations up to \$250,000, the VP of Gas Operations up to \$500,000, and the State President up to \$500,000.

Change Order Form

Audit reviewed a March 2022 Change Order Form that increased the authorized amount from \$400,000 to \$920,000. This is an increase of \$520,000 that was the result of scheduling issues that caused all project costs to be incurred in 2022 when the Company had anticipated completing the project in 2021. The Change Order was signed by the Gas Operations Manager up to \$50,000, Gas Operations Director up to \$250,000, VP of Gas Operations up to \$500,000, State President up to \$500,000, and Regional President up to \$3,000,000.

Project Closeout

Audit reviewed a September 2023 Project Closeout Report that indicated the project was budgeted to cost \$400,000 and actual project cost is \$792,896. This is a (\$392,896) cost overrun. The closeout does not give a specific reason for the cost overrun but the Company did indicate the cost over runs were related to project scheduling delays. Based on the project costs reviewed by Audit the actual costs were \$790,250. This is a \$2,646 difference. **Audit Issue #8**

**8840-2290 Transportation Fleet and Equipment Purchases**  
**Unitized in 2022 8840-2290 Transportation \$1,992,979**

Great Plains

Audit was provided with the Plant asset system summary of expenses:

Cost Element 4-Vouchers	\$ 719,912
Cost Element 6- Burden	\$ 227,623
Total of all costs for the job:	\$ 947,534
Cost Element 3-Reflects the 2022 Transfer to Plant	\$ (947,534) Assets booked in 12/22
Net Plant Asset Detail Total Project	\$ (947,534)

The Company provided PowerPlan screenshots that indicates the Great Plains fleet transportation costs were unitized to plant in service on December 1, 2022 to the 106 Completed Construction Non-Classified account and the 392.1 Transportation account.

Review of Payroll, Invoices, Materials, and Overhead Support

	<b>2022</b>	<b>Total</b>	
Contractors	\$ 719,911	\$719,911	
Overheads	\$ 227,623	\$227,623	<b>24.0%</b>
	<u>\$ 947,534</u>	<u><b>\$947,534</b></u>	

Invoices

Audit reviewed a September 2021 LDV Inc invoice that was for \$152,779 for a 2020 Freightliner MT355 mobile command center. Audit verified the invoice was calculated correctly. Audit reviewed an October 2021 Southworth Milton Cat invoice that was for the purchase of Caterpillar tilt buckets and attachments for the utility vehicles. Audit verified the costs on the invoice were calculated correctly.

Audit reviewed a December 2021 York Ford invoice that was for the purchase of a 2021 Ford F-250. Audit verified the costs on the invoice were calculated correctly. Audit reviewed a June 2021 Midway Ford Truck Center invoice that was for \$40,924 for the purchase of a Ford F-150. Audit verified the costs on the invoice were calculated correctly.

SAP

Vouchers	\$ 411,470
Burden	\$ 248,489
Fleet Maintenance	\$ 10,022
SAP Conversion Services	<u>\$ 375,337</u>
Total of all costs for the job:	<u>\$1,045,318</u>

The Company provided October-December 2022 SAP charge detail that summed to \$1,045,445. The two projects together were unitized to plant in service for \$1,992,979. The Company provided PowerPlan screenshots that indicates the Great Plains fleet transportation costs were unitized to plant in service on December 1, 2022 to the 106 Completed Construction Non-Classified account and the 392.1 Transportation account. The Company for the SAP portion only unitized \$1,033,046 which is \$12,272 less than the \$1,045,318 included on the SAP charge detail. **Audit Issue #8**

Review of Payroll, Invoices, Materials, and Overhead Support

	<b>2022</b>	<b>Total</b>	
Contractors	\$ 411,470	\$ 411,470	
SAP Conversion Services	\$ 375,337	\$ 375,337	
Fleet Maintenance	\$ 10,022	\$ 10,022	
Overheads	\$ 248,489	\$ 248,489	<b>23.8%</b>
AFUDC	\$ -	\$ -	
	<u>\$ 1,045,318</u>	<u><b>\$1,045,318</b></u>	

The Company spent \$10,022 on purchase card fleet, permitting, and inspection costs that was included in the \$1,045,318 SAP charge detail. It is not possible to verify what specific charges should be capitalized or expensed based on what was included in the SAP charge detail.

**Audit Issue #8**

#### Invoices

Audit reviewed a September 2022 Lebanon Ford invoice for \$39,921. The Company purchased a 2022 Ford Ranger that was purchased with cash. Audit verified the invoice was calculated correctly. Audit reviewed a November 2022 Autofair Ford invoice for \$36,175. The Company purchased a 2022 Ford Escape for the Manchester Gas plant. Audit verified the costs on the invoice were calculated correctly. Audit reviewed a November 2022 Ford of Londonderry \$71,774 invoice that was for the purchase of a Ford F-250 Super Duty. Audit verified the cost on the invoice were calculated correctly.

#### Retirements

The Company did not provide any retirement entries or specify why they were not done.

**Audit Issue #8**

#### Cost of Removal

The Company did not provide any cost of removal entries or specify why they were not done.

**Audit Issue #8**

#### Bids and Project Documentation

The Company indicated they retire/replace vehicles based on section 4.3.4 of the fleet policy. The fleet policy indicates the Company must replace vehicles using the life cycle asset management that are the most conducive to the Company's operations and requirements. The fleet policy indicates the Company generally purchases Ford or Toyota work trucks.

#### Business Case

Audit reviewed a December 2021 Business Case that is an annual blanket project for the annual purchase of vehicle fleet. The annual project is so the Company is able fund the replacement of work trucks that are at the end of their useful lives and need to be replaced. The Business Case budgeted \$800,000 for the fleet replacement. The fleet replacement was to take place during calendar year 2022. The Business Case was signed/approved by the Gas Operations Director up to \$250,000, VP of Gas Operations up to \$500,000, State President up to \$500,000, and the Regional President up to \$3,000,000.

#### Capital Project Expenditure Form

The December 2021 Capital Project Expenditure Form authorized up to \$800,000 in spending. The CEF was authorized/signed in December 2021 by the Gas Operations Director up to \$250,000, VP of Gas Operations up to \$500,000, State President up to \$500,000, and the Regional President up to \$3,000,000.

Change Order Form

Audit reviewed a September 2022 Change Order Form that increased spending from \$800,000 to \$1.3 million. This is an increase of \$500,000 in capital spending. The reason for the increase was the Company needed to replace more vehicles than anticipated to serve customers efficiently. The Company also indicated getting replacement parts for the vehicles was difficult. The change order was signed/approved in September 2022 by the Fleet Manager up to \$100,000, Director of Gas Operations up to \$250,000, VP of Gas Operations up to \$500,000, and State President up to \$2 million.

Project Closeout

Audit reviewed the April 2023 Project Closeout that indicated the final actual amount spent on the project was \$1,181,023. The closeout indicates the Company purchased more vehicles than usual because of the timeline of getting vehicles as well as the difficulty of getting parts for the work vehicles. Based on a review of the project by Audit the Company actually spent \$1,992,979. This is an \$811,956 difference. **Audit Issue #8**

The closeout report was signed/approved by the Gas Operations Manager and Director.

**8843-2190 Transportation and Fleet Purchases****Unitized in 2022 Transportation/Fleet \$203,834**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 4-Vouchers	\$ 203,834
Total of all costs for the job:	<u>\$ 203,834</u>
Cost Element 3-Reflects the 2022 Transfer to Plant	\$ (203,834) 12/1/2021

The Keene purchase of vehicles was unitized to plant in service on December 1, 2021 per the PowerPlan screenshot to the 106 Completed Construction-Non-Classified account and the 392.1 Transportation account for \$203,834. The project was reviewed by Audit as part of a 2022 project. The charge detail provided by the Company indicates there were \$16,550 in costs that were for additional equipment for a Ford F-350.

Review of Payroll, Invoices, Materials, and Overhead Support

	<u>2021</u>	<u>2022</u>	<u>Total</u>	
Contractors	\$187,284	\$16,550	\$ 203,834	
Overheads	\$ -	\$ -	\$ -	<b>0.00%</b>
	<u>\$187,284</u>	<u>\$16,550</u>	<u>\$ 203,834</u>	

Invoices

Audit reviewed a \$17,0290.30 Liberty Utilities Check Payment from August 2021 for the purchase of a BH Trailers and Plows for Keene. Audit reviewed a \$62,103 Liberty Utilities check payments from November 2021 made to Hillsboro Ford for the purchase of a 2021 Ford F-350 for Keene.

Retirements

The Company did not provide any retirement entries or specify why they were not done.

**Audit Issue #8**Cost of Removal

The Company did not provide any cost of removal entries or specify why they were not done. **Audit Issue #8**

Bids and Project Documentation

The Company indicated they retire/replace vehicles based on section 4.3.4 of the fleet policy. The fleet policy indicates the Company must replace vehicles using the life cycle asset management that are the most conducive to the Company's operations and requirements. The fleet policy indicates the Company generally purchases Ford or Toyota work trucks.

Business Case

Audit reviewed an August 2021 Keene Transportation Fleet Business Case that is a blanket project for the annual purchase of new fleet vehicles. The Business Case authorized spending up to \$250,000 for the Keene fleet replacement. The fleet purchases per the Business Case were to be September 1-December 31, 2021. The Business Case was signed/approved in August 2021 by the Project Manager up to \$25,000, Director of Gas Operations up to \$250,000, and the VP of Gas Operations up to \$500,000.

Capital Project Expenditure Form

The Capital Project Expenditure Form authorized up to \$250,000 in capital spending for fleet replacement. The CEF was authorized/signed by the Director of Gas Operations up to \$250,000 and the VP of Gas Operations up to \$500,000.

Project Closeout

The Closeout indicates the budgeted cost was \$250,000 and the actual amount spent was \$187,284. This is a cost under run of \$62,716 that was related to COVID supply chain delays in getting vehicles that will not be available until late 2022. The closeout was signed/approved by the Gas Operations Manager and Director. The actual amount booked to plant in service was \$203,834. This is a \$16,550 difference. **Audit Issue #8**

**8843-2125 Keene Propane Air Refurbishment****Unitized in 2022 8843-2125 Keene Propane Air Refurbishment \$68,306**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 1-Labor	\$ 552
Cost Element 4-Vouchers	\$ 63,572
Cost Element 6 Overheads	\$ 4,149
Total of all costs for the job:	<u>\$ 68,273</u>
Cost Element 3-Reflects the 2022 Transfer to Plant	\$ (68,273) 12/1/2022
Net Plant Asset Detail Total Project	\$(125,448)



Based on the plant in service detail reviewed by Audit the project was unitized for \$68,273 rather than \$68,306. This is a \$33 immaterial difference. Audit reviewed project costs that were unitized to plant in service in 2022 only. The remaining \$57,175 costs were unitized to plant in other years. The Company provided a PowerPlan screenshot showing the project was placed into service in December 2022 for \$68,273, booked to the 106 Completed Construction Non-Classified account and the 311.02 Propane Vaporizer account.

#### Review of Payroll, Invoices, Materials, and Overhead Support

	<u>2022</u>	<u>Total</u>	
Contractors	\$63,572	\$63,572	
Labor	\$ 552	\$ 552	
Materials	\$ -	\$ -	
Overheads	\$ 4,149	\$ 4,149	6.1%
	<u>\$68,273</u>	<u>\$68,273</u>	

#### Invoices

Audit reviewed two February and April 2022 Gary Jackson invoices that summed to \$37,257. The work performed, per the invoices, was for the removal and replacement of the boiler located at 207 Emerald St. in Keene and install a new one Weil Mclain LGB7S boiler. The original boiler was installed in the 1960s. The new boiler is bigger than the original one, so this required disassembly and retrofitting of the existing area to assemble the new boiler. Audit verified the hours worked and hourly rates on the invoices were calculated correctly.

Audit reviewed a January 2022 Industrial Steel and Boiler Services, Inc invoice that was for \$25,641. The costs on the invoice were for the purchase and installation of a Heat Exchanger Tube. Audit verified the costs and hourly labor rates charged on the invoice were calculated correctly.

#### Retirements

The Company did not provide any retirement entries or specify why they were not done.  
**Audit Issue #8**

#### Cost of Removal

The Company did not provide any cost of removal entries or specify why they were not done. **Audit Issue #8**

#### Bids and Project Documentation

The Company indicated they received two bids and selected the lowest priced bidder.

#### Business Case

Audit reviewed a May 2021 Business Case that was to install Keene plant operational safety items and replace aging plant components from the 1960s with modern equipment. The specific parts replaced included a new RTU Controller, Alcohol injection system, Gravimeter,

steam boiler, and vaporizer rebuild. The Business Case authorized spending \$650,000 in 2021. The Business Case was signed/authorized by the Project Manager up to \$25,000, Keene Plant Manager up to \$50,000, Director of Gas Operations up to \$250,000, VP of Gas Operations up to \$500,000, State President up to \$500,000 and the Regional President up to \$3 million.

#### Capital Project Expenditure Form

Audit reviewed the May 2021 Capital Project Expenditure Form that authorized spending up to \$650,000 in 2021. The CEF was signed/authorized by the Project Manager up to \$25,000, Keene Plant Manager up to \$50,000, Director of Gas Operations up to \$250,000, VP of Gas Operations up to \$500,000, State President up to \$500,000 and the Regional President up to \$3 million.

#### Change Order Form

Audit reviewed a July 2022 Change Order Form that increased spending by \$115,000 to \$765,000. The project was originally supposed to be completed in 2021 but was not started until 2022 because of supply chain issues in getting parts and the RTU Controller installation was more complicated than anticipated.

#### Project Closeout

The Company did not provide a project closeout for this project. When questioned, the Company indicated that the entire project was not completed as of 12/31/2022. **Audit Issue #8**

#### **8840-2299 Customer First SAP-ERP/EAM**

#### **Unitized in 2022 8840-2299 Customer First SAP \$30,376,040**

Audit was provided with the Plant asset system summary of expenses:

Cost Element 4-Vouchers	<u>\$ 30,376,040</u>
Cost Element 3-Reflects the 2022 Transfer to Plant	\$(30,376,040) 12/1/2022
Net Plant Asset Detail Total Project	\$(30,376,040)

The Company provided a December 2022 Liberty utilities Canada invoice that was for \$30,376,696. The \$30,376,040 cost allocations are summarized below.

Implementation	\$15,067,104
Labor	\$5,353,091
Contractors	\$2,965,635
Vendors	\$2,779,886
Software	\$2,769,234
Facilities/Other	\$129,307
AFUDC	<u>\$1,311,784</u>
Total	30,376,040

The Company indicated the final Customer First SAP project costs for ENG will not be known until the end of Quarter 1, 2024 when SAP is rolled out across the remainder of the utilities that are part of Liberty Utilities. The Company indicated the project costs at the

corporate level sit in the CWIP account. The Company indicated ENG has been allocated 7.2% of the total project costs. SAP was implemented in October 2022. Audit reviewed all the invoices that were over \$100,000 that represent costs for the entire project across all the Liberty Utilities footprint through June 2023. The Company indicated ENG would be allocated \$1,388,889 in costs based on the sample reviewed.

#### Invoices

<b>Date</b>	<b>Vendor</b>	<b># Invoices</b>	<b>Amount</b>
Mar-20	PowerPlan	1	\$ 3,549,008
Dec 19, Feb 21, and May 22	SAP Canada	3	\$ 7,401,778
Apr-17	Vertex Canada	1	\$ 6,666,000
Aug. 2020, May-Aug 21, and May-Aug 2022	IBM Credit LLC	15	\$ 73,625,433
<b>Total</b>		<b>20</b>	<b>\$ 91,242,219</b>

Audit requested all invoices over \$100,000 for the entire project that were billed to Liberty Utilities Canada. Audit reviewed a total of 20 invoices that summed to \$91,242,219.

Audit reviewed one PowerPlan invoice for \$3,549,008 that is for the new Plant Asset Management Software that is replacing the legacy Wennsoft Plant Asset Management System. The invoice contains the costs for licensing and maintenance fees. The PowerPlan invoice indicates support for the following functions Powertax, PP Charge Repository, PP PowerTax Depreciation, PP Project Accounting, PP Project Unitization, PP Project Cost Fees, PP Lessee Accounting, and PP Asset Accounting.

Audit reviewed an April 2017 Vertex Data LLP invoice that was for \$6,666,000 that was for a deposit to facilitate the purchase of SAP licenses. The invoices contained SAP ERP licenses and SAP Business Objects licenses charges. The Company indicated that the vendor has a history of working with utilities and were willing to share risk as an implementation partner. Vertex was also selected to develop analytic tools that the Company needs for customers, regulatory bodies, investors, and other stakeholders.

Audit reviewed three SAP Canada invoices that summed to \$3,549,008 that was for SAP software charges that is the new Companywide Enterprise Resource Planning (ERP) and Enterprise Asset Management System (EAP).

Audit reviewed 15 IBM Corporation invoices that summed to \$73,625,433. IBM was the contractor chosen for the implementation of the SAP project. The invoices were for programming, testing, and implementation of the SAP, Customer First, and Plant Asset Management software products.

Labor

Audit reviewed \$7,358,475 in May-December 2022 Customer First Foundations labor/payroll Workbook Structures (WBS) labor allocation entries for the Oakville Canada Head Office.

Bids and Project Documentation

This a Corporate project that is a Companywide ERP system that the Company indicated consisted of three vendors. The winning bidder was IBM based on the RFP/RFQ scoring criteria used by the Company.

Business Case

This a Corporatewide IT project that is run/managed by the Oakville. Audit reviewed DE 23-039 Confidential Attachment DOE 2-13 that is s May 11, 2017 Board Meeting Project Summary for the need for an Enterprise Resource Management Project. The document indicates the Company has been working on planning the project since 2015. The reason for the need for a Companywide Enterprise Resource Management (ERP), Enterprise Asset Management (EAM), and Customer Information System (CIS) is the Company has experienced rapid growth with utilities on different systems that are not integrated with one another. This results in a lot of manual processes and inefficiencies as there are many functional limitations. The new ERP system also allows the Company to make more informed decisions and allows for more efficient processes. The document indicates Vertex Data LLP was selected to implement the SAP project and the Company has a 10-year contract with them. The Company budgeted \$180 million for the project.

Retirements

The Company provided a March 2023 (\$8,952,231) legacy assets retirements now that the Company uses SAP. The Company debited the Accumulated Depreciation Plant in Service account 155010-11111000-10168 for \$8,952,231 and credited the Plant in Service account 150010-11101000-10168 for the same amount. The retired assets consist of legacy Wennsoft plant asset management software, the Cogsdale Biling System, the legacy GIS system, NH Gas Training Software, Leak Survey Management Software, the legacy Job Scheduler System, Great Plains, and the Gas Port System Management Software. Audit asked the Company if there were any remaining legacy amortization charges to be recovered and the Company never directly answered the question. The Company should make any adjustments regarding the amortization of legacy software on the filing schedules. **Audit Issue #9**

Cost of Removal

The Company did not provide any cost of removal entries for legacy software but did indicate that the entire project across the Liberty Utitliiteis footprint will be rolled out by the end of 2023 and by the end of Q1, 2024 the Company will then reevaluate any additional costs that will need further adjustments.

Capital Leases

The Company indicated to Audit that they did not have any capital leases. The Great Plains GL account 8840-2-0000-10-1616-1012, Right-of-use, began the year with a balance of

\$1,413,825.16. There were credit entries done quarterly in March 2022, June 2022, and September 2022 that summed to (\$300,131.75), bringing the balance down to \$1,113,693.41. Audit verified that balance was rolled to SAP account 1508101110100010168 Legacy Capital Lease, which had a quarterly December 2022 credit entry of (\$98,030), ending the test year with a \$1,015,663 account ending balance.

The Company indicated this account is for operating leases that consist of four properties. The balance sheet asset operating lease entries are offset to accounts 8840-2-0000-20-2750-2431 Lease Liability-Short Term and 8840-2-0000-20-2960-2271 Lease Liability-Long Term. Refer to the Liabilities portion of this report. The actual payment of the leases is discussed in detail in the Leases section of this report.

### **Accounting Dates and Postings- In Service vs. Closed to Plant Projects Prior to October 1, 2022 Conversion to SAP**

Projects are comprised of anywhere from one to several hundred specific jobs. As each Job is completed and “in-service”, details 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 (8843 Keene) ENG 8840-2-0000-10-1618-1070 account into Completed Construction not Classified, (8843 Keene) ENG 8840-2-0000-10-1615-1060 account at month end, then reverses on the first of the following month. Prior to the system conversion to SAP in October 2022 system limitations did not allow late vouchers, etc. to post to the 1060 account, so jobs had to be transferred back to the 1070 account. NH DOE Audit and Staff and Liberty have discussed this problem extensively and understand that the IT system in place required 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. However, Audit noted inclusion of all other overheads/burdens continued to be booked in 2020-2022 to other Projects reviewed. The burdens are calculated on actual vouchers or payroll only, incurred in one month, not on accruals and not on burdens booked in that same month. The burdens are then posted across the CWIP jobs the following month.

Details 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.

### **ENG Plant Held for Future Use**

The Annual Report account 105 reflects a total of \$852,305 and filing schedule RR-EN-3-5 line 59. Audit verified that total to:

1500101110500010168 Plant Held for Future Use	\$433,920.3ENG
1500101110500010169 Plant Held for Future Use	<u>\$418,384.21</u> Keene
Total GL	\$852,304.56

There was not any account activity in 2022 or since the most recent DG 20-105 rate case.

### **ENG Non-operating Plant**

The 2022 Annual Report shows account 121 – Non-utility Property in the amount \$146,949 which was verified to the following general ledger accounts and to the filing schedule RR-EN-3-5, lines 57 and 58. Audit verified the charges were excluded from rate base.

1505301112100010168-Land Retained (Broken Ridge Road and Sewall Falls Rd)	13,665
1505001112200010168 OPI Structures (Gas Street, Concord)	<u>\$133,284</u>
Total Non-Operating Property	\$146,949

### **Construction Work in Progress**

For ENG, the \$13,240,607 December 31, 2022 test-year ending balance for CWIP totaled per the filing schedule 1604.01(a)(1)(a) Balance Sheet. The combined total shown on the 2022 NHPUC annual report is the ENG and Keene Division combined total of \$13,240,607. This amount was verified to 188 ENG/KN 1501X0111070001016X SAP Regulatory general ledger accounts.

### **Allowance for Funds Used During Construction (AFUDC) ENG**

The AFUDC charges were verified to the 2022 Annual Report and filing schedule 1604.01(a)(1)(a)PL. A review of individual equity/debt portions was done in individual projects reviewed.

Audit reviewed the ENG balances for the accounts:

562011143200010168, ENG AFUDC – Debt Portion	\$(86,090)
562011143200010169, KNG AFUDC – Debt Portion	\$(4,896)
470401141910010168, ENG AFUDC-Equity Portion	\$(197,746)
470401141910010169, KN AFUDC-Equity Portion	<u>\$(11,158)</u>
	\$(299,890)

### **Customer Advances for Construction**

The Energy North general ledger, Filing Schedule 1604.01 BS, and the annual report show a \$900 balance as of December 31, 2022. The SAP account 2901001125200010168 also agrees with the \$900 debit balance. Keene does not have an account for Customer Advances for Construction. The Company indicated there were no refundable contributions to capital jobs in 2022. The nonrefundable contributions are applied directly to construction projects to offset plant in service. A journal entry was done in September 2022 to correctly reclassify \$900 from work order 8840-862449 (107 CWIP) to 8840-833170 (107 CWIP) but one side of the entry was inadvertently debited account 252 instead of 107 in error. The Company provided the correcting entry that will be processed as part of the January 2024 month-end close by debiting the 505000-

11107000-10168 CWIP account for \$900 and crediting the 290100-11252000-10168 LT-AIAC account for the same amount. **Audit Issue #10**

### Capital Project Authorization Policy

Audit reviewed the Company capital and expense policy most recently revised in July 2022. Purchase Order and Invoice Authorization limits were requested and provided:

<b>Level</b>	<b>Value</b>
CEO	Over 7.5 Million
Executive VP	\$ 7,500,000
Senior VP	\$ 3,500,000
Regional President (LU)	\$ 3,000,000
State President, GM & VP (LU)	\$ 2,000,000
Vice President	\$ 1,000,000
Senior Director	\$ 500,000
Director	\$ 300,000
Senior Manager	\$ 200,000
Manager	\$ 100,000
Supervisor	\$ 10,000
Staff	TBD

Any commitment of funds more than \$100,000 for growth, supported, unplanned, and discretionary projects noted within the Policies and Procedures for Capital Expenditures are requirements for the following documentation:

- Business Case detailing the need, justification, and overall cost estimate for the project;
- Capital Expenditure Summary outlining the project costs;
- Spending Schedule which tracks expenses as the project progresses;
- Over-spending Request form for any overspend in excess of 10% of initial cost.
- Project Closeout detailing the final project cost details and lessons learned from the project.

### Capital Overheads

The Company provided the 2020-2022 capitalized overhead budget calculations for the year that were used to calculate the capitalized overhead rate. The Company provided a CWIP spreadsheet that indicates the capitalized overhead costs include rent, IT, software depreciation, legal, back office, payroll taxes, incentive awards, finance, executive, procurement, health and safety, operations, dispatch, and engineering. The overhead rate is determined by dividing the budgeted costs by the total budgeted payroll that excludes the incentive and back-office payroll.

Liberty stated there is no set rate for burden allocation. Depending on the eligible burden charges in a job, the total population to be allocated, and the amount to be allocated, will determine the amount of burden for each individual job. The burden process is based on actual charges and could fluctuate from month to month depending on the level of construction.

Granite State Electric used to have 13 burden identifiers that were streamlined on October 1, 2016 to 4 burden identifiers. The reason for this was to streamline and simplify the burden calculation process for the Company. As part of the review of the plant section, Audit reviewed the Stores, Corporate, LAB, BRD.

The LU corporate overhead is a percentage of direct and indirect charges that are capitalized. The corporate overhead is the capitalization of Liberty Utilities Canada, APUC, and LABS costs based on the INDOH% that is set by corporate. The Regional, US LABS, and Liberty Corporate Services are capitalized for employees located in New Hampshire only, based on percentages set by their managers. The overhead figures are reviewed annually. The eligible cost elements for corporate overhead are labor, inventory, vouchers, and outside services.

The LAB overhead is operational expenses to capitalize the labor split, bonus accrual, payroll accrual, and field labor. This is a predetermined percentage of labor spent working on capital projects that is moved into the capital accounts monthly. The percentages are set on an employee basis determined by the manager that is reviewed annually. The charges in this burden are generally for charges that cannot be charged to other individual jobs. The eligible cost elements for corporate overhead are labor, inventory, vouchers, and outside services.

The BRD overhead consists of benefits charges that are allocated to capital jobs related to labor. This is specifically the operations expenses moved to capitalized labor that is a predetermined percentage. The BRD overhead also consists of benefits charged to direct capital labor and fleet. The fleet burden charges consist of maintenance and fuel charges that are spread proportionality based on labor dollars, and inclusion of the capitalized fleet overhead, discussed below.

The Stores overhead consists of inventory storeroom costs to be allocated with eligible materials costs during a month. The charges consist of bonus accruals and the clearing of the stores expense account 1380-1630. The purpose of the stores account is to reclassify capital costs that should have been expensed.

The Capitalized Fleet overhead represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8840-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job through the BRD discussed above. The Company has been capitalizing fleet overhead since 2018. The Company indicated they started this because of US GAAP ASC 360. The Company capitalizes a portion of depreciation on construction vehicles 392 and equipment 396 to FERC account 101/107 plant in service/CWIP. The calculated depreciation is posted to regulatory accounts 550560114030001016X Capitalized Equipment and 550570114030001016X Capitalized Fleet. A journal entry is then done each month to move a percentage of this depreciation to the 107 CWIP account where these amounts are allocated across capital projects. **Audit Issue #11**

### **Continuing Property Records**

The Company provided detailed information for each work order that indicates when the projects were unitized, placed into service, and taken out of Construction Work in Progress.



From that detail, Audit tested the transactions, and the Company provided the detailed journal entries. See the review of each project/ work order further in this report that discusses when the work orders were placed into service.

### **Cost of Removal**

The Company provided the Cost of Removal entries for the work orders tested in this audit report. See the additions section for review of specific COR entries. The Company books costs to the Accumulated Depreciation account #1503001010800010168 for cost of removal charges. The 2022 CPR records Cost of Removal charges are (\$3,122,235) which were verified to page 20 of the 2022 annual report.

### **Salvage**

The 2022 annual report page 20 indicated there were (\$150) in salvage credits for 2022 that was verified to the 2022 CPR records. The transaction from February 2022 was a credit for scrap metal. The CPR indicates the credit was booked to the GP RWIP Salvage account 8840-2-0000-10-1655-1082.

### **Retirements**

Audit verified the (\$1,004,246) 2020-2022 retirements on page 19 of the annual report in plant assets based on 2020-2022 \$181,336.434 additions done over the same period. Audit verified the retirements to the CPR records. The Company should have retired more assets relative to the additions. **Audit Issue #8** Audit verified the Company booked the retirements correctly. EnergyNorth debited the 15501011110001016X Accumulated Depreciation GL account and credited the 150010111010001016X Plant in Service account.

### **Retirement Process**

Retirements are processed in the PowerPlan system. The Company summarized that process as follows:

*“In PowerPlan, a retirement can be processed directly from the CPR (Continuing Property Records) by selecting the asset one would like to retire, associating it with a work order, and selecting the retirement button. This will create an entry to retire the asset from Plant in Service by crediting (101) and debiting accumulated depreciation (108). An asset can also be retired within the work order itself by creating a retirement line within the work orders as built. An as built contains a list of all items installed and removed. This results in the same entry of a credit to Plant in Service (101) and a debit to accumulated depreciation (108). Information is submitted by the owner of the project to the Plant Accounting department. The projects are placed in service as they are completed and the as built information outlining assets installed and removed is provided once a reconciliation of the project is complete. Retirement entries can be done in the same project in PowerPlan except for the converted 106 projects. Retirements for these projects are being done in a conversion work order as no new work order was created in PowerPlan for these.”*

Audit was provided the 2022 retirements that showed the retirements on the GL. The Company, in the retirement’s PowerPlan system, books the retirement entries correctly by

debiting account #108 Accumulated Depreciation and crediting the plant asset account. The Company retired (\$1,004,245) in plant assets for 2022.

### Accumulated Depreciation

Audit verified the F-16 reported information to the following general ledger accounts:

1550101110800010168 Accumulated Dep. Plant in Service	\$(196,619,030)
1550101110800010169 KN Accumulated Dep. Plant in Service	\$(2,891,837)
XXXXXX111081001016X net of 74 108100 Accounts <b>Audit Issue #1</b>	<b>\$(264,898)</b>
1550101111100010168 Accumulated Depreciation-Plant in Service	\$(19,332,477)
1550101111100010169 KN Accumulated Depreciation-Plant in Service	<u>\$(99,134)</u>
Subtotal	\$(219,207,376)
1503001110800010168 Accrued Cost of Removal	\$(30,399,217)
1503001110800010169 KN Accrued Cost of Removal	<u>\$23,760</u>
Subtotal	<u>\$(30,375,457)</u>
SAP Total	\$(249,582,833)

The accounts' activity consisted of the monthly depreciation expenses and monthly reclassifications of expenses.

The revenue requirement filing schedules reflected Accumulated Depreciation differently:

RR-TEMP	\$(188,019,704)	\$61,563,129 less than the F-16 and GL
RR-EN-3-5	\$(188,019,704)	
RR-EN-3-5 WP2	\$(250,026,092)	\$443,259 higher than the F-16 and GL
RR-EN-5	\$(188,019,704)	

Audit requested clarification of the variances, and was directed to the RR-EN-3-5 WP2.

Within the RR-TEMP, RR-3-5, and RR-5 schedules, the total Reserve \$(188,019,704) is the net of:

A/D Life Reserve (108)	\$(219,022,898.12)
A/D COR Reserve (108)	\$ 30,364,951.80 incorrectly deducted
A/D COR (242)	<u>\$ 638,242.47</u> incorrectly deducted
Total Reserve per RR-EN-3-5 WP2	\$(188,019,703.85) incorrect result

Audit reviewed the supporting workpaper RR-EN-3-5 WP2, summarized below:

ORIGINAL July 2023 RR-EN-2-5 WP2 and October 2023 update were the same:

	183/186 Adj	A/D Life Reserve (108)	A/D COR Reserve (108)	A/D COR 10/2022 (242)	A/D COR 10/2022 (242)	A/D COR 10/2022 (242)	Total A/D COR (242)	Total Reserve
\$ 218,952,983.21	\$ 69,914.91	\$ 219,022,898.12	\$ 30,364,951.80	\$ 205,933.74	\$ 227,514.72	\$ 204,794.01	\$ 638,242.47	\$ 250,026,092.39
		Total 108	\$ 249,387,849.92			Total 242	\$ 638,242.47	\$ 250,026,092.39
		TB 108	<u>\$ (249,317,934.98)</u>			TB 242	<u>\$ (638,242.47)</u>	<u>\$ (249,956,177.45)</u>
		Variance	\$ 69,914.94				\$ -	\$ 69,914.94

The reported total of the #108 accounts on the RR-EN-3-5 WP2, \$(249,387,850) is \$(264,898) less than the SAP total above. The variance relates to :

43 mis-mapped EnergyNorth accounts/entries that sum to	\$(386,963.62)	<b>Audit Issue #1</b>
25 mis-mapped Keene accounts/entries that net to	\$ -0-	<b>Audit Issue #1</b>
RWIP 1555001110810010168	\$ 121,459.95	
RWIP 1555001110810010169	\$ 605.52	
Net of mis-mapped accounts and entries, and RWIP	\$(264,898.15)	

G/L Account	G/L Account	Regulatory Acc	GL - REG - Profit center	DEC Balance
500300	Outside Svs	1081	5003001110810010169	\$ 1,992.86
502310	Facility Costs-Maint	1081	5023101110810010169	\$ 67.92
505000	Other Operating Exp	1081	5050001110810010169	\$ 1,087.37
700000	PP Cap Lbr Offset	1081	7000001110810010169	\$ 743.01
702000	BS Lbr Offset	1081	7020001110810010169	\$ (743.01)
702030	BS Services Offset	1081	7020301110810010169	\$ (1,992.86)
702040	BS Other Offset	1081	7020401110810010169	\$ (1,307.09)
702110	BS Ops OH Benefit	1081	7021101110810010169	\$ (1,455.92)
702112	BS OH Payroll Tax	1081	7021121110810010169	\$ (75.56)
702113	BS OH Pension/OPEB	1081	7021131110810010169	\$ (209.00)
702114	BS OH Prop Ins	1081	7021141110810010169	\$ (24.74)
702116	BS Ops Vac Allocatin	1081	7021161110810010169	\$ (117.92)
801110	OH Benefits	1081	8011101110810010169	\$ 70.14
801111	OH Fleet	1081	8011111110810010169	\$ 45.03
801112	OH Payroll Tax	1081	8011121110810010169	\$ 75.56
801113	OH Pension/OPEB	1081	8011131110810010169	\$ 209.00
801114	OH Prop Ins	1081	8011141110810010169	\$ 24.74
801116	OH Vacation	1081	8011161110810010169	\$ 117.92
801118	OH Inj&Damage	1081	8011181110810010169	\$ 38.33
801119	OH Bonus	1081	8011191110810010169	\$ 76.98
801141	OH IT Costs	1081	8011411110810010169	\$ 109.37
801142	OH Rent	1081	8011421110810010169	\$ 11.29
801143	OH LAB Cap	1081	8011431110810010169	\$ 839.47
801144	OH LU Corp	1081	8011441110810010169	\$ 265.31
801170	OH A&G N-Labr	1081	8011701110810010169	\$ 151.80
				\$ (0.00)

G/L Account	G/L Account	Regulatory Acc	GL - REG - Profit center	DEC Balance
500300	Outside Svs	1081	5003001110810010168	\$ 84,075.17
500300	Outside Svs	1081	5003001110810010168	\$ 528.00
500330	Outside Svs-Ser Main	1081	5003301110810010168	\$ 4,933.32
500400	Materials & Supplies	1081	5004001110810010168	\$ 597.96
502400	Legal Expenses	1081	5024001110810010168	\$ 205.00
505000	Other Operating Exp	1081	5050001110810010168	\$ 24,237.68
505000	Other Operating Exp	1081	5050001110810010168	\$ 108,948.33
505000	Other Operating Exp	1081	5050001110810010168	\$ (14,212.87)
700000	PP Cap Lbr Offset	1081	7000001110810010168	\$ 16,511.17
700000	PP Cap Lbr Offset	1081	7000001110810010168	\$ (146,846.47)
700030	PPCap Services Offst	1081	7000301110810010168	\$ 6,555.53
700030	PPCap Services Offst	1081	7000301110810010168	\$ (240,117.15)
702000	BS Lbr Offset	1081	7020001110810010168	\$ (147,517.64)
702020	BS Material Offset	1081	7020201110810010168	\$ (1,368.60)
702030	BS Services Offset	1081	7020301110810010168	\$ (166,662.71)
702040	BS Other Offset	1081	7020401110810010168	\$ (124,194.40)
702110	BS Ops OH Benefit	1081	7021101110810010168	\$ (94,479.38)
702112	BS OH Payroll Tax	1081	7021121110810010168	\$ (2,497.09)
702113	BS OH Pension/OPEB	1081	7021131110810010168	\$ (6,906.89)
702114	BS OH Prop Ins	1081	7021141110810010168	\$ (817.64)
702116	BS Ops Vac Allocatin	1081	7021161110810010168	\$ (3,896.65)
702120	BS Ops OH Material	1081	7021201110810010168	\$ (610.40)
702140	BS Ops OH Other	1081	7021401110810010168	\$ (302,710.58)
800000	Lbr Alloc	1081	8000001110810010168	\$ 8,042.30
801110	OH Benefits	1081	8011101110810010168	\$ 2,317.82
801111	OH Fleet	1081	8011111110810010168	\$ 1,487.95
801112	OH Payroll Tax	1081	8011121110810010168	\$ 2,497.09
801113	OH Pension/OPEB	1081	8011131110810010168	\$ 6,906.89
801114	OH Prop Ins	1081	8011141110810010168	\$ 817.64
801116	OH Vacation	1081	8011161110810010168	\$ 3,896.65
801118	OH Inj&Damage	1081	8011181110810010168	\$ 1,266.97
801119	OH Bonus	1081	8011191110810010168	\$ 2,543.72
801120	OH Material	1081	8011201110810010168	\$ 610.40
801141	OH IT Costs	1081	8011411110810010168	\$ 3,614.30
801142	OH Rent	1081	8011421110810010168	\$ 373.19
801143	OH LAB Cap	1081	8011431110810010168	\$ 62,970.13
801144	OH LU Corp	1081	8011441110810010168	\$ 19,905.30
801170	OH A&G N-Labr	1081	8011701110810010168	\$ 5,016.26
900110	SAP Convert-Lbr	1081	9001101110810010168	\$ 122,964.17
900120	SAP Convert-Matls	1081	9001201110810010168	\$ 770.64
900130	SAP Convert-Servs	1081	9001301110810010168	\$ (13,663.24)
900130	SAP Convert-Servs	1081	9001301110810010168	\$ 84,233.93
900190	SAP Convert-OH	1081	9001901110810010168	\$ 302,710.58
				<b>\$ (386,963.62)</b>

The filing schedules RR-EN-3-5 WP 2 line 2 reflects Accumulated Depreciation and Amortization to be:

Accumulated Depreciation Life Reserve #108	\$(218,952,983)
Accounts 183 and 186 adjustments	<u>\$ (69,915)</u>
Subtotal	\$(219,022,898) RR-EN-3-5

Accumulated Depreciation Cost of Removal #108	\$ (30,364,952)
Accumulated Depreciation Cost of Removal #242	<u>\$ (638,242)</u>
Subtotal	<u>\$ (31,003,194) RR-EN-3-5</u>
Filing total RR-EN-3-5 WP2	\$(250,026,092)

RR-EN-3-5 WP2 does not include \$133,284 of Accumulated Depreciation associated with account 121.1, Other Property and Investments-Structures, which is excluded, correctly, from Plant in Service.

As noted above, the filing schedule reflects an adjustment of \$69,915 relating to the 183 and 186 accounts as well as a net \$638,242 adjustment related to account 108 and 242 cost of removal accounts. **Audit Issue #1:**

2615001124200010169 LTRL Cost of Removal	\$ (3,471.70)
2615001124200010168 LTRL Cost of Removal	<u>\$(634,770.77)</u>
Total 242 reported in 108 RR-EN-3-5	\$(638,242.47)

Audit was unable to determine the accounts to which the \$(69,914.91), noted within RR-EN-3-5 WP2 were posted.

The CPR records indicate the December 31, 2022 Accumulated Depreciation Reserve balance summed to \$(250,510,828) while the Accumulated Depreciation per the GL summed to (\$249,582,833). This is an \$827,994 difference.

Audit also asked the Company to reconcile the 2020 and 2021 CPR beginning balances, account activity, and ending balances and the Company responded, *“To calculate the additional two years would be burdensome to the Company.”* Since the Company would not answer the 2020/2021 CPR Accumulated Depreciation variances, Audit is not able to verify the validity of the figures included for 2022. **Audit Issue #2**

The Original July 2023 revenue requirement schedules incorrectly deducted the Cost of Removal on the RR-EN-3-5, RR-EN-5, and RR-EN-TEMP. Prior to the temporary rate hearing, in October 2023, Liberty noticed the formula error, and provided a revision to the revenue requirement schedules. Audit summarized the original and the updated RR-EN-5 below:

ENR/A

**Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty**  
**Rate Base - EnergyNorth**  
**Balances at December 31, 2022**  
**RR-EN-5**

Line	Description	Reference	July 2023 ORIGINAL	October 2023 UPDATE	net change
			Rate Base	Rate Base	
1	Utility Plant (Balance at 12/31/2022)	RR-EN-3-5	\$ 818,583,027	\$ 803,395,007	\$ (15,188,020)
2	Depreciation Allowance (Balance at 12/31/2022)	RR-EN-3-5	(188,019,704)	(218,384,656)	\$ (30,364,952)
3	Net Utility Plant		\$ 630,563,323	\$ 585,010,351	\$ (45,552,972)
4					
5	Materials and Supplies (Average of 5 Quarterly Balances)	RR-EN-5-1	\$ 6,463,310	\$ 6,463,310	\$ -
6	Customer Deposits (Average of 5 Quarterly Balances)	RR-EN-5-1	(3,027,697)	(3,027,697)	\$ -
7					
8	Cash Working Capital	RR-EN-5-2	\$ 3,148,063	\$ 3,159,128	\$ 11,065
9					
10	Deferred Tax Liability, Net (Balance at 12/31/2022)	RR-EN-5-WP1	\$ (84,710,759)	\$ (84,710,759)	\$ -
11					
12	Regulatory Assets	RR-EN-3-6	\$ 12,610,917	\$ 12,610,917	\$ -
13					
14	Excess Accumulated Deferred Income Taxes	RR-EN-5-WP1	\$ (37,106,114)	\$ (37,106,114)	\$ -
15					
16	<b>Rate Base</b>		<b>\$ 527,941,043</b>	<b>\$ 482,399,136</b>	<b>\$ (45,541,907)</b>

The reduction in Utility Plant is the result of the settlement agreement, for Temporary rate purposes, reducing the approximate \$30,400,000 SAP costs by 50%.

The increase in the Accumulated Depreciation Allowance by \$(30,364,952) is the result of correcting that formula error, described earlier in this section.

The PUC Order 26,899 issued on October 31, 2023 approved the Temporary Rates Settlement Agreement that indicates there is a \$30.4 million understatement of Accumulated Depreciation included in rate base. The Company indicated to DOE Gas Regulatory Staff in a technical session that the error was the result of a formula error.

### **Depreciation and Amortization Expenses**

The filed expenses of \$24,926,507 on the filing Schedule RR-EN-2-1 and annual report were not able to be verified to the following accounts that consist of Depreciation Expense, Amortization of Intangibles, and Amortization of Regulatory Debits because of a \$941,803 difference on the 407.4 account on the filing.

Account	Account Description	Annual Report	Filing RR-EN-2-1	difference
403	Depreciation Expense	\$ 22,051,898	\$ 21,708,701	\$ 343,197
404 and 405	Amortization and Depletion of Utility Plant	\$ 832,256	\$ 1,175,454	\$(343,198)
407.3	Amortization of Regulatory Debits	\$ 797,869	\$ 736,549	\$ 61,320
407.4	Amortization of Regulatory Credits	\$ 2,186,287	\$ 1,305,803	\$ 880,484
	Total Depreciation and Amortization Expenses	\$ 25,868,310	\$ 24,926,507	\$ 941,803

	Annual Report	RR-EN-2-1	Annual Report vs RR-EN-2-1
5505101140300010168 Depreciation Expense	\$ 21,299,205	\$ 21,299,205	\$ -
5505101140300010169 KN Depreciation Expense	\$ 309,295	\$ 309,295	\$ -
5505601140300010168 Capitalized Depr.-Equipment	\$ (70,325)	\$ (70,325)	\$ -
5505601140300010169 KN Capitalized Dep.-Equipment	\$ (1,544)	\$ (1,544)	\$ -
5505701140300010168 Capitalized Dep.-Fleet	\$ 503,920	\$ 503,920	\$ -
5505701140300010169 KN Capitalized Dep.-Fleet	\$ 11,347	\$ 11,347	\$ -
<b>Annual Report Depreciation Expense account 403</b>	<b>\$ 22,051,898</b>		
5505101140400010168 Dep. PP and Equipment		\$ (346,930)	\$ 346,930
5505101140400010169 KN Depr. PP and Equipment		\$ 3,732	\$ (3,732)
<b>R-EN-2-1 and RR-EN-3-5 Depreciation Expense includes 403 and 404</b>		<b>\$ 21,708,700</b>	<b>\$ 343,198</b>
5505101140400010168 Dep. PP and Equipment	\$ (346,930)		\$ (346,930)
5505101140400010169 KN Depr. PP and Equipment	\$ 3,732		\$ 3,732
5500101140500010168 Amortization-Intangible	\$ 1,188,115	\$ 1,188,115	\$ -
5500101140500010169 KN Amortization-Intangible	\$ (12,661)	\$ (12,661)	\$ -
<b>Accounts 404 Amort. of Utility Plant and 405 Depletion Utility Plant</b>	<b>\$ 832,256</b>	<b>\$ 1,175,454</b>	<b>\$ (343,198)</b>
5502101140710010168 Amortization RB Offsets	\$ 61,320		\$ 61,320
5502101140730010168 Regulatory Debits	\$ 736,549	\$ 736,549	\$ -
<b>Annual Report account 407.3 Regulatory Debits amortization Expense</b>	<b>\$ 797,869</b>	<b>\$ 736,549</b>	<b>\$ 61,320</b>
5502101140740010168 Amortization of Reg. Assets	\$ 2,168,477	\$ 1,305,803	\$ 862,674
5502101140740010169 KN Amortization of Reg. Assets	\$ 17,810		\$ 17,810
<b>Annual Report account 407.4 Amortization of Regulatory Credits</b>	<b>\$ 2,186,287</b>	<b>\$ 1,305,803</b>	<b>\$ 880,484</b>
<b>Total Depreciation, Depletion, and Amortization Expense</b>	<b>\$ 25,868,310</b>	<b>\$ 24,926,506</b>	<b>\$ 941,804</b>

Audit reviewed the depreciation and amortization expenses on the filing schedule RR-EN-2-1 that is \$24,926,507 and \$25,868,310 on the 2022 annual report. This is a \$880,484 difference. The difference is a result of the way the Company presents the 407.4 Regulatory Credits on the filing. The GL accounts in the 407.4 summed to \$2,186,287.

Audit reviewed and tested individual plant in service depreciation transactions in the CPR to the most recent approved depreciation Study in DG 20-105 that was filed with the Commission in May 2022 and approved in the 2<sup>nd</sup> step adjustment Commission Order 26,676. Audit was able to verify the 2022 Depreciation Expense totals on the CPR records to the GL and filing schedules that summed to \$21,608,500. The CPR records indicated the December 31, 2022 Accumulated Depreciation summed to (\$249,510,828) while the Accumulated Depreciation while the GL and annual report summed to (\$249,582,833) and Filing Schedule RR-EN-3-5 line 2 and RR-EN-4 line 55 summed to (\$250,026,092). **Audit Issue #2**

The net \$443,399 capitalized fleet/equipment overhead represents the capitalized monthly fleet, allocated on a pro-rata basis. The capitalization is the monthly depreciation expense of grouped asset 8840-3920, multiplied by the quarterly fleet depreciation rate capitalized by CWIP job. The Company has been capitalizing fleet/equipment overhead since 2018. The Company indicated they started this because of US GAAP ASC 360. The Company capitalizes a portion of depreciation on construction vehicles 392 and equipment 396 to plant account 101/107 plant in service/CWIP. The calculated depreciation is posted to regulatory accounts 55056011403000



Capitalized Equipment and 55057011403000 Capitalized Fleet. A journal entry is then done each month to move a percentage of this depreciation to the 107 CWIP account where these amounts are allocated across capital projects. The Company should not be capitalizing fleet/equipment overhead onto individual projects. **Audit Issue #11**

Both the \$22,051,898 depreciation expense and the \$1,175,454 Amortization of Intangible Software are offset to the Accumulated Provision for Depreciation of Electric Utility Plant account 1550101110800010168 and KN 1550101110800010169. The Regulatory Debit Amortization account was offset to the 131200111823001016x ENG/KN Other Regulatory Asset Deferred Rate Case account. The Company on the filing schedule RR-EN-2-1 included the net (\$343,198) 404 Depreciation Expense Property Plant and Equipment 404 account total in the 403 Depreciation Expense account rather than the 404-405 figure included on the annual report. This did not have any net impact on the combined depreciation and amortization total expense on the filing or annual report. **Audit Issue #12**

Audit verified the \$1,175,454 in 2022 amortization of intangible software to the GL that was authorized for recovery as part of Commission Order 26,122 that approved the DG 17-048 ENG 2016 rate case settlement agreement. The calculations provided by the Company were also reviewed.

The Commission Order 26,122 issued on May 1, 2018 approved a \$9,946,778 account 405 reserve balance to be amortized over a 6-year period or \$1,657,796 annually with costs to be fully recovered in April 2024.

Audit reviewed and verified the \$343,198 monthly depreciation calculations provided by the Company.

The Company indicated the Regulatory Debit costs were recorded in the 4073 accounts in SAP because there were charges that were booked to the 407100 account in error that should not be booked there. **Audit Issue #12**

The Company indicated the amortization charges are a net of four programs. The Company indicated a special contract from DG 20-105 with NHDAS will be fully recovered in July 2023. Charges related to Concord Steam that were approved in the DG 17-048 rate case were fully recovered in April 2023. A Keyspan CTA was approved in DG 20-105 and will be fully amortized in April 2024. The Company also has an energy efficiency accrual which is trued up during the annual review. The GL account activity indicated one SAP 407.1 regulatory account 5502101140710010168 that reflected the activity of the four-programs discussed above. The account had a \$61,320 account balance that was reflected on the filing schedule RR-EN-2-1 407.4 . **Audit Issue #12**

The other 407.3 account 5502101140730010168 consisted of a monthly \$43,350 entry related to Concord Steam conversion and a monthly entry for the \$29,099 special contract with NHDAS. Audit was able to verify the \$736,549 test year balance.



The 407.4 regulatory account consists of two monthly transactions both related to the environmental amortization. One entry records the recovery from customer bills for the LDAC for environmental amortization and the second entry records the estimated recovery on unbilled customer invoices. The entry is reversed in the subsequent period and the Company calculates a new estimate for the current months unbilled usage. The monthly 407 entries were offset to the LTRA Rate Base Offset account 1712001118230010168 and the 1712001118600010168. The Company on the annual report and GL booked \$2,186,477 to the 407.4 regulatory account while the filing indicates \$1,305,803. This is an \$880,484 difference that the Company indicated was reflected in the 1740 regulatory account on the annual report. **Audit Issue #1**

5502101140740010168 Amortization of Reg. Assets	\$2,168,477
5502101140740010169 KN Amortization of Reg. Assets	\$ 17,810
Total	\$2,186,287

### **Preliminary Survey and Investigation Charges, Account 183**

11183100 Preliminary Survey and Investigation Charges \$1,825,934

Audit reviewed the activity within the 183 account for ENG and Keene and was verified to the following two SAP accounts, 1604.01(a)(1)(a) BS bates page 6 filing schedule, and 2022 annual report.

1505001118310010168 Preliminary Survey Charges Facility Costs	\$0
1505001118310010169 KN Preliminary Survey Charges Facility Costs	\$0
1898021118310010168 Preliminary Survey and Inves. Ch. Def Debits	\$685,377
1898021118310010169 KN Preliminary Survey Inves. Ch. Def. Debits	\$1,140,556
183 Total	\$1,825,934

The SAP account activity consisted solely of two entries that was a September 30, 2022 KN reclass of \$1,140,556 and ENG reclass of \$685,377. The Great Plains charges from January-September 2022 consisted of a Keene State Stack Evaluation and charges for Campos EPC that were for energy, procurement, and construction services. The charges consisted for ENG engineering related to Baboosic Lake Road mains, Granite Bridge, Granite Bridge Alternatives, Renewable Gas Rudarpa Project, engineering for Route 101 lateral work, LNG facility in Epping, and Pelham franchise expansion. The Keene projects were for the temporary CNG facility, High Pressure CNG customer conversion project, permanent CNG facility on Production Ave, and the Keene System Conversion Plan.

### **Fuel Stock and Stores Expense**

ENG Stores Expense Undistributed

Audit verified the Gas Stores Expense Undistributed total, \$(607.68) on the F-16 line for account 163. That total was also verified to filing schedule 1604.01(1)(a)(1), and GL as of December 31, 2022. There were an additional 18 ENG/KN mis-mapped income statement accounts that consisted of charges such as overtime, salaries, outside services, allocations, equipment, fleet repairs, overtime, and other operating expenses. The mis-mapped expense accounts within the thick box, below, sum to \$(1,014.43). **Audit Issue #1**

G/L Account	G/L Account	Regulatory	GL - REG - Profit center	DEC Balance	
121070	Stores Exp Undstrb	1630	1210701116300010168	(4,514.34)	
121070	Stores Exp Undstrb	1630	1210701116300010168	1,743.93	
121070	Stores Exp Undstrb	1630	1210701116300010168	3,177.16	
121070	Stores Exp Undstrb	1630	1210701116300010168	-	
500000	Salaries and Wages	1630	5000001116300010168	2,428.24	
500010	Overtime	1630	5000101116300010168	662.56	
500100	Vacation & Other TO	1630	5001001116300010168	10.00	
500300	Outside Svs	1630	5003001116300010168	880.89	
500405	M&C-NonStck Cntrl	1630	5004051116300010168	7,078.23	
500405	M&C-NonStck Cntrl	1630	5004051116300010168	(55,138.23)	
500405	M&C-NonStck Cntrl	1630	5004051116300010168	218.94	
500440	M&C-Spare Parts	1630	5004401116300010168	21,285.00	
500500	Equip & Machin Rents	1630	5005001116300010168	1,988.22	
501220	Fleet-Repair/Main	1630	5012201116300010168	75.63	
505000	Other Operating Exp	1630	5050001116300010168	19,557.00	
505000	Other Operating Exp	1630	5050001116300010168	1,775.23	
505000	Other Operating Exp	1630	5050001116300010168	130.38	
505000	Other Operating Exp	1630	5050001116300010168	24,885.00	
800000	Lbr Alloc	1630	8000001116300010168	82,158.64	
804000	WBS ST Lbr	1630	8040001116300010168	(85,249.44)	
804020	WBS ST Material	1630	8040201116300010168	26,556.06	
804030	WBS ST Services	1630	8040301116300010168	(880.89)	
804040	WBS ST Other	1630	8040401116300010168	(49,350.26)	
804050	WBS ST Fleet	1630	8040501116300010168	(75.63)	
804110	WBS ST OH Benefit	1630	8041101116300010168	(10.00)	
505000	Other Operating Exp	1630	5050001116300010168	-	(1,014.43)
			Total Reported #163	(607.68)	

### Gas Stored Underground

Audit was able to verify the Gas Stored Underground 164.1 charges to the 2022 annual report, filing schedule 1604.01(1)(a)(1) and to the GL to the following accounts:

1200301116410010168 Gas Stored Underground, Current	\$8,440,600
1200401116410010168 Fuel Stock Propane, ENG	\$2,064,198
1200401116410010169 Fuel Stock Propane, KN	\$ (39,070)
1203001115100010168 Gas Stored Underground	\$1,151,614
1200501115100010168 UG Storage LNG	\$ 12,382
Total per annual report accounts 151 line 32	\$11,629,724

Each account is reviewed during the annual cost of gas audits, and as a result, was not reviewed during this rate case audit. The Company indicated to Audit incorrect regulatory account numbers were assigned to the Fuel Stock accounts as 164 rather than the 151 Regulatory Account. **Audit Issue #1**

#### LNG Stored and Held for Processing

Audit verified the Liquefied Natural Gas Held for Processing to the 2022 annual report line 40 of the balance sheet to the following SAP GL account balance as of December 31, 2022:  
1200501116410210168 UG Storage Liquefied Nat Gas, ENG \$ 155,863

#### Materials account 154

11154000 Plant Materials and Operating Supplies \$7,232,230

Audit verified the Plant Materials and Operating Supplies to the 2022 annual report, filing schedule RR-EN-5-1, and the following four GL accounts.

1210001115400010168 Inventory Control	\$7,348,812
1210051115400010168 Inventory CLR	\$ (141,241)
1210151115400010168 ENG Legacy Inventory	\$(550)
1210151115400010169 KN Inventory Legacy	<u>\$25,209</u>
Total	\$7,232,230

The filing schedule RR-EN-5-1 included the quarterly average beginning with quarter 4 2021 for five specific quarters ending with the December 2022 test year. The filing indicates the inventory quarterly amounts begin with 2018 which the Company indicated was an error that headings were not updated since the prior rate case. The inventory report contained nipples, valves, meters, tees, elbows, flanges, inserts, clamps, couplings, boxes, regulators, wipers, anchors, pipes, and caps. Audit verified the quarterly historical warehouse inventory report for 2022 that were able to be verified to the quarterly inventory balances and \$6,463,310 average quarterly balance.

<u>12/2021</u>	<u>3/2022</u>	<u>06/2022</u>	<u>09/2022</u>	<u>12/2022</u>	<u>5 Quarter Avg.</u>
\$5,910,648	\$5,822,066	\$6,493,157	\$6,858,447	\$7,232,230	\$6,463,310

#### BALANCE SHEET ASSETS

##### Internal Controls

The Company indicated that bank reconciliations are performed on a monthly basis for all the cash accounts and that cash receipts are deposited on a daily basis. The Chief Financial Officer, Corporate Treasurer, and Director of Treasury Operations are authorized to sign checks and the Company noted that the “*Treasury team works with Accounts Payable and Accounting to process weekly settlements of cash accounts*”. Audit was unable to test check signing authority as check copies were not included in the bank statements provided. Audit reviewed the bank statements and the cash reconciliation provided and confirmed the weekly settlements of the cash accounts designated in the GP general ledger and the SAP general ledger encoded as a “ZR” or “bank reconciliation transaction”.

**Cash**

Audit verified the 12/31/2022 cash account balances on the general ledger, to the PUC annual report, page 9, accounts 131 and 135. The filing schedule 1604.01(a) (1) (b) BS, page 1 of 2, was also confirmed to the general ledger and annual report. The following represents the general ledger account balances:

Account Name	Regulatory Account	Account Number	Balance as of 12/31/22	
Bank 1-CIB-Main	131	1001101113100010168	\$ -	
Bank 1-CIB-Main	131	1001101113100010169	\$ -	
Bank 1-Clrg-ACH	131	1001111113100010168	\$ 600.00	
Bank 1-Clrg-MAR	131	1001141113100010168	\$ 133,082.44	
Bank 1-Clrg-CIS	131	1001151113100010168	\$ (240,689.90)	
Bank 1-Clrg-Sweep	131	1001171113100010168	\$ 1,640,781.35	
Bank 1-Clrg-ICO/FT	131	1001181113100010168	\$ (45,599,110.77)	
Bank 1-Clrg-Other	131	1001191113100010168	\$ 94,684.43	
Bank 2-CIB-Main	131	1001301113100010168	\$ -	
Bank 2-Clrg-CHK	131	1001321113100010168	\$ (504,785.00)	
Bank 2-Clrg-CIS	131	1001351113100010168	\$ (7.22)	
Bank 2-Clrg-Sweep	131	1001371113100010168	\$ (502,472.81)	
Bank 2-Clrg-ICO/FT	131	1001381113100010168	\$ -	
Bank 2-Clrg-Other	131	1001391113100010168	\$ (0.01)	
Bank 4-CIB-Main	131	1001701113100010168	\$ -	
Bank 4-Clrg-Sweep	131	1001771113100010168	\$ 51,997.36	
Bank 4-Clrg-ICO/FT	131	1001781113100010168	\$ (53,517.89)	
		Sub-total Reg. Acct. 131	\$ (44,979,438.02)	Agrees to Filing & Line 22 of Annual Report
Petty Cash	135	1000201113500010168	\$ 4,740.00	
		Sub-total Reg. Acct. 135	\$ 4,740.00	Agrees to Filing & Line 24 of Annual Report
		<b>TOTAL CASH</b>	<b>\$ (44,974,698.02)</b>	

Audit also verified that the September Great Plains balances were rolled into the SAP general ledger system. Audit attempted to verify the general ledger amounts to a cash reconciliation, however the reconciliations provided by Company did not reconcile with a noted (\$186,477,648.53) discrepancy between the reconciliation listing of general ledger account balances and the actual 12/31/2022 general ledger. Regarding the large discrepancy, the Company stated: “Account 100118 [1113100010168] is used for intercompany cash transfers and month-end accrual entries”. The Company also provided the journal entry posted “as part

of the Company's process for late entries after the cash reconciliation was already completed"

The discrepancies are noted below: **Audit Issue #13**

Account Name	Regulatory Account	Account Number	GL Balance as of 12/31/22	Cash Reconciliation	Difference
Bank 1-CIB-Main	131	1001101113100010168	\$ -	\$ -	\$ -
Bank 1-CIB-Main	131	1001101113100010169	\$ -	\$ -	\$ -
Bank 1-Clrg-ACH	131	1001111113100010168	\$ 600.00	\$ 600.00	\$ -
Bank 1-Clrg-MAR	131	1001141113100010168	\$ 133,082.44	\$ 133,082.44	\$ -
Bank 1-Clrg-CIS	131	1001151113100010168	\$ (240,689.90)	\$ (240,689.90)	\$ -
Bank 1-Clrg-Sweep	131	1001171113100010168	\$ 1,640,781.35	\$ 1,640,781.35	\$ -
Bank 1-Clrg-ICO/FT	131	1001181113100010168	\$ (45,599,110.77)	\$ (232,076,759.30)	\$ 186,477,648.53
Bank 1-Clrg-Other	131	1001191113100010168	\$ 94,684.43	\$ 94,684.43	\$ -
Bank 2-CIB-Main	131	1001301113100010168	\$ -	\$ -	\$ -
Bank 2-Clrg-CHK	131	1001321113100010168	\$ (504,785.00)	\$ (504,785.00)	\$ -
Bank 2-Clrg-CIS	131	1001351113100010168	\$ (7.22)	\$ (7.22)	\$ -
Bank 2-Clrg-Sweep	131	1001371113100010168	\$ (502,472.81)	\$ (502,472.81)	\$ -
Bank 2-Clrg-ICO/FT	131	1001381113100010168	\$ -	\$ -	\$ -
Bank 2-Clrg-Other	131	1001391113100010168	\$ (0.01)	\$ (0.01)	\$ -
Bank 4-CIB-Main	131	1001701113100010168	\$ -	\$ -	\$ -
Bank 4-Clrg-Sweep	131	1001771113100010168	\$ 51,997.36	\$ 51,997.36	\$ -
Bank 4-Clrg-ICO/FT	131	1001781113100010168	\$ (53,517.89)	\$ (53,517.89)	\$ -
			\$ (44,979,438.02)	\$ (231,457,086.55)	\$ 186,477,648.53

Audit reviewed the bank statements associated with the accounts below and notes that the difference between the bank statements and reconciliation is identified as "known":

December 2022 Cash Reconciliation				Actual	
				SAP 12/31/2022	SAP vs. Recon
Balance per General Ledger				\$ (231,457,086.55)	
Balance per JP Morgan Chase Bank Statement				\$ -	
variance				\$ (231,457,086.55)	
Explanation of Known variance:					
1 GL 100111: ACH Clearing	\$	600.00	\$	600.00	\$ -
2 GL 100114: Misc AR Clearing	\$	133,082.44	\$	133,082.44	\$ -
3 GL 100115: CIS Clearing	\$	(240,689.90)	\$	(240,689.90)	\$ -
4 GL 100117: Sweep Clearing	\$	1,640,781.35	\$	1,640,781.35	\$ -
5 GL 100118: Inter-Co Clearing	\$	(232,076,759.30)	\$	(45,599,110.77)	\$ 186,477,648.53
6 GL 100119: Other Clearing	\$	94,684.43	\$	94,684.43	\$ -
7 GL 100131: ACH Clearing	\$	-	\$	-	\$ -
8 GL 100132: Check Clearing	\$	(504,785.00)	\$	(504,785.00)	\$ -
9 GL 100135: CIS Clearing	\$	(7.22)	\$	(7.22)	\$ -
10 GL 100137: Sweep Clearing	\$	(502,472.81)	\$	(502,472.81)	\$ -
11 GL 100138: Inter-Co Clearing	\$	-	\$	-	\$ -
12 GL 100139: Other Clearing	\$	(0.01)	\$	(0.01)	\$ -
13 GL 100170: ACH Clearing	\$	-	\$	-	\$ -
14 GL 100177: Sweep Clearing	\$	51,997.36	\$	51,997.36	\$ -
15 GL 100178: Inter-Co Clearing	\$	(53,517.89)	\$	(53,517.89)	\$ -
Known variance				\$ (44,979,438.02)	\$ 186,477,648.53
Unreconciled variance				\$ -	000069

### Cash on Hand (Account 130) and Working Funds (Account 135)

The Cash on Hand account, account number 1000201113000010168 records cash and checks received, as a result of walk-in customers to Liberty walk-in centers that have not been posted to the bank statement. The Company stated the following regarding these accounts:

*“SAP GL account ‘100020 – Petty Cash’ and regulatory account 11135000 contain the 2020 balance from legacy Great Plains account ‘8840-2-0000-10-1300 Cash in Hand.’ There has been no activity in that account since 2020. The accounts represent the amount of cash on hand in the Company’s safes that is used to fund the cash drawers in the walk-in centers. If the walk-in centers are not reopened to the public, the cash will be deposited into Liberty EnergyNorth’s bank account and the offsetting account would be SAP GL account 100110 – Bank 1-CIB Main, regulatory account 11131000.”*

Audit reviewed the Great Plains detailed general ledger account 8840-2-0000-10-1010-1300 through 9/30/22, noting there was no activity for test year 2022, however there was a Trial Balance amount of \$4,740. Audit reviewed the 2021 detailed general ledger and 2020 detailed general ledger noting the last activity in this account was in 2020 resulting in the ending balance of \$4,740 that has been carried forward. The ending balance as of 9/30/22 of \$4,740 in GP was mapped to SAP account 1000201113500010168, Working Funds. Audit understands cash on hand and working funds designations can be used interchangeably.

### Accounts Receivable

Audit was unable to verify the Customer Accounts Receivable, \$37,291,337.86 noted within the F-16 annual report account 142, to the SAP accounts which summed to \$36,027,873.19, \$(1,263,464.67) less than the annual report. Audit requested clarification of the accounts included as Accounts Receivable on the annual report, and Liberty noted that the SAP accounts included:

110010-11142000-10168 Customer AR-CIS-Ctrl	\$29,722,780.74
110010-11142000-10169 Customer AR-CIS-Ctrl KN	\$ 359,508.65
110012-11142000-10168 Cst AR-Mnl	\$ 3,019,892.00
110012-11142000-10169 Cst AR-Mnl KN	\$ 26,183.49
110018-11142000-10168 Cst AR-Mktr-NONPOR	\$ 0.83
110018-11142000-10169 Cst AR-Mktr-NONPOR	\$ 86.12
110020-11142000-10168 Cst AR (NonCIS)-Ctrl	\$ (40,126.93)
110020-11142000-10169 Cst AR (NonCIS)-Ctrl KN	\$ 3,310.55
110021-11142000-10168 Cst AR (NonCIS) Mnl	\$ -0-
110030-11142000-10168 AR-Legacy	\$ 345,284.56
110030-11142000-10169 AR-Legacy KN	\$ (171,503.49)
130800-11142000-10168 CRA Fuel&CommodCost	\$ (37.72)
131100-11142000-10168 CRA R8 Adj Mech	<u>\$ 4,025,959.06</u>
GL to F-16	\$37,291,337.86

However, the additional accounts below, while coded to regulatory account 142, were included within the total of account 182.3, Other Regulatory Assets on the F-16: **Audit Issue #1**

130801-11142004-10168 CRA Def WC Winter	\$ 53,518.54
130801-11142005-10168 CRA Defer WC Summer	\$ 66,457.91
131100-11142006-10168 CRA R8 Adj Mech	<u>\$ (1,383,441.12)</u>
Sum of other #142 accounts EXCLUDED from F-16	\$ (1,263,464.67)

These two accounts while coded to regulatory account 186, Miscellaneous Deferred Debits, were also included within the F-16 balance of account 182.3: **Audit Issue #1**

130801-11186000-10168 CRA Defer WC Winter	\$(62,212.23)
130802-11186000-10168 CRA Defer WC Summer	\$ (1,616.08)

The \$(1,263,464.67) relate to the Winter and Summer Working Capital calculations, and the related deferral. These accounts are reviewed during the annual cost of gas audits.

Audit requested and received a copy of the Accounts Receivable Aged Trial Balance (ATB) that includes EnergyNorth and Keene customers. The total was \$30,571,988.39, a variance of \$6,719,349.47 compared to the GL. **Audit Issue #14**

Current	\$19,354,989.20	63.31%
1-30 Days	\$ 3,706,135.41	12.12%
31-60 Days	\$ 1,250,113.35	4.09%
61-90 Days	\$ 679,921.73	2.22%
91-120 Days	\$ 374,659.28	1.23%
121-15 Days	\$ 328,378.38	1.07%
151-365 Days	\$ 3,793,078.08	12.41%
➤ 365 Days	<u>\$ 1,084,712.96</u>	<u>3.55%</u>
Total Receivable	\$30,571,988.39	100%
Unapplied	<u>\$(2,253,403.98)</u>	
Net Receivable	\$28,318,584.41	

As a percentage of the overall receivables, the 150+ days represents 12.41% of the total Receivable balance. This was based 8,046 customers with receivables greater than 150+ days past due. The customer balances ranged from \$801,968.04 to \$.01. An additional 1,611 customers in the 150-365 day range reflected credit balances from \$(0.1) through \$(8,655.27).

The \$1,084,712.96 amount due that is greater than one year outstanding represents 3.55% of the total Receivable balance at the end of 2022, and represents 525 customer accounts with credit balances ranging from \$( to \$(0.01) and 1,705 customer accounts that owe amounts ranging from \$0.01 to \$207,198.04. That one large receivable represents 20% of the net receivable outstanding greater than one year, and is a G 53 High Annual Use customer.

Audit requested and was provided with the Unapplied Payments listing which demonstrated 10,072 customer contract numbers summing to \$(2,253,403.98). The general ledger reflects a total of: \$(3,409,951.04), or \$(1,156,547.06) higher than the Unapplied Payments listing provided.

2000351123200010168 AR-Unapplied Payments (ENG)	\$(3,393,750.52)
2000351124200010168 AR-Unapplied Payments (ENG)	\$ 9,982.97
2000351123200010169 AR-Unapplied Payments (KN)	\$ (26,183.49)
Total General Ledger Unapplied	\$(3,409,951.04)

Liberty also provided a detail of “Treasury Unapplied Payments”, which are reflected within the above SAP accounts, but related to various vendor payments and reclassifications:

EnergyNorth Natural Gas Treasury Unapplied Payments				
Date	Document #	Description	Amount	Resolution
01/06/20		Allied Invoice	(410.48)	Allied invoice, reclass to -1440
01/07/20		Allied NSF- Need PMTRX transaction	310.48	44532153-44166255
03/04/21		Allied Invoice - PMTRX	70.39	Allied invoice coded incorrectly, needs to be reclassified to -1440 account. Meeting with Jenn H to discuss 8/9
07/21/22		Allied Invoice - PMTRX	58.20	Allied invoice coded incorrectly, needs to be reclassified to -1440 account. Meeting with Jenn H to discuss 8/9
04/11/22		Allied NSF - Need PMTRX transaction	155.69	emailed Jenn H for backup - 4/8 invoice - it was not submitted, just received in August
06/28/22		Allied NSF - Need PMTRX transaction	485.00	
04/15/21		GP JE 1542404 - Dartmouth CIAC misc. charge from L	3,621.75	Jenny needs to book towards job
09/30/22		GP JE 1865810 - RECLASSING REFUNDS	(379.97)	Jenny
09/30/22		GP JE 1865832 - BANK DEBITS TO BE CREDITED	(186.11)	Jenny
09/30/22		GP JE 1865833 - BANK DEBITS TO BE CREDITED	(145.52)	Jenny
09/30/22		GP JE 1865834 - VOID CREDIT	739.81	Jenny
09/30/22	1866561	GRAINGER CK IN UNPLD	(\$7,513.61)	Review with Jenny & Audrey
09/30/22	1866564	GRAINGER FUNDS TO OFC EXP	(\$6,788.60)	Review with Jenny & Audrey
12.31.22	100197128	Move AR for FS purposes	1,166,530.03	
		<b>Total Treasury Unapplied Payments</b>	1,156,547.06	(CMT) 2/2/23 - noted

Liberty clarified the \$1,166,530.03 movement of receivables (and unapplied payments) for financial statement purposes as a monthly accrual, which is reversed the next month. Liberty EnergyNorth (and GSE) use Liberty Utilities Service Corp., a payment processing affiliate, for collecting receivables for the operating companies. Each month the accrual offset is the intercompany payable/receivable related to the cash, accounts receivable, and any resulting unapplied payment the Service Corp. records. In Great Plains, the service company identifier was 8810. In SAP the service company identifier is 3070. The other figures in the detail provided are primarily refunds owed to vendors.

Audit reviewed the remaining Accounts Receivable Accounts 143 on the 2022 annual report and filing schedule 1604.01(a)(1)a), with the 9/30/2022 Great Plains balances noted, then the 12/31/2022 SAP balances below each:

8840-2-0000-10-1160-1430 Other Accounts Receivable	\$151,567.76	
SAP 1130301114300010168 Other AR		\$51,933.00
8840-2-0000-10-1920-1430 Other Long Term Asset	\$468,129.54	
SAP 1898001114300010168 Other Long-term		\$454,681.87
8840-2-0000-10-1160-1439 Other A/Receivable-Special Contracts	\$122,062.76	
SAP 1130351114300010168 Ener Eff Loan Rec		\$114,124.87



8840-2-0000-10-1163-1430 Income Tax Receivable	\$435,825.00	
SAP 1460101114300010168 Inc Tax Receivable		\$491,135.00
Total 9/30/2022	\$1,177,585.06	
Total 12/31/2022 which agrees with the F-16		<b>\$1,111,874.74</b>

#### Other AR and Other Long-term

These are transactions having to do with the insurance recovery receivable related to the environmental remediation sites, and are reviewed during the annual LDAC audits. The accounts are part of the environmental short-term cash flows, quarterly discount rates, and interest rates. The Other Long-term represents reserve for insurance recoveries. These two accounts are then calculated to get the NPV of the receivables (Insurance Company payments) and the balance is adjusted quarterly to reflect the quarterly cash flow.

#### Other Accounts Receivable-Special Contracts

The Company indicated the account relates to the revenue reserved for third party environmental insurance recovery.

#### Accounts Receivable from Associated Companies

The F-16 annual report reflected a total of \$1,385,038,758 in Accounts Receivable from Associated Companies, account 146, which Audit tied to the filed schedule 1604.01(a)(1)(a) BS. The following represents the SAP general ledger account balances for the regulatory account 11146000, Accounts Receivable from Associated Companies:

<u>SAP Account</u>	<u>Description</u>	<u>Balance a/o 12/31/2022</u>
111020-11146000-10168	Interco AR Legacy - EnergyNorth	\$ 693,281,611
111020-11146000-10169	Interco AR Legacy - Keene	\$14,263,181
111010-11146000-10168	Interco AR - Energy North	\$677,166,713
111010-11146000-10169	Interco AR - Keene	\$327,253
	Total AR from Associated Co.	\$ 1,385,038,758

The Accounts Receivable from Associated Companies, SAP regulatory account 11146000, had no test-year activity on GP account 8840-2-0000-10-1121-1460. The Company explained that, *"There was no activity in GP account 8840-2-0000-10-1121-1460 in 2022, nor has there been any activity in this account since May 2021 when all intercompany AP and AR transactions began to flow through one account for each intercompany entity. In the conversion from GP to SAP the liability (due to) accounts were separated into AP (201020) and AR (111020) accounts in SAP. Therefore, the only activity in the accounts is from conversion forward and that activity is mainly (111010) for AR activity and (201010) for AP, the original accounts at conversion are legacy accounts."* Audit confirmed that the September 2022 GP account balances for the intercompany activity rolled into the aforementioned SAP regulatory account 11146000.

The general ledger account balances included in the total filed amount of \$1,385,038,758 were from the intercompany accounts used to record the daily intercompany receivable entries.

All intercompany receivables are processed through the 11146000 Interco AR accounts, which included customer billings, as well as transactions related to the money pool and monthly billing for outside services. Audit reviewed sampled debits with offsetting credits verified to SAP account 110012-11142000, Customer AR Mnl., and account 500340-11923000, AllocCorp Outside Services Legacy. Refer to the Accounts Payable to Associated Companies section for further details regarding the settlement of intercompany activity.

Audit noted outside service charges of \$10,206.12 per month for the Concord Training Center lease costs that ENG invoiced to Granite State Electric for their proportionate share of the lease. The filed schedule RR-EN-3-10 included the test-year Concord Training Center Lease Credit and Audit reviewed the Lease Agreement, which stated the “*right to occupy and use the land and building identified as 10 Broken Bridge Road[...]*also known as the Training Center.” The First Amended Training Center Lease Agreement between EnergyNorth and its affiliate was filed on August 8, 2018, and was in compliance with Order No. 26,156, issued April 27, 2018. The offsetting entries for the lease payments were confirmed to reduce account 503000-11931000-10168, Rental Expense. Refer to the Leases section of the report for further details regarding the Concord Training Center Lease. **Fuel Stock account 151 and Gas Stored Underground account 164.1**

Audit reviewed the F-16 annual report and noted the following:

Account 151 Fuel Stock	\$11,629,724
Account 164.1 Gas Stored Underground	\$ -0-

However, the SAP accounts used to validate the amount noted on the line for account 151 is the sum of:

1200301115100010168 Gas Strd Undrgrnd (ENG)	\$ 1,151,613.94
1200501115100010168 UG Strg-Liq Nat Gas (ENG)	\$ 12,381.56
Subtotal of account 151	\$ 1,163,995.50

1200301116410010168 Gas Strd Undrgrnd (ENG)	\$ 8,440,600.19
1200401116410210168 Fuel Stock-Propane (ENG)	\$ 1,787,339.94
1200401116410210169 Fuel Stock-Propane (Keene)	\$ 237,788.26
Subtotal of account 164.1	\$10,465,728.39
Combined total reflected on the F-16 account 151	<b>\$11,629,723.89</b>

It is unclear why there are two distinct Gas Stored Underground accounts for the ENG (not Keene), nor why the combination of the accounts is shown on the line for account 151 rather than split as is noted in the SAP. **Audit Issue #1**

### **Prepayments**

Audit verified the 12/31/2022 account 165 Prepayments balance of \$5,609,916 noted in the PUC Annual Report and filing schedule 1604.01(a)(1)(a)BS to the following general ledger accounts:

1408101116500010168 Prepaid Property Tax (ENG)	\$5,208,153.96
1408101116500010169 Prepaid Property Tax (Keene)	\$ 156,423.59
1409001116500010168 Other Prepaids (ENG)	\$ 208,487.27
1409001116500010168 Other Prepaids (Keene)	\$ 36,850.88
Total Prepayments per F-16	\$5,609,915.70

Prepaid Property Tax accounts were referenced within the Tax section of this report.

Other Prepaids represent expenses associated with Telvent, Itron Hardware Maintenance, and Software, Ensyte, Ubisense, ESRI (Environmental Systems Research Institute, Inc.) maintenance, Safe Software, Dimension Date, American Gas Association, among others. Refer to the Expense portion of this report.

### **Unamortized Debt Expense**

The F-16 annual report listed \$(7,315) as account 181, Unamortized Debt Expense. Audit verified the amount to the filed schedule 1604.01(a)(1)(a) BS, as well as to the 12/31/2022 balance on SAP general ledger account 189220-1118100-10168, Interco Dfrd Fin. There was no GP general ledger balance as of 9/30/2022 to be transferred to the 12/31/2022 SAP general ledger balance of \$(7,315); Audit confirmed that the 2019 – 2021 annual reports listed no balance for FERC account 181.

Audit reviewed the supporting details provided by the Company, including the total of \$29,261 for the annual deferred finance amount associated with the long-term debt. The \$29,261 total was determined by twelve monthly charges of \$2,438 for the long-term debt finance costs. Among the twelve charges, three journal entries were credited to the account for the fourth quarter monthly finance costs, which resulted in the \$(7,315) year-end balance on the 181 account. Audit noted that the \$2,438 in monthly costs during the fourth quarter of 2022 was reflected in FERC account 181 on the annual report; the first through third quarter portion of the annual deferred financing was reflected on page 9 of the annual report, account 225, Unamortized Premium on Long Term Debt. Audit recognized that the annual report and corresponding general ledger reflected the transactions, which were recorded in SAP general ledger natural account 189220, Intercompany Deferred Financing—with separate regulatory accounts 11181000/11186000, Unamortized Debt Expense/Miscellaneous Deferred Debits. Audit confirmed the 2022 total annual finance cost of \$29,261 to page 23 of the F-16 annual report. Refer to the Deferred Financing – Intercompany section of the report for details regarding the January through September finance costs.

### **Regulatory Assets**

The F-16 annual report reflects a total for Regulatory Assets, account 182.3, of \$33,264,323, which was verified to specific 182.3 accounts, but also three accounts identified as accounts receivable #142, and two identified as #186. **Audit Issue #1**

<b>G/L Account2</b>	<b>GL - REG - Profit center</b>	<b>DEC Balance</b>
CRA Oth Reg Ast	1316001118230010168	\$ -
CRA Property Tax	1311011118231410168	\$ 3,299,562.58
CRA R8 Case Cost	1312001118230010168	\$ 14,348,125.02
LTRA ClnEnergyCstPrg	1703001118230010168	\$ 170,156.62
LTRA Env Cost	1707001118230010169	\$ -
LTRA Env Cost	1707001118230010168	\$ 3,210,754.45
LTRA Inc Tax	1709001118230010168	\$ 647,789.38
LTRA Oth Reg Ast	1717001118230010168	\$ 262,253.63
LTRA Pen&PostEmp Ben	1701001118230010168	\$ 12,546,500.02
LTRA R8 Case Cost	1712001118230010169	\$ -
LTRA R8 Case Cost	1712001118230010168	\$ (49,331.41)
LTRA State Tax dfrd	1709011118230010168	\$ 155,806.00
	<b>subtotal 182.3 accounts</b>	<b>\$ 34,591,616.29</b>
CRA Def WC Winter	1308011114200410168	\$ 53,518.54
CRA Def WC Summer	1308011114200510168	\$ 66,457.91
CRA R8 Adj Mech	13110011142006-10168	\$ (1,383,441.12)
CRA Def WC Winter	1308011118600010168	\$ (62,212.23)
CRA Def WC Summer	1308021118600010168	\$ (1,616.08)
	<b>subtotal mis-mapped</b>	<b>\$ (1,327,292.98)</b>
	<b>Account 182.3 per F-16</b>	<b>\$ 33,328,151.62</b>

Amortization of any authorized amount was reviewed as part of the Amortization section of this report.

#### **Clearing Account 184**

Audit verified the F-16 reported total of account 184, Clearing, \$(80,212) to the following SAP year-end balances:

Corporate Natural		Regulatory		DEC Balance
G/L Account	G/L Account2	Account	GL - REG - Profit center	
110030	AR-Legacy	1840	1100301118400010168	\$ (91,647.21)
140240	Billable Clg	1840	1402401118400010168	\$ (141,388.96)
140230	Billable Interco Clg	1840	1402301118400010168	\$ 1,751.38
140250	P Card Clearing	1840	1402501118400010168	\$ 81,675.52
140200	Prepaid Clg Accounts	1840	1402001118400010168	\$ (51,431.93)
140210	Pwrpln Stmt Clg Acc	1840	1402101118400010168	\$ (13,809.19)
<b>Subtotal 184 accounts</b>				<b>\$ (214,850.39)</b>
The accounts below are Income Statement accounts, not properly mapped, but net to zero.				
500000	Salaries and Wages	1840	5000001118400010168	\$ 1,823.59
500330	Outside Svs-Ser Main	1840	5003301118400010168	\$ 5,235.36
501220	Fleet-Repair/Main	1840	5012201118400010168	\$ 1,066.25
505000	Other Operating Exp	1840	5050001118400010168	\$ (8,092.46)
521020	Gas Pur	1840	5210201118400010168	\$ 915.45
702000	BS Lbr Offset	1840	7020001118400010168	\$ (1,783.96)
702040	BS Other Offset	1840	7020401118400010168	\$ 1,504.14
702110	BS Ops OH Benefit	1840	7021101118400010168	\$ (1,114.27)
702112	BS OH Payroll Tax	1840	7021121118400010168	\$ (167.69)
702113	BS OH Pension/OPEB	1840	7021131118400010168	\$ (171.44)
702114	BS OH Prop Ins	1840	7021141118400010168	\$ (96.52)
702116	BS Ops Vac Allocatin	1840	7021161118400010168	\$ (261.70)
800000	Lbr Alloc	1840	8000001118400010168	\$ 7,767.48
801110	OH Benefits	1840	8011101118400010168	\$ 2,745.93
801112	OH Payroll Tax	1840	8011121118400010168	\$ 901.53
801113	OH Pension/OPEB	1840	8011131118400010168	\$ 921.71
801114	OH Prop Ins	1840	8011141118400010168	\$ 518.90
801116	OH Vacation	1840	8011161118400010168	\$ 1,406.97
801118	OH Inj&Damage	1840	8011181118400010168	\$ 803.74
801119	OH Bonus	1840	8011191118400010168	\$ 918.80
801141	OH IT Costs	1840	8011411118400010168	\$ 1,401.27
801142	OH Rent	1840	8011421118400010168	\$ 120.88
801170	OH A&G N-Labr	1840	8011701118400010168	\$ 1,995.89
804000	WBS ST Lbr	1840	8040001118400010168	\$ (792.60)
804030	WBS ST Services	1840	8040301118400010168	\$ (5,235.36)
804040	WBS ST Other	1840	8040401118400010168	\$ (164.94)
804110	WBS ST OH Benefit	1840	8041101118400010168	\$ (495.06)
804112	WBS ST OH Payroll Tx	1840	8041121118400010168	\$ (74.50)
804113	WBS ST OH Pen/OPEB	1840	8041131118400010168	\$ (76.17)
804114	WBS ST OH Prop Ins	1840	8041141118400010168	\$ (42.88)
804116	WBS ST Vacation	1840	8041161118400010168	\$ (116.27)
854000	WBS ST Lbr-Intrc	1840	8540001118400010168	\$ (7,014.51)
854040	WBS ST Other-Intrc	1840	8540401118400010168	\$ 3,841.92
854050	WBS ST Fleet-Intrc	1840	8540501118400010168	\$ (1,066.25)
854110	WBS ST OH Ben-Intrc	1840	8541101118400010168	\$ (4,381.29) sum of 3 entries
854112	WBS ST OH PrITx-intr	1840	8541121118400010168	\$ (659.34) sum of 3 entries
854113	WBS ST OH Pn/OPEB	1840	8541131118400010168	\$ (674.10) sum of 3 entries
854114	WBS ST OH PrIn-Intrc	1840	8541141118400010168	\$ (379.50) sum of 3 entries
854116	WBS ST Vaca-Intrc	1840	8541161118400010168	\$ (1,029.00) sum of 3 entries
<b>subtotal of mismapped</b>				<b>\$ -</b>
804085	WBS ST Travel	1843	80408511184300010168	\$ 134,638.27
<b>NET of ALL 184 accounts</b>				<b>\$ (80,212.12)</b>

Clearing accounts 1840 are used to gather charges that are billed to Intercompany transactions in Oakville. Oakville in turn, bills the other divisions for work and expenses incurred on behalf of those divisions. Refer to the Expense section of this report for additional information.

Account 1843 is used for the Fleet expenses allocated to open jobs. Fleet vehicle charges are aggregated and spread to jobs on a monthly basis

### **Miscellaneous Current and Accrued Assets #174 and #175**

Audit verified the 9/30/22 ending Great Plains balance of \$14,484,300.03 to the SAP starting balance. However, Audit was unable to verify the F-16 Annual Report of \$1,101,543 to the 2022 year-end total in the following SAP general ledger accounts, refer to **Audit Issue #1**:

1308001117400010000	CRA Fuel&Commod Cost	\$ 3,524,295.44
1308001117400010169	CRA Fuel&Commod Cost	\$ -
1308001117400110168	CRA Fuel&Commod Cost	\$ (13,128,584.58)
1308001117400110169	CRA Fuel&Commod Cost	\$ 625,549.58
1308001117400210168	CRA Fuel&Commod Cost	\$ 7,580,126.19
1308001117400210169	CRA Fuel&Commod Cost	\$ 135,313.61
1308001117500010168	CRA Fuel&Commod Cost	\$ (971,914.43)
1308001117500310168	CRA Fuel&Commod Cost	\$ 75,801.16
1308031117500210168	CRA Defer BD Summ	\$ 721,410.85
1308041117400310168	CRA Defer BD Wint	\$ 26,717.71
1311001117500010168	CRA R8 Adj Mech	\$ 553,417.00
1311001117500010169	CRA R8 Adj Mech	\$ (552,368.34)
1316001117500010168	CRA Oth Reg Ast	\$ 349,199.50
1711001117500410168	LTRA Adj Mech	\$ 768,435.28
1711001117500410169	LTRA Adj Mech	\$ 580,389.90
1712001117400010168	LTRA R8 Case Cost	\$ 788,054.23
1712001117400010169	LTRA R8 Case Cost	\$ -
5000001117500010168	Salaries and Wages	\$ 10,641.46
5003001117500010168	Outside Svs	\$ 11,476.07
5050001117400010168	Other Operating Exp	\$ -
5050001117500010168	Other Operating Exp	\$ 1,832,943.67
5502101117400210168	Amort-Rate Bse Offst	\$ 61,827.59
5502101117400210169	Amort-Rate Bse Offst	\$ 240.01
7020001117500010168	BS Lbr Offset	\$ (87,474.41)
7020301117500010168	BS Services Offset	\$ (11,476.07)
7020401117500010168	BS Other Offset	\$ (1,848,775.47)
7020801117500010168	BS Meals Offset	\$ (354.06)
7020851117500010168	BS Travel Offset	\$ (1,217.74)
7021101117500010168	BS Ops OH Benefit	\$ (45,153.06)

7021121117500010168	BS OH Payroll Tax	\$	(7,699.65)
7021131117500010168	BS OH Pension/OPEB	\$	(7,078.82)
7021141117500010168	BS OH Prop Ins	\$	(2,521.08)
7021161117500010168	BS Ops Vac Allocatin	\$	(12,015.13)
8000001117400010168	Lbr Alloc	\$	664.95
8000001117500010168	Lbr Alloc	\$	65,067.87
8011101117500010168	OH Benefits	\$	21,107.77
8011121117500010168	OH Payroll Tax	\$	7,699.65
8011131117500010168	OH Pension/OPEB	\$	7,078.82
8011141117500010168	OH Prop Ins	\$	2,521.08
8011161117500010168	OH Vacation	\$	12,015.13
8011181117500010168	OH Inj&Damage	\$	3,906.60
8011191117500010168	OH Bonus	\$	7,843.50
8011411117500010168	OH IT Costs	\$	11,144.42
8011421117500010168	OH Rent	\$	1,150.77
8011701117500010168	OH A&G N-Labr	\$	15,467.47
8040001117400010168	WBS ST Lbr	\$	(664.95)
8540001117500010168	WBS ST Lbr-Intrc	\$	11,765.08
8540401117500010168	WBS ST Other-Intrc	\$	364.33
8540801117500010168	WBS ST Meals-Intrc	\$	354.06
8540851117500010168	WBS ST Travel-Intrc	\$	1,217.74
<b>Total Per SAP 12/31/22</b>		<b>\$</b>	<b>1,137,910.70</b>

The difference between annual report total of \$1,101,543 and SAP balance of \$1,137,910.70 is (\$36,367.69) and is due to the following accounts that were mis-mapped during the Great Plains conversion to SAP **Audit Issue #1:**

1308001118600010168	CRA Fuel&Commod Cost	\$	577,219.98
1308001118600010169	CRA Fuel&Commod Cost	\$	(439,379.13)
1308031118600010168	CRA Defer BD Summ	\$	(41,778.69)
1308041118600010168	CRA Defer BD Wint	\$	(132,429.85)
<b>Total of mis-mapped accounts</b>		<b>\$</b>	<b>(36,367.69)</b>

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

**Balance Sheet Equity and Liabilities****Equity – Common Stock**

The F-16 annual report and filed schedule 1604.01(a)(1)(a) BS listed the 12/31/2022 balance for Common Stock, FERC account 201, as \$(124,147,058). The year-end balance was confirmed to SAP general ledger account 310100-11201000-10168, Common Share Cost Intercompany, mapped from GP general ledger accounts 8810-2-0000-30-3050-4551 and 8810-2-0000-30-3050-4552, Interco CS EnergyNorth. Audit confirmed that the 9/30/2022 GP net balance of \$(124,147,058) rolled into SAP account 310100-11201000-10168. The Common Stock balance has remained the same since the prior rate case for the test-year 2019, docketed as DG 20-105. One-hundred percent of the authorized issuance of common shares is owned by Liberty Energy Utilities (New Hampshire) Corporation. No dividends were declared or paid by the EnergyNorth and Keene divisions during the test year.

**Other Paid-in Capital**

The 2022 annual report listed no balance for the EnergyNorth and Keene divisions' Other Paid-in Capital, FERC account 211. Audit verified the balance to the following SAP general ledger accounts and confirmed that the amount has not changed since the prior rate case for the test-year 2019:

<u>Account</u>	<u>Description</u>	<u>Balance</u>
183330-11123000-10168	Interco APIC - EnergyNorth	\$ 3,047,227
335000-11211000-10169	Add Paid-in Capital Int - Keene	<u>(3,047,227)</u>
	Total Other Paid-in Capital	\$ 0

The \$3,047,227 represented the Keene book value of the stock of New Hampshire Gas Corporation that Liberty EnergyNorth was authorized to purchase from Iberdrola, effective 1/2/2015. Audit verified that the following GP account balance, as of September 2022, was mapped to the aforementioned SAP accounts, respectively:

8840-2-0000-10-1545-4554, Interco Invest APIC – NH Gas Keene	\$ 3,047,227
8843-2-0000-30-3045-4554, Interco APIC – NH Gas Keene credit	<u>(3,047,227)</u>
	\$ 0

For clarification purposes, the following represents the \$3,047,227 on the EnergyNorth and Keene GP general ledgers, as depicted since 1/2/2015:

**EnergyNorth**

Effective January 2, 2015, the following journal entries were booked on the ENG ledger to reflect the purchase of NH Gas, in accordance with Order No. 25,736 of docket DG 14-155, and the Purchase and Sale agreement of \$3 million—plus or minus adjustments for net working capital:

8840-2-0000-20-2810-2655	Due from/to Keene	\$3,047,227	
8840-2-0000-20-2810-2603	Due to LU Co		(\$3,047,227)



The entry posted the Purchase price, plus working capital adjustments of the NH Gas. Originally posted as an amount due from Keene and offset as a payable to LU Corp. In 2018, the EnergyNorth account classification was moved, whereby the “Due from/to Keene” was more appropriately considered an Investment in Subsidiaries, as reflected in the following entry:

8840-2-0000-10-1510-1231	Investment in Subsidiaries	\$3,047,227	
8840-2-0000-20-2810-2655	Due from/to Keene		(\$3,047,227)

The following depicts another 2018 EnergyNorth journal entry, which then reclassified the amount out of the Investment in Subsidiaries account and into an Intercompany Investment Additional Paid-in Capital (APIC) account:

8840-2-0000-10-1545-4554	Interco Investment APIC NH Gas Keene	\$3,047,227	
8840-2-0000-10-1510-1231	Investment in Subsidiaries		(\$3,047,227)

The account structure of 10-15XX is how the Company identifies assets for reporting purposes. The -4554 account is used for consolidation purposes, in that there is a credit balance in the Keene -4554 account, as adjusted in 2018.

#### Keene

The posting of the Keene assets and liabilities on the general ledger for Keene—effective on 1/2/2015—included the following, as part of the “day one” entries that moved NH Gas to Liberty Keene’s general ledger:

8843-2-0000-20-2810-2607	Due to EnergyNorth		(\$3,047,227)
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In conjunction with the Audit report that was issued in DG 17-048, the Company agreed to move the Due to EnergyNorth to an Other Paid-in Capital account. The following Keene entry posted in 2018 and cleared the Due to EnergyNorth liability with the credit to the Keene Intercompany APIC account:

8843-2-0000-20-2810-2607	Due to EnergyNorth	\$3,047,227	
8843-2-0000-30-3045-4554	Interco APIC - NH Gas Keene		(\$3,047,227)

Audit understands the flow of the entries and confirms the 9/30/2022 GP balances, as previously stated, whereby the -4554 accounts net to \$0 for consolidation purposes. Refer to the aforementioned SAP account balances as of 12/31/2022, mapped from the -4554 GP accounts.

Although the verified \$0 balance for the 2022 Other Paid-in Capital was correctly recorded as account 211 on page 10 and line 7 of the F-16 annual report, the \$0 balance for the year was erroneously recorded in account 219, Accumulated Other Comprehensive Income, on the Puc 1604.01(a)(1)(a) BS schedule of the filing, Bates page I-006. Subsequently, the schedule Puc 1604.01 reported the amount of \$(729,693) for account 211, Other Paid-in Capital. Audit understands that the noted variance between the Annual Report and the filed schedule Puc 1604.01 does not impact the reported \$(253,773,352) in proprietary capital, as of 12/31/2022. Refer to the Accumulated Other Comprehensive Income (AOCI) section of the report for details regarding the balances reported between the Other Paid-in Capital account and the AOCI account.

Retained Earnings

The annual report listed the total retained earnings of \$(130,355,987) for both the EnergyNorth and Keene divisions. The amount represented a change of \$(28,024,187) from the previous year-end balance. Audit confirmed that the \$(28,024,187) directly corresponded to the Net Income on the annual report's Statement of Income, as well as to the Net Income on the filed schedule 1604.01(a)(1)(b) PL. The following depicts the general ledger account balances that comprise the 2022 retained earnings:

<u>SAP Account</u>	<u>Description</u>	<u>Balance 12/31/2022</u>
341000-11216000-10168	Open. Retained Earn - EnergyNorth	\$ (\$106,318,038)
341000-11216000-10169	Open. Retained Earn - Keene	\$3,986,238
	GL Account Total	\$ (\$102,331,800)
Combined Net Income for 2022		\$ (\$28,024,187)
	Retained Earnings	\$ (\$130,355,987)

The December 2022 retained earnings balance was unchanged from the September 2022 balance of \$(106,318,038) for the EnergyNorth division and \$3,986,238 for the Keene division; these balances were originally mapped to GP account 8840-2-0000-30-3310-2160 and 8843-2-0000-30-3310-2160, respectively. Audit confirmed that the September 2022 retained earnings balances for both GP accounts rolled into the SAP account 11216000 year-end total of \$(102,331,800).

Although the confirmed year-end balance \$(130,355,987) of retained earnings was correctly identified in FERC account 216 on page 10 and line 11 within the 2022 annual report, the balance for the year was erroneously recorded in account 213, Capital Stock Expense, within the Puc 1604.01(a)(1)(a) BS schedule of the filing on Bates page I-006. Audit understands that the noted variance between the annual report and the filed schedule Puc1604.01 does not impact the reported \$(253,773,352) in total proprietary capital, as of 12/31/2022. Refer to the Capital Stock Expense section of the report for details regarding the balances reported between the Retained Earnings account and the Capital Stock Expense account.

Capital Stock Expense

There was no balance listed on the annual report for the Capital Stock Expense and Audit confirmed that the \$0 balance was reported since the prior rate case for the test-year 2019. Audit confirmed the balance to the September month-end GP general ledger, as well as to the year-end balance on the SAP general ledger. Although the verified \$0 balance for the 2022 Capital Stock Expense was correctly recorded as FERC account 213 on page 10 and line 10 of the annual report, the \$0 balance for the year is erroneously recorded in account 216, Retained Earnings, within the Puc 1604.01(a)(1)(a) BS schedule of the filing, Bates page I-006. Audit understands that the noted variance between the annual report and the filed schedule Puc 1604.01 does not impact the reported \$(253,773,352) in proprietary capital, as of 12/31/2022. Refer to the Retained Earnings section of the report for details regarding the balances reported between the Capital Stock Expense account and the Retained Earnings account.

Accumulated Other Comprehensive Income (AOCI)

The F-16 annual report reflected the year-end total of \$729,693 for AOCI, listed as account 219. Audit tied the balance to the following SAP general ledger accounts, as of 12/31/2022:

<u>Account</u>	<u>Description</u>	<u>Balance</u>
362010-11219000-10168	AOCI Pension Tax	(5,651,696)
362030-11219000-10168	AOCI OPEB Tax	3,921,586
362040-11219000-10168	AOCI Pension	6,232,408
362060-11219000-10168	OCI Pension FAS 158	(4,216,823)
362070-11219000-10168	AOCI OPEB	174,457
362080-11219000-10168	AOCI OPEB FAS 158	(1,191,489)
362090-11219000-10168	OCI Pension Tax	1,461,250
Total AOCI		\$ 729,693

Audit confirmed that the Keene division had no accounts for AOCI reported on the 2022 general ledger. The GP general ledger account balance was \$4,789,343, as of September 2022, which rolled into the SAP account 11219000-10168, Accumulated Other Comprehensive Income, for the reported year-end total of \$729,693. Although the AOCI balance of \$729,693 was correctly listed as account 219 on page 10 and line 7B of the 2022 annual report, the balance was erroneously recorded in account 211, Other Paid-in Capital, within the Puc 1604.01(a)(1)(a) BS schedule of the filing on Bates page I-006. Audit understands that the noted variance between the annual report and the filed schedule Puc1604.01 does not impact the reported \$(253,773,352) in proprietary capital, as of 12/31/2022. Refer to the Other Paid-in Capital section of the report for details regarding the balances reported between the AOCI account and the Other Paid-in Capital account.

The AOCI Pension Taxes, SAP account 362010-11219000-10168, was mapped from the following GP accounts: 8840-2-0000-30-3800-0153, AOCI Pension Taxes, and 8840-2-0000-30-3800-0052, OCI Pension Taxes. Audit reviewed the 2021 trial balance and confirmed the year-end close transfer balance entry OCI to AOCI recorded on 1/1/2022. Other entries on the account were for the monthly pension tax accruals, with the offsetting entries verified to SAP account 272100-11283000-10168, LTL Accum Def SIT Util-PPE. Refer to the Tax section of the report for further details.

The AOCI OPEB Tax and AOCI OPEB SAP accounts 362030-11219000-10168 and 362070-11219000-10168, had no general ledger activity for the 2022 test year. The AOCI Pension GP account 8840-2-0000-30-3800-0002, which was mapped to SAP account 362040-11219000-10168, posted a credit of \$(7,356,746). The journal entry was to record the balance reclassification from GP account 8840-2-0000-30-3800-2192, OCI FAS 158-Pension, mapped to SAP account 362060-11219000-10168. Audit reviewed the 2021 trial balance and confirmed the year-end total of \$(7,356,746) that was moved to close on 1/1/22. Entries on the OCI Pension account were for monthly pension accruals in the amount of \$17,137.58. Audit verified the offsetting entries to SAP account 278020-11926000-10168, Pension Nn-Srv Cost. Refer to the Employee Pension and Benefits section of the report for further detail.

**Current and Accrued Liabilities****Accounts Payable to Associated Companies**

The total \$(1,506,811,289), per the F-16 annual report for account 234, was tied to the filed schedule 1604.01(a)(1)(a) BS. Audit verified the balance to the SAP general ledger, as follows:

<u>Account</u>	<u>Description</u>	<u>Balance 12/31/2022</u>
201010-11234000-10168	Interco AP-EnergyNorth	\$ (746,706,256)
201010-11234000-10169	Interco AP-Keene	(330,488)
201020-11234000-10168	Interco AP Legacy-EnergyNorth	(729,939,447)
201020-11234000-10169	Interco AP Legacy-Keene	(28,072,841)
211610-11234000-10168	Interco Interest P-L	(1,762,257)
		<u>\$ (1,506,811,289)</u>

Audit understands that prior to October 2022, the settlement of intercompany activity was recorded to the following GP general ledger accounts:

8840-2-0000-20-2810-2079	Due from Liberty Utilities Canada
8840-2-0000-20-2810-2596	Due to APUC
8840-2-0000-20-2810-2603	Due to LU Co.
8840-2-0000-20-2810-2606	Due to Liberty Energy New Hampshire
8840-2-0000-20-2810-2616	Due to St. Lawrence Gas
8840-2-0000-20-2810-2626	Due to Liberty Utilities America Co.
8840-2-0000-20-2810-2635	Due to Cogsdale New Hampshire
8843-2-0000-20-2810-2606	Due to Liberty Energy New Hampshire
8843-2-0000-20-2810-2635	Due to Cogsdale New Hampshire

The Company confirmed that the original GP accounts at conversion are now the “Legacy” SAP general ledger accounts, as of October 2022. The September 2022 GP account balances rolled into the appropriate SAP general ledger regulatory account 11234000, Accounts Payable to Associated Companies, with separate natural general ledger accounts 201010/201020/211610 that identified the Intercompany AP/Intercompany AP Legacy/Intercompany Interest P-L, respectively. Refer to the Accounts Receivable from Associated Companies section of the report for additional details regarding the flow of intercompany transactions.

Audit reviewed the general ledger for both the EnergyNorth and Keene Intercompany Accounts Payable. Monthly entries were for the allocation of professional fees, as well as for the money pool interest and payments to vendors. Supporting information for the Algonquin Power & Utilities Corp (APUC) allocation percentage calculation that was applied to the types of indirect costs for the indirect billing was reviewed, along with the money pool interest calculation information. Audit sampled an entry for the allocated indirect costs and confirmed the flow through the intercompany account, which was offset to the Outside Services APUC HO Allocations. Refer to the Outside Services Employed and Algonquin Power & Utilities Corp sections for details regarding the allocation methodology of APUC indirect costs.

Audit reviewed supporting information for sampled entries from the EnergyNorth and Keene division's monthly money pool interest. It was verified that the entries flowed through the intercompany interest account. The interest accrual was confirmed to the intercompany AP account. Refer to the Affiliate Service Agreements and Interest on Debt to Associated Companies sections for further details regarding the money pool agreement.

### **Customer Deposits**

The F-16 annual report reflects Customer Deposits as \$(3,027,602). The revenue requirement schedule RR-EN-5-1 shows incorrect column headings that appear to be from the DG 20-105 rate case. However, the "2019 Q4" agrees with the 2022 annual report figure of \$(3,027,602).

Through September 30, 2022, in the Great Plains system, the Customer Deposits for EnergyNorth and Keene were noted in:

8840-2-0000-20-2113-2350 Customer Deposits	\$(2,927,557.17)
8843-2-0000-20-2113-2350 KN Customer Deposits	\$ (18,502.44)
Total	\$(2,946,059.61)

Audit verified that the ending September balances were rolled into the SAP accounts in which 68 represents EnergyNorth and 69 represents Keene. The 12/31/2022 balances were:

Account	Great Plains 9/30/2022	SAP			
		9/30/2022	10/31/2022	11/30/2022	12/31/2022
8840-2-0000-20-2113-2350 Customer Deposits	\$ (2,927,557.17)				
8843-2-0000-20-2113-2350 Customer Deposits	\$ (18,502.44)				
2464001123500010168 Curr Cst Dpst Hld		\$ (2,927,557.17)	\$ (2,927,737.17)	\$ (2,927,737.17)	\$ (2,927,737.17)
2464001123500010169 Curr Cst Dpst Hld		\$ (18,502.44)	\$ (18,502.44)	\$ (18,502.44)	\$ (18,502.44)
2904001123500010168 LT Cst Dpst Held-Ctrl		\$ (2,710,882.82)	\$ (2,763,924.23)	\$ (2,774,509.62)	\$ (2,791,452.79)
2904001123500010169 LT Cst Dpst Held-Ctrl		\$ (17,316.40)	\$ (17,890.14)	\$ (18,101.29)	\$ (18,229.04)
2904101123500010168 LT Cst Dpst Hld-Leg		\$ 2,710,882.82	\$ 2,711,003.15	\$ 2,711,003.15	\$ 2,711,003.15
2904101123500010169 LT Cst Dpst Hld-Leg		\$ 17,316.40	\$ 17,316.40	\$ 17,316.40	\$ 17,316.40
	\$(2,946,059.61)	\$(2,946,059.61)	\$(2,999,734.43)	\$(3,010,530.97)	\$(3,027,601.89)

Audit requested and was provided with the confidential aged customer deposit information as of 12/31/2022 to determine compliance with the applicable Puc 1203.03 Rules.

The Company informed Audit that while preparing the aged listing "*the Company discovered a data anomaly affecting 238 of the 9,068 records which inhibits these accounts from receiving a monthly credit for the security deposit interest. The 238 affected accounts with the no interest paid hold \$51,690 in cumulative deposits. The Company estimates the potential interest owed assuming 5.5% over 3 months at \$710.74. The Company is working to provide the customers with a credit as soon as possible.*" **Audit Issue #15**

Because of the system conversion to SAP October 1, 2022, there are no deposit dates earlier than 9/29/2022 on the aged listing provided to Audit. Audit was informed that the Customer Service representatives at Liberty are able to look into the individual customer's deposit activity, which demonstrates details beyond those which were included in the aged listing.

The total requested column sums to	\$2,928,693.88
The total received sums to	\$2,867,533.39
The interest post "til 22 <sup>nd</sup> Dec 2022" sums to	\$ (30,126.23)
The "Delta til 31 <sup>st</sup> " sums to	\$ (1,499.41)

The difference between the requested and received figures above is due to residential customers having the option of paying their deposit in three installments. The Company also noted that the aged listing provided was provided by the Customer Care team. That listing reflected accounts that had been written off due to non-payment, but remain available to the Customer Care team in the event the customer calls with a question.

Audit requested clarification of the variance between the SAP year-end figure of \$(3,027,601.89) and the aged listing, and was provided with a detailed reconciliation, summarized as:

SAP 246400	\$(3,027,601.89)
FICA deposit detail	<u>\$(2,812,585.28)</u> representing 8,366 deposits
Variance	\$ (217,920.06)

The noted variance was identified as:

Conversion loads	\$(250,660.84)
Adjusting journal entries	\$ 32,309.72
Remaining ENN conversion variance	\$ 308.72
Remaining GSE conversion variance	\$ 302.34
Unknown variance	<u>\$ (180.00)</u>
	\$(217,920.06)

Due to timing of our audit work, clarification of what the Conversion loads represent could not be determined.

#### Accrued Interest

The F-16 annual report and filed schedule Puc 1604.01(a)(1)(a) BS listed the accrued interest as FERC account 237. The balance totaled \$(4,699,352), as of 12/31/2022, and was confirmed to the EnergyNorth SAP general ledger account 211610-11237000-10168, Intercompany Interest P-L, mapped from GP general ledger account 8840-2-0000-20-2170-2603, Intercompany Interest Payable-LU Co. Audit verified that the 9/30/2022 GP balance rolled into the 12/31/2022 SAP account balance for the regulatory accrued interest account.

Audit reviewed supporting detail provided by the company and verified credit entries on the account, in the amount of \$587,419.09, for the monthly interest accrual on the long-term notes. Offsetting debit entries were confirmed to expense account 8840-2-0000-80-8543-2603,

Intercompany Interest Expense LU Co., which was mapped to SAP natural GL account 560520, Interest Expense Intercompany Legacy. Additionally, Audit verified a sampled semi-annual interest payment on the long-term debt, which netted to \$3,524,515, as a reversing debit that posted on 5/31/2022. Refer to the Interest on Debt to Associated Companies section of the report for details regarding the verification of the interest expense.

#### Obligations Under Leases – Current

Filed schedule Puc 1604.01(a)(1)(a) BS and the F-16 annual report each listed the Obligations Under Capital Leases-Current, account 243, with a balance of \$(412,652). The amount was confirmed to the 12/31/2022 balance on SAP general ledger account 246610-11243000-10168, Current Operating Lease Obligation. Audit confirmed that the 9/30/2023 balance on GP general ledger account 8840-2-0000-20-2750-2431, Lease Liability Short Term, rolled into the SAP year-end balance.

For each quarter, there was one entry recorded to the general ledger for the short-term portion of operating lease. Audit confirmed the offsetting entries to account 8840-2-0000-10-1616-1012, Right-of-Use Asset, mapped to SAP 150810-11101200-10168, Capital Lease Legacy. Refer to the Obligations Under Capital Leases–Non-Current account detail for the long-term portion of lease obligations, and to the Capital Leases portion of this report.

#### Other Interest Expense

The annual report interest expense was identified as account 431, which totaled \$397,291 for the EnergyNorth and Keene divisions. The amount was confirmed to the Puc 1604.01(a)(1)(a) PL filing. Audit tied the test-year interest expense to the following SAP general ledger accounts:

<u>SAP Account</u>	<u>Description</u>	<u>12/31/2022 Balance</u>
563000-11431000-10168	Other Interest Expense	\$ 396,489
563000-11431000-10169	Other Interest Expense-KN	801
	Total Other Interest Expense	\$ 397,291

Audit confirmed that the 9/30/2022 general ledger Interest Expense balance for the EnergyNorth GP account 8840-2-0000-80-8550-4310 and the Keene GP account 8843-2-0000-80-8550-4310 were included in the 12/31/2022 SAP balance on regulatory account 11431000, Other Interest Expense. Pursuant to the PUC Rules for Uniform Administration of Customer Relations, interest accrued needs to be credited no less than annually. Audit reviewed activity throughout the year and noted that the Company credited the account for interest in January and September. Other transactions on the account contained debits for billing activity, accounts payable, cash, and accounts receivable, including monthly debit entries that were described as “Interest on Deferral Accounts”. The Company verified that, “*The deferral entries are the monthly entries done in General Accounting to record interest expense on reg assets and reg liabilities.*” The interest expense that is associated with customer deposits is credited directly to customer accounts on a monthly basis. A sampled monthly entry for the customer interest

payments was confirmed as a debit to the Interest Expense-Other, account 431, with the offsetting credit to the Customer A/R account 142. Refer to **Audit Issue #15**

The Keene division reported a year-end balance of \$801 on SAP account 563000-11431000-10169, Other Interest Expense. Monthly debits were booked for the interest on deferral accounts. Additionally, Audit sampled an April 2022 debit entry in the amount of \$48.43 for the interest on customer deposits. The offsetting credit was verified to the Customer A/R account 142. Refer to **Audit Issue #15**

#### Allowance for Funds Used During Construction (AFUDC) – Borrowed

The AFUDC balance on the annual report listed FERC account 432 with a total of \$(90,986), which tied to the filed schedule Puc 1604.01(a)(1)(a) PL. Audit confirmed that the 9/30/2022 GP general ledger balance for the AFUDC, as reported for EnergyNorth account 8840-2-0000-80-8550-4320 and Keene account 8843-2-0000-80-8550-4320, rolled into the 12/31/2022 SAP balance of \$(90,986), account 562010-11432000, AFUDC Borrowed.

Audit reviewed information provided by the Company, including the AFUDC calculation and confirmed the weighted cost for the test year 2022. The weighted cost was verified to the 6/29/2021 Settlement Agreement, Section 4, Cost of Capital, from Docket DG 20-105. Audit reviewed sampled entries on the account that represented the allowance for funds used during construction. The Company confirmed that they do not have any rentals and explained that the allocation of AFUDC charges is based on the calculation used in PowerPlan which “[...]is beginning base charges [plus] half month current charges times the rate. PowerPlan will also calculate adjustments based on an In-Service date to remove AFUDC as needed.” Audit verified that monthly credit transactions posted on each account and were offset to SAP natural GL account 562010, regulatory account 11107000, Construction Work in Progress. Refer to the Plant section of the report for details regarding the AFUDC detail per work order.

#### Miscellaneous Current and Accrued Liabilities

##### Other Accrued Liabilities

The filing schedule 1604.01 (a)(1)(b) BS, Bates page I-010 reflects the 12/31/2022 balance of \$(33,911,364.89) for the total Miscellaneous Current and Accrued Liabilities account 242. That figure agrees with the F-16 annual report, and was traced to the following general ledger accounts:



SAP Account Number and Title		12/31/2022
2000351124200010169	AR-Unapplied Paymts	\$ -
2000351124200010168	AR-Unapplied Paymts	\$ 9,982.97
2130101124200010168	Bonus Accrual	\$ -
2463001124200010168	Curr M Op Reserve	\$ -
2483601124200010168	Current OPEB Ob	\$ (410,373.00)
2107201124200010169	Gas/Pwr Purch Accrual	\$ (334,273.97)
2107201124200010168	Gas/Pwr Purch Accrual	\$ (15,848,140.63)
2107101124200010169	GR/IR	\$ (11,234.47)
2107101124200010168	GR/IR	\$ (4,250,379.43)
2615001124200010169	LTRL Cost of Rem	\$ (3,471.70)
2615001124200010168	LTRL Cost of Rem	\$ (634,770.77)
2103001124200010168	Misc Accrued Liab	\$ (12,464,978.35)
2103001124200010169	Misc Accrued Liab	\$ (19,114.19)
2801201124200010168	PBO Opeb Pen/FAS106	\$ 26,909.64
2107001124200010168	PO Accrual	\$ 28,479.01
		<b>\$ (33,911,364.89)</b>

Audit verified that the related Great Plains 9/30/2022 balances rolled to the SAP accounts above. However, two specific accounts were combined in the SAP:

	<u>GP 9/30/2022</u>	<u>SAP12/31/2022</u>
8840-2-0000-20-2141-2425 On Bill Financing EE	\$ (873,409.17)	
8840-2-0000-20-2110-2420 Misc. Accrued Liab.	\$ (319,991.36)	
<b>BOTH accounts</b> Rolled into SAP 2103001124200010168 Misc Accd Liab		\$(12,464,978.35)
New SAP account 2103001124200010169 Misc Accrued Liab		<u>\$ (19,114.19)</u>
		<b>\$(12,484,092.54)</b>

Audit questioned how the Company will differentiate the two types of deferred liability accounts, and was told: *“The ending balance at December 31, 2022 in the account was \$(12,484,092.54). This represents (\$830,112.97) for On Bill Financing and (\$11,653,979.57) of Misc Accrued Liabilities. On Bill Financing and Misc Accrued Liabilities are reconciled in one reconciliation but two separate roll forwards showing detail balances to track each separately.”*

Unapplied Payments

8840-2-0000-20-2111-2420 Unapplied Payments \$(3,020,944.67)  
 Rolled into SAP 20003511232000010168 AR-Unapplied Payments \$(3,393,750.52)

8843-2-0000-20-2111-2420 Unapplied Payments \$ (11,409.09)  
 Rolled into SAP 20003511232000010169 AR-Unapplied Payments \$(26,183.49)

Refer to the Accounts Receivable section of this report for additional information.

The Unapplied Payments figure in the grid above, \$9,982.97, was posted to account 20003511242000010168.

Account 232 is Accounts Payable. Account 242 is Miscellaneous Current and Accrued Liabilities.

Other Non-current LiabilitiesAccumulated Miscellaneous Operating Provision

The 2022 balance for the Accumulated Miscellaneous Operating Provision is reported as \$(24,617,774.13) for account 228.4, on page 10, line 29, of the annual report. The total for the year is on the incorrect 228.3 Accumulated Provision for Pensions and Benefits account line within the Puc 1604.01(a)(1)(b) BS schedule of the filing, Bates page I-010.

Audit verified that the January through September 2022 net activity in the Great Plains system, and the resulting 9/30/2022 balances, were rolled into the SAP accounts:

8840-2-0000-20-2110-2282 Current Portion – Misc Operating Reserves	\$ (9,214,970.00)
8840-2-0000-20-2930-2282 Misc Operating Reserves	<u>\$(14,822,277.55)</u>
<u>9/30/2022</u> Accumulated Miscellaneous Operating Provision	<u>\$(24,037,247.55)</u>
The SAP accounts, at year-end were noted to be:	
2913001122820010168 Env Obligations	\$(23,278,414.13)
2463001122820010168 Curr M Op Reserve	<u>\$ (1,339,360.00)</u>
<u>12/31/2022 SAP Balances</u>	<u>\$(24,617,774.13)</u>

The accounts above are used to record deferred liabilities related to Environmental response costs. Specifically, within Environmental audits (part of the annual LDAC), descriptions of the accounts were identified to be:

*“-2110-2282 Current Portion Miscellaneous Operating Reserves represents the current portion of the liability resulting from the cash flow calculation. The short term reserve is also used to offset the change in short term accounts receivable balance required based on the short term remediation amount. The general ledger balance is trued-up to the cash flow calculation quarterly...”*

*-2930-2282 Miscellaneous Operating Reserves represents the long term liability related to the cash flow of all remediation sites, based on the originally projected actuary calculations*

(from prior ownership). The general ledger balance is trued-up to the cash flow calculation quarterly. That account is also used as an offset for the change in long-term accounts receivable and the adjustment needed in this account to adjust balance to correspond to the estimated net present value of the remediation amount...”

Further review of the accounts was not conducted as part of this audit.

### **DECOUPLING**

GP accounts were:	9/30/2022 Balance
8840-2-0000-10-1168-1823 Deferral Decoupling Asset (RA)	\$4,110,773.85
8843-2-0000-10-1168-1823 Deferral Decoupling Asset	<u>\$ 658,641.54</u>
Total as of September 2022	\$4,769,415.39

Those balances were rolled into SAP accounts, which at year-end reflected:	
1312001118230010168 CRA R8 Case Cost	\$13,236,913.84
1312001118230010169 CRA R8 Case Cost	<u>\$ 1,111,211.18</u>
Total Deferred Asset as of 12/31/2022	\$14,348,125.02

	9/30/2022 Balance
8840-2-0000-20-2910-2542 Deferral Decoupling Liability (RL)	\$2,633,832.26 debit
8843-2-0000-20-2910-2542 Deferral Decoupling Liability	<u>\$ 235,332.46 debit</u>
Total as of September 2022	\$2,869,164.72 debit

Those balances were rolled into SAP accounts, which at year-end reflected:	
2411001125400010168 CRA R8 Adj Mech	\$-0-
2411001125400010169 CRA R8 Adj Mech	<u>\$-0-</u>
Total Deferred Liability as of 12/31/2022	\$-0-

The liability accounts with debit balances were cleared to the deferred asset accounts.

Audit is aware that the question of the balance in the Decoupling deferred account is the subject of open dockets, notably DG 22-041, DG 22-045, and DG 23-076. Validation of the represented amounts was not done as part of this audit. The information provided reflects solely the balances in the accounts at the end of the year. Decoupling deferrals are offset to Decoupling Revenue accounts. Refer to the Revenue section of this report for additional information.

### **Long-Term Debt**

The 2022 F-16 annual report listed \$(159,600,000) in long-term debt, which tied to the total that was filed on schedule Puc 1604.01(a)(1)(a) BS. The following depicts the noted account variances between the annual report and the general ledger:

<u>Account Description</u>	<u>F-16 Annual Report</u>	<u>SAP General Ledger</u>	<u>Variance</u>
Advances from Associated Companies (223)	\$ (159,600,000)	(71,818,182)	(87,781,818)
Unamortized Gain on Reacquired Debt (257)	-	(87,781,818)	87,781,818
Total	\$ (159,600,000)	\$ (159,600,000)	\$ -

As previously stated, the Company indicated that certain transactions were mis-mapped at the general ledger conversion from Great Plains to SAP. Refer to the Advances from Associated Companies section of the report for further details. **Audit Issue #1**

#### Advances from Associated Companies

Although the balance of \$(159,600,000) for the 2022 total in Advances from Associated Companies was correctly recorded as FERC account 223, on page 10 and line 18 of the F-16 annual report, the balance was erroneously recorded in account 222, Reacquired Bonds, on the Puc 1604.01(a)(1)(a) BS schedule of the filing, Bates page I-007. Audit acknowledges that the noted discrepancy on the filed schedule did not impact the long-term debt \$(159,600,000) that was reported, as of 12/31/2022.

On May 30, 2012, the Commission issued Order No. 25,370, which authorized the Company to issue up to \$90,000,000 in Long Term Debt (LTD). Four interest only loans totaling \$90,000,000 were issued, at varying interest rates and maturities, with an effective date of 12/21/2012. The first payment for all of these loans was due on July 30, 2013 with subsequent semi-annual payments due on January 30 and July 30 until maturity. The following depicts the GP general ledger details of the original four loans issued:

<u>Account</u>	<u>Description</u>	<u>Ending Balance</u>
8840-2-0000-20-2840-2231	NP-LU and EN \$41.8M 10YR @ 4.49%	\$ 41,818,182
8840-2-0000-20-2840-2232	NP-LU and EN \$21.8M 15YR @ 4.89%	\$ 21,818,182
8840-2-0000-20-2840-2233	NP-LU and EN \$8.2M 15YR @ 4.89%	\$ 8,181,818
8840-2-0000-20-2840-2230	NP-LU and EN \$18.1M 5YR @ 3.51%	\$ 18,181,818
Total Long Term Debt		<u>\$ 90,000,000</u>

On December 15, 2017, the Commission approved Order No. 26,084, of Docket DG 17-132, which authorized the Company to issue up to \$87,800,000 in Long Term Debt (LTD) for the purpose of retiring existing debt. One loan, with a principal sum of \$87,781,818, was issued at the interest rate of 4.22% and a maturity date of December 20, 2032. The Company designated \$18,181,818 of the \$87,781,818 principal sum to replace a maturing intercompany promissory note. The remaining \$69,600,000 of the total loan was to replace short-term debt. Audit reviewed the 2017 general ledger for account 8840-2-0000-20-2840-2230, NU-LU and EN \$18.1M, noting the December offset of the \$18.1M, to account 8840-2-0000-20-2840-2652, NP-LU and EN \$87.8M. The transaction cleared account 8840-2-0000-20-2840-2230 and the Company designated it as inactive. The following depicts the test-year 2022 total amount outstanding, including the details of the three loans issued in 2012, as well as the 2017 issued loan, totaling \$87,781,818:

<u>GP Account</u>	<u>Description</u>	<u>Ending Balance</u> <u>9/30/22</u>	<u>SAP Conversion Account</u>
8840-2-0000-20-2840- <b>2231</b>	NP-LU and EN \$41.8M 10YR @ 4.49%	\$ (41,818,181.82)	251000-11 <b>223</b> 000-10168
8840-2-0000-20-2840- <b>2232</b>	NP-LU and EN \$21.8M 15YR @ 4.89%	(21,818,181.82)	251000-11 <b>223</b> 000-10168
8840-2-0000-20-2840- <b>2233</b>	NP-LU and EN \$ 8.2M 15YR @ 4.89%	(8,181,818.18)	251000-11 <b>223</b> 000-10168
	Subtotal Account #223	(71,818,181.82)	
8840-2-0000-20-2840-2652	NP-LU and EN \$87.8M 15YR @ 4.22%	(87,781,818.18)	251000-11 <b>257</b> 000-10168
	Total LT Debt a/o 9/30/2022	\$ (159,600,000.00)	

Audit confirmed the beginning balance in each GP account to the amount of the corresponding loan and verified that the September GP balance rolled into the following SAP accounts: 251000-11223000-10168, Notes P – Interco Legacy \$(71,818,182); and 251000-11257000-10168, Notes P – Interco Legacy, \$(87,781,818). Audit noted that although each of the notes was identified with SAP G/L account 251000, Notes P Interco Legacy, the use of the regulatory portion of the account number was identified as 11257000, Unamortized Gain on Reacquired Debt, for the \$87.8 million note. The Company explained that, “*The GP account set up for the Note Payable [\$87.8M] was implemented in 2017 and has been reflected on the annual report on page 10 line 18 [Advances from Associated Companies account 223] since that time.*”

Audit reviewed copies of the promissory notes for the long term debt, verifying that the \$41.8M, the \$21.8M, and the \$8.2M notes are dated 12/21/12, with a commencing date of July 2013. The commencement date of 6/20/2018 was also confirmed to the promissory note for the \$87.8M debt obligation. Audit noted a discrepancy between interest rates listed on the promissory notes, for the \$21.8M, \$ 8.2M, and \$41.8M amounts, and the interest rate listed in the description on the general ledger. The Company provided copies of amended promissory notes, which were necessary as a result of incorrect interest rates in the original notes supplied to the Commission on 8/1/2013, as part of docket DG 11-040. Audit reviewed the amended promissory notes and recalculated the interest rates; thereby, verifying the accuracy of the interest rates on the promissory notes to the general ledger. Refer to the Interest on Debt to Associated Companies section below for further details.

#### Interest on Debt to Associated Companies

The F-16 annual report and the filed schedule Puc 1604.01(a)(1)(a) PL each reported a rounded balance of \$744,291 for the Interest on Debt to Associated Companies, FERC account 430. Audit verified the amount to the following SAP general ledger account balances, as of 12/31/2022:

<u>Account</u>	<u>Description</u>	<u>Balance</u>
450440-11430000-10168	IC Interest Rev Legacy	\$ (1,464,605)
450400-11430000-10168	IC Interest Rev	\$ (4,869,394)
	Subtotal Interest Income	<u>(6,333,999)</u>
560510-11430000-10168	Int Exp-IC Leg	\$ 6,488,432
560520-11430000-10168	Int Exp-IC	\$ 589,857
	Subtotal LTD Interest Expense to Associated Companies	<u>7,078,290</u>
	Total Interest on Debt to Associated Companies	<u>\$ 744,291</u>

The Company confirmed that the amount of \$744,291 reflected the net total for the \$7,078,290 of long-term debt interest expense to associated companies and the \$(6,333,999) of interest income. The balance of \$7,078,290 for the interest expense was confirmed to page 23 of the F-16 annual report. Corresponding to the SAP accounts for the interest income and interest expense are GP accounts 8840-2-0400-40-4434-2603, Intercompany Interest Income, and 8840-2-0000-80-8543-2603, Intercompany Interest Expense LU Co. The GP interest income and interest expense had a 9/30/2022 balance of \$(1,464,605) and \$5,308,717 respectively. The two intercompany interest GP accounts are currently settled to the aforementioned SAP regulatory account 11430000, Interest on Debt to Associated Companies, as of 10/1/2022. Audit confirmed that the September 2022 GP ending balances rolled into the SAP year-end aggregate account balance of \$744,291.

Audit understands that prior to 2016, the interest expense was recorded to account 8840-2-0000-80-8543-4300, Interest on Debt to Associated Companies. For the purpose of maintaining the intercompany relationship with Liberty Utilities Company, the long-term interest GP account -4300 became inactive and the intercompany GP account -2603, mapped to SAP regulatory account 11430000, Interest on Debt to Associated Companies, was used to record the monthly interest expense on the long-term loans.

The Company provided supporting documentation for the test-year interest expense. The long-term debt interest information, as evidenced in the table below, agrees with the monthly interest expense of \$587,419. The details of the promissory notes are depicted in the following chart, as well as described in detail within the Long-Term Debt section of this report:

<b>Principal Amount</b>	<b>Rate</b>	<b>Monthly Payment</b>	<b>Annual Payment</b>
\$ 21,818,182	4.89%	\$ 88,909	\$ 1,066,909
\$ 41,818,182	4.49%	\$ 156,470	\$ 1,877,636
\$ 8,181,818	4.89%	\$ 33,341	\$ 400,091
\$ 87,781,818	4.22%	\$ 308,699	\$ 3,704,393
<b>\$ 159,600,000</b>		<b>\$ 587,419</b>	<b>\$ 7,049,029</b>

The intercompany interest expense accounts were reviewed and Audit confirmed the annual interest amount \$7,049,029 as monthly debits of \$587,419 to GP account 8840-2-0000-80-8543-2603, mapped to the aforementioned general ledger regulatory account 11430000, and

with the activity description of Intercompany Interest Liberty Utilities Co./EnergyNorth. Offsetting credit entries were confirmed to GP account, 8840-2-0000-20-2170-2603, I/C Interest Payable LU Co., mapped to SAP natural general ledger account 211610, Interco Interest P-L, and separate regulatory accounts 11237000/11234000, In Accrd Curr/Accounts Payable to Assoc. Companies, respectively. Refer to the Accrued Interest section of the report for further information.

There were also monthly deferred finance charges of \$2,438 recorded to the account 560510-11430000-10168 which resulted in the annual finance cost of \$29,261 related to the Notes Payable. Refer to the Deferred Financing – Intercompany section of the report for further details. The \$7,049,029 annual payment for the interest on the promissory notes, as well as the annual finance cost of \$29,261, totaled \$7,078,290 for the interest expense on Long Term Debt, as stated within the F-16 annual report and the filed Revenue Requirement.

Entries on the interest income accounts included interest for the money pool whereby the ENG and Keene pool interest was booked monthly. The Company explained that the *“Pool interest is calculated by the Corporate Treasury team on a monthly basis. The payment is due the following month.”* Audit sampled interest income credit entries and confirmed that the monthly pool interest on account 450400-11430000-10168, IC Interest Rev., was offset to account 201020-10234000-10168, Interco AP Legacy. Audit noted the reclassification entry for the GP carry-forward balance in the amount of \$1,464,605 and the Company verified that the entry represented *“the data cutover at the end of September from the legacy system (i.e., Great Plains) to SAP.”* Refer to the Affiliate Service Agreements section of the report for details regarding the money pool.

#### Deferred Financing – Intercompany

The annual report year-end balance of \$299,921, listed as account 225, Unamortized Premium on Long Term Debt, was confirmed to SAP general ledger account 189220-11186000-10168, Interco Deferred Financing. The SAP account was mapped from GP general ledger account 8840-2-0000-10-1936-1000, Deferred Financing Intercompany. Audit understands that the Company’s structure for intercompany account relationships does not follow the FERC chart of accounts. The 9/30/2022 balance on the GP general ledger account rolled into the 12/31/2022 balance on SAP account 189220-11186000-10168, Intercompany Deferred Financing, which Audit verified to the filed schedule Puc 1604.01(a)(1)(a) BS, Bates page I-007 for account 224, Other Long-term Debt. Audit acknowledges the Company’s explanation in coding issues when compiling the F-16 annual report and understands that the balance discrepancy between account 224 and 225, F-16 versus the filing, does not impact the long-term debt reported of \$(159,600,000) at year-end.

Audit reviewed the general ledger, noting that the account is used for recording the intercompany deferred finance charges. The following reflects the 2022 activity within the account:

Beginning Balance	\$ 321,867
Debits	\$ -0-
Credits	<u>\$ (21,944)</u>
12/31/2022 Balance	\$ 299,921

Supporting details were provided by the Company, which included the interest calculations and deferred finance amount. There were twelve monthly charges of \$2,438, which resulted in the annual finance cost of \$29,261 associated with the long term debt. Of the twelve charges, nine journal entries of \$2,438.38 were booked to the account for the January through September monthly finance costs. Offsetting debits were confirmed to GP account 8840-2-0000-80-8543-2603, Intercompany Interest Expense, mapped to SAP account 560510-11430000-10168, Int on Debt to Associated Companies. Audit noted that the remaining three monthly finance costs for October through December, which totaled \$7,315.14, were mapped as credits to SAP account 189220-11181000-10168, Intercompany Deferred Financing. Offsetting debits were mapped to SAP regulatory account 11430000-10168, Interest on Debt to Associated Companies, with separate natural general ledger accounts 560510/560520, Interest Expense Intercompany/Legacy. Audit confirmed the 2022 annual finance cost total to page 23 of the F-16 annual report. Refer to the Unamortized Debt Expense section for details regarding the intercompany deferred finance charges for the fourth quarter 2022.

#### Obligations Under Capital Leases – Non-Current

The F-16 annual report identified \$(603,012) as the balance for the Obligations Under Capital Leases – Non-Current, FERC account 227. The balance was confirmed to the Puc 1604.01(a)(1)(a) BS, Bates page I-007, for the current portion of long-term debt. Audit acknowledges the Company's explanation in coding issues when compiling the F-16 annual report and understands that the balance discrepancy between the Obligations Under Capital Leases and the current portion of long-term debt, F-16 versus the filing, does not impact the long-term debt reported of \$(159,600,000) at year-end. Audit verified that the 9/30/2022 balance on GP general ledger account 8840-2-0000-20-2960-2271, Lease Liability Long-Term, rolled into the 12/31/2022 balance on SAP account 290210-11227000-10168, LT Op Lease Obligation.

The general ledger recorded four transactions on the account for the quarterly operating lease. Audit confirmed the offsetting entries to account 8840-2-0000-10-1616-1012, Right-of-Use Asset, mapped to SAP 150810-11101200-10168, Capital Lease Legacy. Refer to the Plant section of the report for details on the plant-in-service account.



**Revenue**

Audit reviewed the reported 2022 and 2021 F-16 annual report revenues and noted the percentage change as increases in all categories except account 489.3:

Revenue per F-16 Annual Report, page 28

	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>% change</u>
480 Residential Sales	\$ (88,568,063)	\$ (113,140,203)	28%
481 Small (Industrial or Commercial)	\$ (53,249,385)	\$ (73,516,612)	38%
482 Other Sales to Public Authorities	\$ (9,600)	\$ (9,600)	0%
484 Unbilled Revenue	\$ -	\$ -	
Sales to Ultimate Customers	\$ (141,827,048)	\$ (186,666,415)	32%
483 Sales for Resale	\$ (3,657,912)	\$ (5,194,220)	42%
Total Natural Gas Service Revenues	\$ (145,484,960)	\$ (191,860,635)	32%
488 Miscellaneous Service Revenues	\$ (1,410,594)	\$ (1,698,564)	20%
489.3 Rev from Trans Others' Gas through Distribution	\$ (15,726,508)	\$ (12,457,735)	-21%
495 Other Gas Revenues	\$ (13,405,209)	\$ (17,729,644)	32%
Total Other Operating Revenues	\$ (30,542,311)	\$ (31,885,943)	4%
Total Gas Revenues	\$ (176,027,271)	\$ (223,746,578)	27%
496 Provision for Rate Refunds	\$ -	\$ -	

The filing reflects Revenue as follows:

<b>REVENUES</b>	<b>12/31/2022 RR-EN-2 RR-EN-2-1</b>	<b>Cost of Gas and LDAC, RR-EN-2 and RR-EN-2-1</b>
Operating Revenue	\$ 209,490,317	\$ (110,661,385)
Decoupling	\$ 8,479,807	\$ (8,479,807)
Indirect COG Revenue	\$ 3,893,588	\$ -
Other Revenue	\$ 1,880,466	\$ -
<b>Total Revenue</b>	<b>\$ 223,744,178</b>	<b>\$ (119,141,192)</b>

Audit compared the filing to the F-16 annual report:

**Annual Report F-16 page 28**

480 Customer Sales	\$ 113,140,203
480 Comm and Industrial	\$ 73,516,612
482 Other Sales to Public Auth	\$ 9,600
483 Sales for Resale	\$ 5,194,220
488 Miscellaneous Service Revenues	\$ 1,698,564
489.3 Rev from Trans of Gas of Others through Dist Facilities	\$ 12,457,735
495 Other Gas Revenue	\$ 17,729,644
<b>Total Revenue per F-16 pages 28 and 11</b>	<b>\$ 223,746,578</b>

**Filing vs. F-16 \$ (2,400)**

The Filing Schedule RR-EN-2 reflects total test year revenue of \$(223,744,178). The reported total revenue to the Company's general ledger and to the 2022 annual report is \$(223,746,578). This is a difference of \$(2,400). The variance is Rental Income account 4705001141800010168 Rental Inc, due to iNATGAS rental income. The rental income should have been included on the Filing Schedule RR-EN-2. The iNATGAS rental account was excluded from the revenue requirement filing in the prior rate case, and identified by Audit as Audit Issue #6. At that time, the Company agreed that the filing should have included the total \$(9,600) in the Revenue schedule. **Audit Issue #16**

Audit then compared the F-16 annual report to the SAP year-end balances:

<b>Annual Report F-16 page 28</b>		<b>SAP</b>	
480 Customer Sales	\$ 113,140,203	\$ (113,140,122)	4800
480 Comm and Industrial	\$ 73,516,612	\$ (73,516,612)	4810
482 Other Sales to Public Auth	\$ 9,600	\$ (7,200)	4820
483 Sales for Resale	\$ 5,194,220	\$ (5,194,220)	4830
488 Miscellaneous Service Revenues	\$ 1,698,564	\$ (1,873,266)	4880 \$(174,702)
489.3 Rev from Trans of Gas of Others through Dist Facilities	\$ 12,457,735	\$ (219,080)	4891
		\$ (12,053,401)	4893
		\$ (185,254)	4894
495 Other Gas Revenue	\$ 17,729,644	\$ (17,555,024)	4950 \$ 174,620
<b>Total Revenue per F-16 pages 28 and 11</b>	<b>\$ 223,746,578</b>	<b>\$ (223,744,178)</b>	

While the \$174,620 variance between accounts 488 and 495 nets to \$81.28, Audit requested clarification of which specific sub-accounts comprised the variance. The Company provided:

[illegible]

Part of revenue under Line 2 on page 11											
Reflected on page 28 difference between Other and Misc						Data from page 28					
410620	Gas Rev Decoupling	11495000	10168	Energy North	(8,128,969.03)	Decoupling		16	488 Misc. Service Revenues	1,698,563.71	
410620	Gas Rev Decoupling	11495000	10169	NH Gas Co/Keene	(350,838.33)	Decoupling		26	495 Other Gas Revenues	17,729,644.21	
410630	Gas Rev For Resale	11483000	10168	Energy North	(5,194,220.43)		483			19,428,207.92	
410640	Gas Rev Other	11415000	10169	NH Gas Co/Keene	(5,019.74)	Other	removed				
410640	Gas Rev Other	11482000	10168	Energy North	(7,200.00)	Other	removed				
410640	Gas Rev Other	11488000	10168	Energy North	(291,634.62)	Other	SHB Misc				
410640	Gas Rev Other	11488000	10169	NH Gas Co/Keene	(1,717.51)	Other	SHB Misc				
410640	Gas Rev Other	11495000	10168	Energy North	(8,730,627.51)	Other					
410640	Gas Rev Other	11495000	10169	NH Gas Co/Keene	(225,938.84)	Other					
410670	Gas Rev Misc Serv	11488000	10168	Energy North	(1,540,487.48)	Misc					
410670	Gas Rev Misc Serv	11488000	10169	NH Gas Co/Keene	(16,071.16)	Misc					
410680	Gas Rev Late Payment	11495000	10168	Energy North	(118,319.83)	Misc	SHB Other				
410680	Gas Rev Late Payment	11495000	10169	NH Gas Co/Keene	(330.24)	Misc	SHB Other				
410700	Gas Rev Connect	11488000	10168	Energy North	(13,380.00)	Misc					
410700	Gas Rev Connect	11488000	10169	NH Gas Co/Keene	(420.00)	Misc					
410710	Gas Rev NSF Chrgs	11488000	10168	Energy North	(9,555.00)	Misc					
410730	Gas Rev Other Res	11480000	10168	Energy North	81.28	Other					
					(24,634,648.44)						
				Less Reclassed items	(12,219.74)						
				Less Sales for Resale	(5,194,220.43)						
				Adjusted revenue total on page 28	(19,428,208.27)	Other and MISC					

Audit was able to verify the SAP figures using the grids above, but was unable to determine which sub-accounts comprised the literal \$174,702 variance. The difference between the 488 Miscellaneous Service Revenues variance of \$(174,702) and the 495 Other Gas Revenue \$174,620, \$81.28 is noted as account 3072-410730-11480000.

The Revenue Requirement schedule RR-EN-2 reflects:

Line	Account	Test Year Ended December 31, 2022	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments	Test Year at Current Rates
1	<b>Revenue</b>					
2	Operating Revenue	\$ 209,490,317	\$ (110,661,385)	\$ 98,828,931	\$ (2,275,787)	\$ 96,553,144
3	Decoupling	8,479,807	(8,479,807)	-	-	-
4	Indirect COG Revenue	3,893,588	-	3,893,588	-	3,893,588
5	Other Revenue	1,880,466	-	1,880,466	799,100	2,679,566
6		<b>\$ 223,744,178</b>	<b>\$ (119,141,193)</b>	<b>\$ 104,602,985</b>	<b>\$(1,476,687)</b>	<b>\$ 103,126,298</b>

Regulatory staff at the DoE requested specific clarification of the removal of the \$(110,661,385). In response to DoE data request 2-1, the Company provided:

**“REQUEST:**

*Revenue. Reference DOE 1-1.1, tabs RR-EN-2-1 and Combined TB 2022. The Company removed \$110,661,385 from Test Year Operating Revenues. Please explain each item in the list and why it was excluded from Test Year Revenue.*

GL	GL Name	Functional	Regulatory	Pass-through	ENG	Keene	Total
410200	Gas Rev Pt Res	11480000	11480000	Yes	\$ (59,448,199)	\$ (522,891)	\$ (59,971,090)
410210	Gas Rev Pt Com	11480000	11481000	Yes	\$ (44,878,236)	\$ (565,020)	\$ (45,443,256)
410220	Gas Rev Pt Ind	11480000	11481000	Yes	\$ (11,335)	\$ -	\$ (11,335)
410630	Gas Rev for Resale	11480000	11483000	Yes	\$ (5,194,220)	\$ -	\$ (5,194,220)
410420	Gas Rev Pt Trans	11480000	11489300	Yes	\$ (41,483)	\$ -	\$ (41,483)
					\$ (109,573,473)	\$ (1,087,911)	\$ (110,661,384)

**RESPONSE:**

*All the items identified in the request are related to natural gas commodity sales to customers and are not revenues associated with natural gas distribution services. As these revenues are not related to distribution service, they have been excluded from consideration in the development of distribution service rates.”*

Audit verified each of the reported totals to the GP then SAP combination of t 10168 (ENG) or 10169 (Keene) designations.

The reported GL 410200 account totals represent Energy Costs associated with Residential Sales, Commercial Sales, and Industrial Sales. Each 9/30/2022 balance per Great Plains was rolled into the above SAP accounts:

8840-2-0000-40-4295-4803 Residential Sales-Energy Cost (ENG)	\$(33,766,727.33)
8843-2-0000-40-4295-4803 Metered Sales Res Cust Pass through(KN)	\$ (427,557.50)
8840-2-0000-40-4295-4815 Commercial Sales-Energy Cost (ENG )	\$(24,603,964.21)
8843-2-0000-40-4295-4815 Metered Sales Comm Pass through (KN)	\$ (138,988.07)
8840-2-0000-40-4295-4818 Industrial Sales-Energy Cost (ENG)	\$ (4,546.97)
8840-2-0000-40-4295-4818 Industrial Sales-Energy Cost (KN)	\$ -0-

Sales for Resale were reflected in Great Plains in accounts 8840-2-0000-40-4295-4830 which showed \$(3,401,190.00) as of 9/30/2022, which were accurately transferred to SAP account 4106301148300010168, Gas Rev for Resale. There was no Keene equivalent Sales for Resale account within Great Plains.

Audit verified the overall revenue requirement RR-EN-2 total of \$(223,744,178), with the \$2,400 variance identified, to the following accounts:

	Regarding the reported Operating Revenue of \$(209,490,317)
480	\$(113,140,121.51) includes a debit balance miscoded account balance \$81.28
481	\$ (73,516,611.76)
483	\$ (5,194,220.43)
489	\$ (12,457,734.66)
495	\$ (9,075,216.42)
SAP	\$(213,383,904.78)

The difference between the reported operating revenue and the SAP is \$(3,893,588), the hardcoded plugged number identified in the Revenue Requirement schedule RR-EN-2-1 as Indirect Cost of Gas Revenue. It is unclear why the total operating revenue has been split on the revenue requirement schedule.

The mis-mapped account Gas Rev Other Res #4107301148000010168 \$81.28 was noted in the SAP but was not included in the F-16 annual report. See **Audit Issue #1**

		SAP
Gas Rev Us Res	410300114800001016	\$ (152,528.76)
Gas Rev Pt Res	410200114800001016	\$ (522,890.88)
Gas Rev Fx Res	410100114800001016	\$ (146,000.51)
Gas Rev Us Res	410300114800001016	\$ (37,077,443.83)
Gas Rev Pt Res	410200114800001016	\$ (59,448,199.42)
Gas Rev Fx Res	410100114800001016	\$ (15,793,139.39)
subtotal account 480 agrees with F-16		\$ (113,140,202.79)
Gas Rev Other Res	410730114800001016	\$ 81.28
Total account 480		\$ (113,140,121.51)

Gas Rev Us Com	410310114810001016	\$ (1,863,678.76)
Gas Rev Pt Com	410210114810001016	\$ (565,020.35)
Gas Rev Fx Com	410110114810001016	\$ (269,218.74)
Gas Rev Us Ind	410320114810001016	\$ (1,453.95)
Gas Rev Us Com	410310114810001016	\$ (16,171,971.97)
Gas Rev Pt Ind	410220114810001016	\$ (11,334.61)
Gas Rev Pt Com	410210114810001016	\$ (44,878,236.45)
Gas Rev Fx Ind	410120114810001016	\$ (10,846.32)
Gas Rev Fx Com	410110114810001016	\$ (9,744,850.61)
Total account 481 agrees with F-16		\$ (73,516,611.76)

Gas Rev for Resale	410630114830001016	\$ (5,194,220.43)
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Gas Rev VrTsp	410410114891001016	\$ (219,080.40)
Gas Rev VrTsp	410410114893001016	\$ (12,011,917.24)
Gas Rev Pt Trans	410420114893001016	\$ (41,483.27)
Gas Rev FxTsp	410400114894001016	\$ (185,253.75)
Total account 489.3 agrees with F-16		\$ (12,457,734.66)

Gas Rev Late Payment	410680114950001016	\$	(118,319.83)
Gas Rev Late Payment	410680114950001016	\$	(330.24)
Gas Rev Other	410640114950001016	\$	(8,730,627.51)
Gas Rev Other	410640114950001016	\$	(225,938.84)
	subtotal 495	\$	(9,075,216.42)
Gas Rev Decoupling	410620114950001016	\$	(8,128,969.03)
Gas Rev Decoupling	410620114950001016	\$	(350,838.33)
	subtotal Decoupling	\$	(8,479,807.36)
	Total account 495	\$	<b>(17,555,023.78)</b>
	<b>F-16 account 495</b>	\$	<b>(17,729,644)</b>
	<b>Variance</b>	\$	<b>174,620.22</b>

The reported Decoupling revenue total of \$(8,479,807), which on the filing is proformed out completely, was verified to the two #495 accounts above. Audit is not expressing an opinion relative to proforming the entirety of the Decoupling revenue out of the test year. It is understood that there are dockets open relative to the Decoupling deferral and calculations.

The Other Revenue of \$(1,880,466) was traced to the following SAP accounts:

482	Gas Revenue Other	\$	(7,200.00)
488	Gas Revenue Other	<u>\$(1,873,265.77)</u>	
		\$	(1,880,465.77)

As noted above, the related \$(2,400.00) Rental Inc. revenue should have been included in the Revenue Requirement.

Rental Inc	47050011 <u>418</u> 0001016	\$	(2,400.00)
Gas Rev Other	41604011 <u>482</u> 0001016	\$	(7,200.00)
Total account 482 agrees with F-16		\$	(9,600.00)
Gas Rev Connect	410700114880001016	\$	(13,380.00)
Gas Rev Connect	410700114880001016	\$	(420.00)
Gas Rev Misc Serv	410670114880001016	\$	(1,556,558.64)
Gas Rev NSF Chrgs	410710114880001016	\$	(9,555.00)
Gas Rev Other	410640114880001016	\$	(1,717.51)
Gas Rev Other	410640114880001016	\$	(291,634.62)
	<b>Total account 488</b>	\$	<b>(1,873,265.77)</b>
	<b>F-16 for account 488</b>	\$	<b>(1,698,564.00)</b>
		\$	<b>(174,701.77)</b>

Accrued Revenue-Unbilled

The F-16 reflects total Accrued Utility Revenue, account 173, with a balance of \$30,763,515 as of 12/31/2022. Since the prior rate case, 2019, the changes year to year were noted to be:

2019	\$17,488,891
2020	\$18,243,778
2021	\$26,415,162
2022	\$33,264,323

Audit understands that when the conversion from Cogsdale and Great Plains to SAP was done, billing was halted for a period in September 2022 to allow for the conversion. Audit also understands that there were many customers who contacted the Department of Energy's Consumer Services division, with questions or issues relating to EnergyNorth invoicing.

The unbilled calculations for 2022 were requested and provided, and while the calculations were reviewed, Audit did not conduct an in depth IT audit to ensure that inputs into the calculations were correct.

The unbilled revenue calculations are posted monthly to:

<b>Unbilled Revenue</b>	<b>Recognition-EnergyNorth</b>	<b>SAP Account</b>
8840-2-0000-10-1162-1730	Accrued Utility Revenue-Debit	110100...10168
8840-2-0000-40-4295-4801	Residential Fixed-Credit	410100...10168
8840-2-0000-40-4295-4802	Residential Variable-Credit	410300...10168
8840-2-0000-40-4295-4803	Residential Pass-thru-Credit	410200...10168
8840-2-0000-40-4295-4813	Commercial Fixed-Credit	410110...10168
8840-2-0000-40-4295-4814	Commercial Variable-Credit	410310...10168
8840-2-0000-40-4295-4815	Commercial Pass-thru-Credit	410210...10168
8840-2-0000-40-4460-4897	Transportation Fixed-Credit	410400...10168
8840-2-0000-40-4460-4898	Transportation Variable-Credit	410410...10168
8840-2-0000-40-4460-4899	Transportation Pass-thru-Credit	410420...10168
	Monthly entry	

<b>Unbilled Commodity Cost-EnergyNorth</b>	<b>SAP Account</b>
8840-2-0000-52-5542-8051	Residential Gas Supply-Debit
8840-2-0000-52-5542-8052	Commercial Gas Supply-Debit
8840-2-0000-52-5542-8054	Transportation Gas Supply-Debit
8840-2-0000-10-1920-1740	R/A COG Cost-Winter-Credit
8840-2-0000-10-1920-1741	R/A COG Cost-Summer-Credit
	Monthly entry



Unbilled Environmental-EnergyNorth		SAP Account
8840-2-0000-10-1162-1730	Accrued Utility Revenue-Debit	110100...10168
8840-2-0000-40-4460-4950	Other Gas Revenues-Credit	410640...10168
	Monthly entry	

Unbilled Revenue Recognition-Keene		SAP Account
8843-2-0000-10-1162-1730	Accrued Utility Revenue-Debit	110100...10169
8843-2-0000-40-4295-4801	Residential Fixed-Credit	410100...10169
8843-2-0000-40-4295-4802	Residential Variable-Credit	410300...10169
8843-2-0000-40-4295-4803	Residential Pass-thru-Credit	410200...10169
8843-2-0000-40-4295-4813	Commercial Fixed-Credit	410110...10169
8843-2-0000-40-4295-4814	Commercial Variable-Credit	410310...10169
8843-2-0000-40-4295-4815	Commercial Pass-thru-Credit	410210...10169
	Monthly entry	

Unbilled Commodity Cost-Keene		SAP Account
8843-2-0000-52-5542-8051	Residential Pass-thru-Debit	521100...10169
8843-2-0000-52-5542-8052	Commercial Pass-thru-Debit	521110...10169
8843-2-0000-10-1920-1740	R/A COG Cost-Winter-Credit	130800...10169
8843-2-0000-10-1920-1741	R/A COG Cost-Summer-Credit	130800...10169
	Monthly entry	

A thorough review of the general ledger accounts associated with the Cost of Gas and LDAC is conducted in the EnergyNorth/Keene winter and summer cost of gas account reconciliation audits. The summer season is May-October and the winter season is November-April of each calendar year. Therefore, specific testing of the above accounts was not done during this audit.

### **Granite Ridge Special Contract adjustment \$904,985**

Liberty provided an updated gas transportation agreement by and between Granite Ridge Energy, LLC and Liberty Utilities (EnergyNorth Natural Gas) Corp dated 5/13/2021. The agreement term is 9/15/2021 through 10/31/2026. The agreement outlines that Granite Ridge owns and operates a natural gas-fired power plant (the facility) in Londonderry, and Liberty owns and operates a 2.7 mile natural gas pipeline from an existing meter station with Tennessee Gas Pipeline Company in Londonderry to the facility. A monthly Fixed Demand Charge of \$77,350, to increase annually by 2% beginning 11/1/2022 was noted. The fixed charge, for the test year, was calculated by Audit to be:

January 1 through October 1  $\$77,350 * 10 \text{ months} =$  \$773,500

November 1 and December 1  $\$77,350 * 1.02 = \$78,897 * 2 \text{ months} =$  \$157,794

Total Fixed Demand charges 2022 \$931,294

*“Section 2.04 Billing and Payment. Billing and payment hereunder shall be in accordance with Liberty’s New Hampshire Public Utilities Commission-approved tariff, “NHPUC NO. 10 – Gas, Liberty Utilities (EnergyNorth Natural Gas) Corp.,” as*

*it may be revised from time to time (the “Liberty Tariff”).* For approval, see DG 21-127.

### **iNATGAS Special Contract adjustment \$792,672**

An amendment to the “Special Contract-Natural Gas-Firm Transportation” between Liberty and Innovative Natural Gas, LLC d/b/a iNATGAS dated 4/2/2014 and approved by Order 25,694 was provided. The amendment, dated 12/28/2016 adjusted the section defining the Minimum Annual Transportation Quantity, by removing reference to the end of the Interval I time period ending 12/31/2016; adjusted the Service Commencement Date from when the gas meter is turned on to 12/31/2016; an additional sentence was added to section 5.2 “Rates and Charges” to read: The Customer shall at all times pay the applicable customer charge for a G-54 customer under the Company’s tariff. The Customer shall not pay the charges collected under the Local Delivery Adjustment Clause; and lastly, the mailing address of the Company was updated to 15 Buttrick Road, Londonderry. The contract was approval within docket DG 14-091, and was included in the DG 20-105

### **NHDAS**

A special contract between EnergyNorth and the NH Department of Administrative Services for installing natural gas service to 23 state buildings was initially for a one year period, March 1, 2017 to September 30, 2018. The contract indicates that a special boiler needed to be installed by May 31, 2017 for steam service to continue as the state would be assuming responsibility for Concord Steam operations.

By the end of the contract on September 30, 2018, Liberty was to have installed the necessary piping to get natural gas service up and running. The terms of the contract indicate the price shall not exceed \$2,725,000. The contract ended on September 30, 2018 and no further amendments were signed between NHDAS and Liberty. Within the audit report related to DG 20-105, details regarding a dispute between NHDAS and Liberty was outlined. Status of the dispute is unknown at this time.

Refer to the Amortization portion of this report, specifically account 407.3, for a discussion regarding this NHDAS special contract.

### **Keene**

There were no special contracts related to Keene.

### **Interest Income**

The F-16 annual report reflected an Interest Income balance of \$1,825,658 on account 419. The amount was verified to the filed schedule Puc1604.01(a)(1)(a) PL, as well as the following SAP general ledger accounts:

470300-11419000-10168	Interest Income	\$ 1,767,038
470300-11419000-10169	Interest Income-KN	<u>58,620</u>
	Total Interest Income	\$ 1,825,658

The interest income was originally charged to GP accounts 8840-2-0000-40-4420-4190, Interest Income-EN, and 8843-2-0000-40-4420-4190, Interest Income-KN. Audit confirmed that

the September 2022 balance on the GP accounts settled into the SAP account 470300-11419000 year-end total of \$1,825,658. The GL activity indicated the monthly interest was related to interest on deferral accounts, carrying charges, and the money pool. There was a debit entry on 10/1/2022 for \$1,247,110.68 which posted to the EnergyNorth Interest Income account for the transfer of the January – July money pool interest. Supporting information was reviewed, including the calculation for the monthly entries that were based on the daily interest (earned)/charged. Audit reviewed sampled monthly pool interest amounts and confirmed the calculation to the general ledger. The offsetting entry was verified to account 450400-11430000-10168, IC Interest Rev. Refer to the Interest on Debt to Associated Companies section of the report for further details regarding the money pool interest, as well as the Affiliate Service Agreements section for information related to the money pool.

### **Allowance for Uncollectable Accounts**

Audit verified the December 31, 2022 Allowance for Uncollectible Accounts balance \$(3,315,899) included in the F-16 annual report, as well as filing schedule 1604.01(a)(1)(a) BS Bates page I-006 to the following SAP accounts:

1102301114400010168 MAR Prvsn Unctbl-Mnl	\$ 3,192,768.77
1102201114400010168 Cust AR Uncltb Acc	\$ -0-
1102001114400010168 Prvsn for Uncltb Acc	<u>\$(6,296,772.29)</u>
Subtotal EnergyNorth	\$(3,104,003.52)
1102301114400010169 MAR Prvsn Unctbl-Mnl	\$ 137,339.22
1102201114400010169 Cust AR Uncltb Acc	\$ -0-
1102001114400010169 Prvsn for Uncltb Acc	<u>\$ (349,235.02)</u>
Subtotal Keene	<u>\$ (211,895.80)</u>
Total Allowance for Doubtful Accounts	<b>\$(3,315,899.32)</b>

Audit verified that the 9/30/2022 balances in Great Plains rolled into SAP:

8840-2-0000-10-1102-1440 Accumulated Prov. Uncollectable Accts.	\$(2,375,356.89)
8843-2-0000-10-1102-1440 KN Accum. Prov. Uncollectable Accts.	<u>\$ (56,543.08)</u>
Great Plains Total as of 9/30/2022	\$(2,431,899.97)

The Allowance for Uncollectable account was then compared to the total Customer Accounts Receivable balance in GL accounts 884x-2-0000-10-1101-1420 at the start of 2022 and several SAP accounts at the end of 2022. Refer to the Accounts Receivable section of this report.

Bad Debt Allowance as percentages of overall accounts receivable was calculated by Audit to be:

	<u>Start of 2022</u>	<u>End of 2022</u>
EN Allowance for Bad Debt	\$(1,992,412.16)	\$(3,104,003.52)
KN Allowance for Bad Debt	<u>\$ (7,830.02)</u>	<u>\$ (211,895.80)</u>
Total	\$(2,000,242.18)	\$(3,315,899.32)

EN Customer Accounts Receivable	\$22,682,611.77	\$35,810,287.87
KN Customer Accounts Receivable	<u>\$ 146,569.17</u>	<u>\$ 217,585.32</u>
Total	\$22,829,180.94	\$36,027,873.19

EN Bad Debt Percentage	8.78%	8.67%
KN Bad Debt Percentage	<u>5.34%</u>	<u>97.39%</u>
Combined	8.76%	9.20%

Audit notes the percentage of the Allowance for Bad Debts to Customer Accounts Receivable for the prior DG 20-105 rate case for EnergyNorth were 9.85% and 11.10% when comparing the start of 2019 to the end of 2019. While overall the comparison, year over year, is improved, the Keene Allowance increased from \$(7,830) at the beginning of the year to significantly higher \$(211,895) at year end.

#### Bad Debt Expense

Audit verified the reported F-16 annual report Bad Debt expense figure of \$1,153,435 to the SAP year-end balances. The filing RR-EN-2-1, reflects:

Uncollectible Accounts #904.0	\$1,936,128.59
Bad Debt Expense-Commodity #904.1	<u>\$ (782,693.14)</u>
Net Bad Debt account 904	\$1,153,435.45

That filing schedule also proforms out the Bad Debt expense – Commodity figure, leaving \$1,936,128.59 as the test year expense total. Audit could not verify the breakdown of those figures, despite the total agreeing with the SAP year-end total.

The 9/30/2022 expense balances in Great Plains was verified to SAP	
8840-2-9865-80-8660-9040 Uncollectable Accounts	\$551,858.12
8843-2-9865-80-8660-9040 KN Uncollectable Accounts	<u>\$ 34,665.62</u>
Total as of 9/30/2022	\$586,523.74

The year-end expenses were reflected in SAP accounts:

5020001190400010168 Bad Debt Write-Off (ENG)	\$ 290,735.84
5020101190400010168 Bad Debt IVA (ENG)	\$ 3,192,768.77
5020201190400010168 Bad Debt Manual Adj (ENG)	<u>\$(2,519,469.74)</u>
Subtotal EnergyNorth	\$ 964,034.87
5020001190400010169 Bad Debt Write-Off (Keene)	\$ 34,665.62
5020101190400010169 Bad Debt IVA (Keene)	\$ 137,339.22
5020201190400010169 Bad Debt Manual Adj (Keene)	<u>\$ 17,395.74</u>
Subtotal EnergyNorth-Keene	\$ 189,400.58
Total account 904	\$1,153,435.45

Activity within each of the 904 accounts is primarily offset to the balance sheet #144, Accumulated Provision for Uncollectible accounts. Commodity related write-offs are offset to the Winter or Summer Cost of Gas Deferred accounts.

As noted in the DG 20-105 Audit report: “Audit requested information regarding the calculation of the monthly bad debt expense and allowance for uncollectible account entries and EnergyNorth provided the following explanation: *“At month end the ATB for customer account is run. The balance in each aging bucket is placed into a spreadsheet to calculate the amount of provision needed based on the % of likelihood of being uncollectible. This amount is then compared to the balance in the provision account and an entry is made to adjust the provision on the GL to reflect the new balance needed in that account.”* ...This is in compliance with Tariff Page 17.”

Audit also reviewed the expense amounts for the years since the prior rate case (test year ended 2019), for information only:

2020	\$440,720
2021	\$698,923
2022	\$1,153,435

#### Write Off Policy

Included in the DG 20-105 Audit report was a description of the *“Liberty Utilities Uncollectable Accounts/Bad Debt Write off Policy and Procedures Manual from December 2017. The bad debt expense rate is different for each utility and is calculated as the Annual Budgeted Bad Debt Expense divided by the Annual Budgeted Gross Revenue. The budgeted bad debt expense is based on past budgeted amounts, collections estimates, forecasts, and regulatory requirements. The ... aged receivables report is... reviewed quarterly...for reasonableness. Other items reviewed during the quarterly bad debt review are any collectability issues, at risk customers, and the collectability of any deposited amounts...The Collections Supervisor approves all write-offs at the end of each month...any manual write-offs go through Finance. When a customer balance is written off, it is sent to the Allied Collection Agency for collection.”*

**EXPENSES**

The filing, Schedule RR-EN-2 in addition to Revenue, reflects Operating Expenses of \$196,765,317 for the test year 2022. Following adjustments for Cost of Gas and LDAC, and Known and Measurable Adjustments (Schedule RR-EN-3), the test year at current rates operating expense total is reported to be \$82,711,091.

	Test Year Ended December 31, 2022	Cost of Gas & LDAC	Distribution Operating Income	Known and Measurable Adjustments (Sch. RR-EN-3)	Test Year at Current Rates
<b>Operating Expenses</b>					
Operations and Maintenance - Gas Prod	\$ 114,454,194.11	\$ (112,232,037.41)	\$ 2,222,156.70	\$ 40,402.15	\$ 2,262,558.85
Operations and Maintenance - Distribution	\$ 13,059,211.80	\$ -	\$ 13,059,211.80	\$ 239,252.95	\$ 13,298,464.75
Customer Accounting	\$ 3,925,423.96	\$ 782,693.14	\$ 4,708,117.10	\$ 1,412,739.75	\$ 6,120,856.85
Sales and New Business	\$ 487,255.78	\$ -	\$ 487,255.78	\$ 14,694.03	\$ 501,949.81
Administrative & General	\$ 12,266,439.92	\$ -	\$ 12,266,439.92	\$ 3,385,304.70	\$ 15,651,744.62
Depreciation and Amortization	\$ 24,926,506.68	\$ -	\$ 24,926,506.68	\$ (384,754.35)	\$ 24,541,752.33
Taxes other than Income Taxes	\$ 15,457,321.85	\$ -	\$ 15,457,321.85	\$ 1,219,834.70	\$ 16,677,156.55
Income Taxes	\$ 12,188,963.00	\$ -	\$ 12,188,963.00	\$ (8,532,355.38)	\$ 3,656,607.62
	<b>\$196,765,317.10</b>	<b>\$(111,449,344.27)</b>	<b>\$ 85,315,972.83</b>	<b>\$(2,604,881.46)</b>	<b>\$ 82,711,091.37</b>

Audit could not verify the test year total of \$196,765,317 to the general ledger or the F-16 Annual Report . **Audit Issue #1**

As indicated in Audit Issue #1, this is related to a mipmapping issue during the conversion from Great Plains to SAP. The SAP general ledger reflected a total of \$197,909,117.10 Operating Expenses while the F-16 Annual Report reflected \$197,016,534. The overall variances among all three are noted below:

Filing Sch. RR-EN-2-1	\$ 196,765,317.00
SAP GL	\$ 197,909,117.10
<b>Variance</b>	<b>\$ (1,143,800.10)</b>
Filing Sch. RR-EN-2-1	\$ 196,765,317.00
F-16 Annual Report	\$ 197,016,534.00
<b>Variance</b>	<b>\$ (251,217.00)</b>
SAP GL	\$ 197,909,117.10
F-16 Annual Report	\$ 197,016,534.00
<b>Variance</b>	<b>\$ 892,583.10</b>

Audit reviewed, in detail, all Operations and Maintenance (O&M) journal entries in the amount of \$500 or greater. Additional detail on the review can be found in the Operations and Maintenance Gas and Distribution, Customer Accounting, Sales and New Business, and Administrative & General sections below.

**Operations and Maintenance- Gas Production - \$114,454,194**

The filed expenses of \$114,454,194 on Schedule RR-EN-2-1 could not be verified to the following 87 SAP general ledger accounts or F-16 Annual Report, please refer to **Audit Issue #1**.

Both the SAP general ledger and F-16 reported expenses totaling \$101,666,303 which is 47% increase from 2021. The Operations and Maintenance – Gas Production portion of the filing reflected an overall pro-forma known and measurable adjustments of \$ \$40,402. See RR-EN-3.

**Operation Supervision & Engineering Regulatory Account 710**

5000001171000010168	Salaries and Wages	\$	811,393.03
5000001171000010169	Salaries and Wages	\$	363,630.66
5000101171000010168	Overtime	\$	116.21
5003001171000010168	Outside Svs	\$	4,088.83
5050001171000010168	Other Operating Exp	\$	223,130.19
8000001171000010168	Lbr Alloc	\$	58,987.51
8040001171000010168	WBS ST Lbr	\$	(67,977.09)
8040201171000010168	WBS ST Material	\$	(1,211.73)
8040301171000010168	WBS ST Services	\$	(4,088.83)
<b>Reg. Acct. 710 Total</b>		<b>\$</b>	<b>1,388,068.78</b>

Audit verified the combined Keene and Energy North Great Plains ending balance of \$1,419,337.69 as of 9/30/22 to the SAP starting balance. The SAP ending balance as of 12/31/22 of \$1,388,069 could be verified to the F-16 annual report. The SAP and F-16 annual report balance could not be verified to the filing schedule RR-EN-2-1 which reported an ending balance of \$1,461,346.43 indicating a difference of \$73,277.65. **Audit Issue #1**.

The filing also indicated a known and measurable adjustment of \$33,533 located on Schedule RR-EN-3.

Activity in both Keene and EnergyNorth general ledger included vendor invoices, p-card expenses and weekly payroll accruals. Audit tested 2 invoices from vendor Diesel Direct, one totaling \$9,426.93 and \$99,692.65. The invoice totaling \$9,426 (Invoice #94418214) was for 2,198 gallons of fuel, plus applicable taxes. The second invoice (Invoice #94484180), noted in the Great Plains general ledger as totaling \$99,692.65 was actually \$9,962.65 resulting in a discrepancy of \$90,000 . Audit could not trace any corrective entry for this \$90,000 error. The invoice was for 1,757 gallons of fuel plus appropriate taxes. **Audit Issue #17**

**Gas Mixing Expense Regulatory Account 733**

This account was formerly Keene account 8843-2-0000-51-5010-7330 but has now been combined into Regulatory FERC Account 710 (Operation Supervision & Engineering) SAP account #5000001171000010169 according to Filing Schedule Puc 1604.01 (a)(9)(d), page 4 of 5. Audit verified the ending Great Plains 9/30/22 general ledger balance of \$373,948.10 to the SAP 9/30/22

general ledger starting balance.

**Liquefied Petroleum Gas Expenses Regulatory Account 717**

5003001171700010168	Outside Svs	\$	11,539.65
5023101171700010168	Facility Costs-Maint	\$	482.88
5050001171700010168	Other Operating Exp	\$	6,956.00
8000001171700010168	Lbr Alloc	\$	162,276.03
8020001171700010168	Settle Lbr	\$	(127.91)
8020001171700010169	Settle Lbr	\$	714.43
8040001171700010168	WBS ST Lbr	\$	(14,715.13)
8040001171700010169	WBS ST Lbr	\$	(714.43)
8040301171700010168	WBS ST Services	\$	(11,539.65)
8040401171700010168	WBS ST Other	\$	(7,438.88)
<b>Reg. Acct. 717 Total</b>		<b>\$</b>	<b>147,432.99</b>

There was no activity, starting balance or ending balance in both the Keene and EnergyNorth Great Plains general ledger for this account. However, the F-16 Annual report indicates Regulatory Account 717 had a 2021 ending balance of \$122, an immaterial difference between the GP general ledger and annual report. The SAP general ledger consisted of mostly entries categorized as “WF” or “WFS Integration”. There were also 11 reclassification entries, 5 vendor invoices and accrual entry totaling \$6,956.00.

The Filing RR-EN-2-1 ending balance \$34,408.09 as of 12/31/22 could not be verified to the SAP general ledger or F-16 annual report. Both the annual report and SAP general ledger reported an ending balance of \$147,432.99 resulting in a difference of \$113,024.90, **Audit Issue #1.**

The filing also reflected a pro-forma known and measurable adjustments of \$419. See RR-EN-3



**Miscellaneous Production Expenses Regulatory Account 735**

5000001173500010169	Salaries and Wages	\$	3,990.89
5000101173500010169	Overtime	\$	5,844.61
5001001173500010169	Vacation & Other TO	\$	428.41
5003001173500010169	Outside Svs	\$	424.20
5023001173500010168	Facility Costs	\$	608.93
5050001173500010168	Other Operating Exp	\$	264,367.46
5050001173500010169	Other Operating Exp	\$	39,071.45
8000001173500010168	Lbr Alloc	\$	1,170.93
8000001173500010169	Lbr Alloc	\$	118,951.19
8040001173500010168	WBS ST Lbr	\$	(1,170.93)
8040001173500010169	WBS ST Lbr	\$	(128,786.69)
8040201173500010169	WBS ST Material	\$	(9,788.41)
8040301173500010168	WBS ST Services	\$	-
8040301173500010169	WBS ST Services	\$	(424.20)
8040401173500010168	WBS ST Other	\$	(63,966.30)
8040401173500010169	WBS ST Other	\$	(1,403.38)
8040501173500010168	WBS ST Fleet	\$	-
8040851173500010168	WBS ST Travel	\$	-
8041101173500010169	WBS ST OH Benefit	\$	(428.41)
<b>Reg. Acct. 735 Total</b>		<b>\$</b>	<b>228,889.75</b>

Audit verified the combined Keene and EnergyNorth ending Great Plains balance as of 9/30/22 of \$301,852.12 to the SAP starting balance. Entries consisted of mostly vendor invoices, reclassifications, time sheet conversion entries, fleet spread and p-card charges.

The SAP and F-16 annual report ending balance of \$228,889.75 could not be verified to filing schedule RR-EN-2-1 ending balance of \$434,858.07 resulting in a difference of \$205,968.32. **Audit Issue #1**

The filing reflected a pro-forma known and measurable adjustments of \$ \$3,543. See RR-EN-3.

**Maintenance of Production Equipment Regulatory Account 742**

5000001174200010168	Salaries and Wages	\$	10,750.55
5000101174200010168	Overtime	\$	274.63
5001001174200010168	Vacation & Other TO	\$	261.00
5003001174200010168	Outside Svs	\$	31,844.89
5023101174200010168	Facility Costs-Maint	\$	3,387.71
5050001174200010168	Other Operating Exp	\$	116,878.67
8000001174200010168	Lbr Alloc	\$	93,915.62
8040001174200010168	WBS ST Lbr	\$	(104,940.80)
8040201174200010168	WBS ST Material	\$	(10,807.73)
8040301174200010168	WBS ST Services	\$	(31,844.89)
8040401174200010168	WBS ST Other	\$	(6,946.89)
8041101174200010168	WBS ST OH Benefit	\$	(261.00)
<b>Reg. Acct. 742 Total</b>		<b>\$</b>	<b>102,511.76</b>

Audit verified the ending EnergyNorth Great Plains balance of \$113,559.45 as of 12/31/22 to the SAP starting balance. Audit could not verify the filing schedule ending balance as of 12/31/22 of \$257,313.07 to either the SAP general ledger or the F-16 Annual report which both showed an ending balance of \$102,511.76. **Audit Issue #1**

The filing reflected a pro-forma known and measurable adjustments of \$2,859. See RR-EN-3.

Entries consisted of vendor invoices, p-card entries, and timesheet conversion entries. Audit tested an invoice from Power Products totaling \$17,103.15. The invoice was for work on a leaking radiator, and associated costs to repair it such as parts and supplies, labor and travel and freight.

**Natural Gas City Gate Purchases Regulatory Accounts 804 & 804.1**

5050001180400010168	Other Operating Exp	\$	-
5210201180400110168	Gas Pur	\$	94,841,629.80
5210201180400110169	Gas Pur	\$	2,431,467.98
5210301180400110168	Gas Pur Dmnd Transp	\$	402,133.11
5210401180400010168	Gas Pur Def Costs	\$	(98,249,575.60)
5210401180400010169	Gas Pur Def Costs	\$	(2,553,166.94)
5210501180400210168	Gas Pur Cashouts	\$	47,117.65
5210601180400110168	Gas Pur Cap Release	\$	(5,301,397.67)
5210601180400310169	Gas Pur Cap Release	\$	-
5210701180400110168	Gas Pur Imbalances	\$	(502,704.79)
5211901180400110168	Gas Pur Dlvr Strg	\$	4,354.79
8040401180400010168	WBS ST Other	\$	(12,157,610.71)
8040401180400010169	WBS ST Other	\$	(278,984.71)
5210301180410110168	Gas Pur Dmnd Transp	\$	19,237,981.95
5210301180410110169	Gas Pur Dmnd Transp	\$	110,154.31
<b>Reg. Acct's. 804 &amp; 804.1 Total</b>		<b>\$</b>	<b>(1,968,600.83)</b>

**Other Gas Purchases Regulatory Accounts 805 & 805.1**

5210901180500010168	Gas Pur Other	\$	53,541.18
5211301180500010168	Gas Pur PGA Rec Pub	\$	32,700.36
5211801180500010168	Gas Pur Wthdn Strg	\$	2,136.93
5211801180500010169	Gas Pur Wthdn Strg	\$	2,000.46
5211901180500010168	Gas Pur Dlvr Strg	\$	(1,164,568.76)
5211001180510010168	Gas Pur PGA Rec Res	\$	59,455,960.01
5211001180510010169	Gas Pur PGA Rec Res	\$	530,656.24
	Gas Pur PGA Rec		
5211101180510010168	Com	\$	44,871,939.97
	Gas Pur PGA Rec		
5211101180510010169	Com	\$	2,075,328.60
5211201180510010168	Gas Pur PGA Rec Ind	\$	11,334.61
5211301180510010168	Gas Pur PGA Rec Pub	\$	8,785.71
<b>Reg. Acct's. 805 &amp; 805.1 Total</b>		<b>\$</b>	<b>105,879,815.31</b>

**Gas Withdrawn from Storage Regulatory Accounts 808.1 & 808.2**

5211801180810010168	Gas Pur Wthdn Strg	\$	7,289,942.70
5211801180810010169	Gas Pur Wthdn Strg	\$	191,529.79
5211901180820010168	Gas Pur Dlvr Strg	\$	(11,375,767.39)
5211901180820010169	Gas Pur Dlvr Strg	\$	(221,477.59)
<b>Reg. Acct's. 808.1 &amp; 808.2 Total</b>		<b>\$</b>	<b>(4,115,772.49)</b>

Audit attempted to verify Regulatory Accounts 804 and 804.1 combined filing amount of \$10,467,994.59 to the SAP general ledger, however, was unable to do so. Both the SAP general ledger and F-16 annual report showed an ending balance as of 12/31/22 of \$(1,968,600.83) resulting in a difference of \$12,436,595.42. **Audit Issue #1**

Account 805 and 808 filing Schedule EN-EN-2-1 ending balances as of 12/31/22 were both verified to the SAP general ledger and F-16 annual report without exception. Audit reviews the cost of gas related accounts as part of the annual Summer Cost of Gas and Winter Cost of Gas Reconciliation audits. Individual audit reports are issued for each review. As a result, detailed review of expense accounts 804, 805 and 808 was not performed as part of this rate case audit. The full amount of these accounts were proformed out as shown on filing schedule RR-EN-2-1.

#### **LNG Processing Terminal Labor & Expenses Reg. Accounts 844 & 844.2**

8040401184400010168	WBS ST Other	\$	(2,472.23)
5050001184420010168	Other Operating Exp	\$	27,195.00
8040401184420010168	WBS ST Other	\$	(27,195.00)
<b>Reg. Acct's. 844 &amp; 844.2 Total</b>		<b>\$</b>	<b>(2,472.23)</b>

There was no activity or ending balances in these accounts in the Great Plains general ledgers for either Keene or EnergyNorth. The SAP general ledger had a total of 4 entries that were reclassification entries of AP accruals. Audit could not verify the filing Schedule RR-EN-2-1 ending balance of \$27,195.00 as of 12/31/22 to the SAP or F-16 Annual Report which both reported was \$(2,472.23), which is a difference of \$29,667.23. **Audit Issue #1.**

#### **Other Expenses Regulatory Account 846.2**

5000001184620010168	Salaries and Wages	\$	1,371.44
5050001184620010168	Other Operating Exp	\$	5,264.11
8000001184620010168	Lbr Alloc	\$	400.49
8040001184620010168	WBS ST Lbr	\$	(606.45)
<b>Reg. Acct. 846.2 Total</b>		<b>\$</b>	<b>6,429.59</b>

Audit verified the EnergyNorth Great Plains balance of \$6,429.59 to the SAP starting balance. Entries included vendor invoices, 1 p-card purchase, payroll entries and reclassifications. Audit was unable to verify the Schedule RR-EN-2-1 ending 12/31/22 balance of \$7,036.04 to the SAP or F-16 annual report. Both the SAP and annual report showed an ending 12/31/22 balance of \$6,429.59 indicating a difference of \$606.45 compared to the filing. **Audit Issue #1.**

The filing reflected a pro-forma known and measurable adjustments of \$48. See RR-EN-3.

Total O&M – Gas Production Per SAP GL	\$ 101,666,302.63
Total O&M – Gas Production Per Filing Sch. RR-2.1	\$ 114,454,194.11
Total O&M – Gas Production Per F-16 Annual Report	\$ 101,666,303.00 (rounded)
<b>Overall Total Difference of Filing vs. SAP GL</b>	<b>\$ 12,787,891.48</b>

### **Operations and Maintenance- Distribution - \$13,059,211.80**

The filed expenses of \$13,059,211.80 on Schedule RR-EN-2-1 could not be verified to the following 293 SAP general ledger accounts or F-16 Annual Report. **Audit Issue #1.**

Both the SAP general ledger and F-16 reported expenses totaling \$13,595,884 which is 0.1% increase from 2021. The Operations and Maintenance – Distribution portion of the filing reflected an overall pro-forma known and measurable adjustments of \$239,253. See RR-EN-3.

### **Operation Supervision and Engineering Regulatory Account 850**

5050001185000010168	Other Operating Exp	\$	-
8000001185000010168	Lbr Alloc	\$	306.40
8040001185000010168	WBS ST Lbr	\$	(306.40)
<b>Reg. Acct. 850 Total</b>		<b>\$</b>	<b>-</b>

There was no activity in either the Keene of EnergyNorth Great Plains general ledger for this account. The SAP general ledger only reflected 3 entries , 2 of the entries being reclassification entries. Audit was unable to verify the 12/30/22 filing Schedule RR-EN-2-1 amount of \$306.40 to either the SAP general ledger or the F-16 Annual Report which showed an ending balance of \$0. **Audit Issue #1**

The filing reflected a pro-forma known and measurable adjustments of \$8. RR-EN-3.

### **Maintenance of Mains (Transmission) Regulatory Account 863**

5000001186300010168	Salaries and Wages	\$	7,559.01
5001001186300010168	Vacation & Other TO	\$	251.64
5050001186300010168	Other Operating Exp	\$	-
8000001186300010168	Lbr Alloc	\$	575.30
8040001186300010168	WBS ST Lbr	\$	(575.30)
<b>Reg. Acct. 863 Total</b>		<b>\$</b>	<b>7,810.65</b>

Audit was unable to confirm the filing amount of \$8,385.95 to either the SAP General ledger or the F-16 annual report, which both reported a 12/31/22 ending balance of \$7,810.65, resulting in a difference of \$575.30. **Audit Issue #1**

The journal entries in Account 863 consisted of payroll, vendor invoices, an environmental accrual, and reclassifications entries.

The filing reflected a pro-forma known and measurable adjustments of \$228. RR-EN-3.

**Operation Supervision and Engineering Regulatory Account 870**

5000001187000010168	Salaries and Wages	\$	396,792.48
5000101187000010168	Overtime	\$	(62.59)
5000501187000010168	AllocCorp Lbr Leg	\$	19,443.66
5001001187000010168	Vacation & Other TO	\$	18,671.33
5003001187000010168	Outside Svs	\$	845.28
5050001187000010168	Other Operating Exp	\$	164,193.20
8000001187000010168	Lbr Alloc	\$	1,582.62
8030001187000010168	Assess Lbr	\$	(58,921.15)
8030201187000010168	Assess Material	\$	239.95
8030401187000010168	Assess Other	\$	12.62
8030801187000010168	Assess Meals	\$	348.88
8030851187000010168	Assess Travel	\$	2,398.94
8031101187000010168	Assess OH Benefit	\$	227.39
8040001187000010168	WBS ST Lbr	\$	119,829.13
8040201187000010168	WBS ST Material	\$	188.50
8040301187000010168	WBS ST Services	\$	37,511.46
8040401187000010168	WBS ST Other	\$	11,161.52
8040501187000010168	WBS ST Fleet	\$	1,572.13
8040851187000010168	WBS ST Travel	\$	2,381.25
8530001187000010168	Assess Lbr-Intrc	\$	(20,502.19)
8530801187000010168	Assess Meals -Intrc	\$	208.61
8530851187000010168	Assess Travel-Intrc	\$	1,231.98
8531101187000010168	As OH BenIntrc	\$	(382.06)
<b>Reg. Acct. 870 Total</b>		<b>\$</b>	<b>698,972.94</b>

Audit confirmed the ending Great Plains balance of \$551,561.45 as of 9/30/22 to the SAP general ledger starting balance. Audit was unable to confirm the filing amount of \$526,328.95 to the SAP general ledger or the F-16 Annual Report. Both the general ledger and annual report reported a 12/31/22 balance of \$698,972.94 indicating a \$172,643.99 difference between the filing and both the SAP general ledger and annual report. **Audit Issue #1**

The filing also reflects pro-forma known and measurable adjustments of \$9,172. RR-EN-3.

Audit reviewed the activity in the both the GP and SAP general ledgers which included payroll entries, expense reimbursements, p-card payments, and reclassifications.

Audit requested documentation for 2 expenses. The first for Powell Controls, Inc. totaling \$38,796.00 and the second for Scada(Shneider) totaling \$41,537.50. The “invoice” provided to Audit for Powell Controls was not an actual invoice from the vendor, but rather a screen print from their SAP accounts payable system called “Ariba Spend Management”, to which the vendor

has access. Charges listed in the screen print were for parts such as high-pressure tubing, filter elements, a Flowgrid rebuild kit and charcoal deodorizer. The second screenprint for Scada(Shneider) totaling \$41,537.50, was provided to Audit.

**Distribution Load Dispatching Regulatory Account 871**

5000001187100010168	Salaries and Wages	\$	381,683.80
5000101187100010168	Overtime	\$	10,835.87
5000501187100010168	AllocCorp Lbr Leg	\$	(37,101.95)
5001001187100010168	Vacation & Other TO	\$	(23,713.01)
5050001187100010168	Other Operating Exp	\$	(32,281.24)
5051001187100010168	Cost Alloc to Cap	\$	(127,515.95)
7020001187100010168	BS Lbr Offset	\$	(37,164.34)
8030001187100010168	Assess Lbr	\$	114,327.45
8030401187100010168	Assess Other	\$	1,980.39
8030801187100010168	Assess Meals	\$	198.19
8040001187100010168	WBS ST Lbr	\$	23,859.55
8040401187100010168	WBS ST Other	\$	216.73
8041101187100010168	WBS ST OH Benefit	\$	46.23
8041121187100010168	WBS ST OH Payroll Tx	\$	5.64
8041131187100010168	WBS ST OH Pen/OPEB	\$	5.76
8041141187100010168	WBS ST OH Prop Ins	\$	3.24
8530001187100010168	Assess Lbr-Intrc	\$	37,177.85
8530401187100010168	Assess Other-Intrc	\$	245.10
8531101187100010168	As OH BenIntrc	\$	(321.00)
8540001187100010168	WBS ST Lbr-Intrc	\$	6,088.56
<b>Reg. Acct. 871 Total</b>		<b>\$</b>	<b>318,576.87</b>

Audit confirmed the ending Great Plains 9/30/22 balance of \$349,211.13 to the starting SAP general ledger. Audit was unable to confirm the filing Schedule RR-EN-2-1 12/31/22 balance of \$301,395.13 to the SAP general ledger or the F-16 Annual Report which both demonstrated a 12/31/22 balance of \$318,576.87. **Audit Issue #1**

The filing also reflects pro-forma known and measurable adjustments of \$14,492. See RR-EN-3.

The Great Plains general ledger consisted of weekly payroll entries and accruals along with adjusting entries. The SAP general ledger only consisted of carry forward charges and no entries past 10/31/22.

**Mains Services Expenses Regulatory Account 874**

5000001187400010168	Salaries and Wages	\$ 2,805,280.79
5000001187400010169	Salaries and Wages	\$ 41,233.76
5000101187400010168	Overtime	\$ 10,048.63
5000101187400010169	Overtime	\$ 46.72
5001001187400010168	Vacation & Other TO	\$ 980.20
5001001187400010169	Vacation & Other TO	\$ 567.50
5001151187400010168	Ben Offst	\$ 2,845.09
5003001187400010168	Outside Svs	\$ 412,623.54
5003001187400010169	Outside Svs	\$ 24,694.12
5012101187400010168	Fleet-Fuel	\$ 493.72
5050001187400010168	Other Operating Exp	\$ 1,145,480.67
5050001187400010169	Other Operating Exp	\$ 48,887.47
8000001187400010168	Lbr Alloc	\$ 679,143.67
8000001187400010169	Lbr Alloc	\$ 3,123.22
8020001187400010168	Settle Lbr	\$ (6,682.07)
8020001187400010169	Settle Lbr	\$ 29.57
8020201187400010168	Settle Material	\$ (710.29)
8040001187400010168	WBS ST Lbr	\$ (675,107.54)
8040001187400010169	WBS ST Lbr	\$ (4,318.19)
8040201187400010168	WBS ST Material	\$ (17,494.18)
8040301187400010168	WBS ST Services	\$ (159,644.56)
8040301187400010169	WBS ST Services	\$ (24,694.12)
8040401187400010168	WBS ST Other	\$ (13,155.33)
8040501187400010168	WBS ST Fleet	\$ (493.72)
8041101187400010168	WBS ST OH Benefit	\$ (3,825.29)
8041101187400010169	WBS ST OH Benefit	\$ (567.50)
<b>Reg. Acct. 874 Total</b>		<b>\$4,268,785.88</b>

Audit confirmed both the EnergyNorth Great Plains ending balance of \$3,990,161.07 as of 9/30/22 and the Keene Great Plains ending balance of \$91,606.76 to the SAP starting balance. Audit was unable to confirm the filing Schedule RR-EN-2-1 12/31/22 balance of \$4,922,998.12 to either the SAP general ledger or the F-16 annual Report, which both reported a balance of \$4,268,785.88, indicating a variance of \$654,212.24. **Audit Issue #1**

The filing also reflects pro-forma known and measurable adjustments of \$96,200. See RR-EN-3.

Audit reviewed the activity in account 874 which included weekly payroll entries, vacation accruals, reclassifications, p-card charges, fleet spreads, and vendor invoices. Audit also found 10 debit entries noted as rental payments to Ravenwood, LLC each totaling \$4,067 and 1 entry totaling \$375. **Audit Issue #18**



Audit requested supporting documentation for the following 4 vendor invoices:

VENDOR	DATE OF INVOICE	AMOUNT
Tantramar Consultants Inc.	10/27/2022	\$ 21,925.12
Level 3 Communications-Denver	10/31/2022	\$ 10,492.51
Edgen Murray Corporation	2/22/2022	\$ 29,070.00
Leighton A. White Inc.	4/14/2022	\$ 13,841.69
<b>Total of Invoices</b>		<b>\$ 75,329.32</b>

The Company informed Audit the samples requested by Audit for Tantramar Consultants, Inc. and Level 3 Communications – Denver, that all the expense information was correct however the vendor names were incorrect.

Audit was unsure why the vendor names were different than the samples since the samples were directly copied from the SAP general ledger provided. The Company advised the first invoice for “Tantramar Consultants, Inc” totaling \$21,925.12 was actually for RH White Construction & Service Solutions. Charges were for labor and a crew truck to place barholes at a location in Keene, NH.

The second invoice for Level 3 Communications-Denver, which the Company advised was truly for Clean Harbors Environmental Services, Inc. Charges were for labor costs for field technicians, a foreman and parts association with transmission line expenses.

The Company stated the mismatch in supplier name is not an issue related to the conversion to SAP. The information supplied by the Company, and subsequently used as the basis for Audit’s samples, contained an error in an Excel function/formula that caused the mismatch in supplier names. Therefore, this was a manual error in preparation of the information pulled from SAP, rather than an issue within the system. In a subsequent request regarding Audit’s samples, the Company confirmed the selection labeled Tantramar Consultants, Inc. is an RH White invoice, the Level 3 Communications-Denver selection should have read Clean Harbors, and the Cyxtera Canada selection should have been Windstream Holdings.

The third invoice from Edgen Murray totaling \$29,070 was for ninety 2-inch ball valves each costing \$323. The last invoice from Leighton A. White, Inc. totaled \$13,841.69. Charges were related to a project entitled “Liberty Bridge St Sinkhole Repair” and included labor costs for foremen and laborers. There were also equipment charges such as a fee for a wheeled excavator, a roller and steel plate rental.

**Measuring and Regulating Station Expenses Regulatory Account 875**

5000001187500010168	Salaries and Wages	\$	195.19
5000001187500010169	Salaries and Wages	\$	11,263.92
5000101187500010168	Overtime	\$	77.87
5001001187500010168	Vacation & Other TO	\$	186.88
5003001187500010168	Outside Svs	\$	2,622.59
5003001187500010169	Outside Svs	\$	3,659.29
5009301187500010169	Util Exp-Cust Instal	\$	1,015.00
5050001187500010168	Other Operating Exp	\$	-
8000001187500010168	Lbr Alloc	\$	21,897.60
8000001187500010169	Lbr Alloc	\$	11,632.42
8040001187500010168	WBS ST Lbr	\$	(22,170.66)
8040001187500010169	WBS ST Lbr	\$	(11,632.42)
8040301187500010168	WBS ST Services	\$	(2,622.59)
8040301187500010169	WBS ST Services	\$	(3,659.29)
8041101187500010168	WBS ST OH Benefit	\$	(186.88)
<b>Reg. Acct. 875 Total</b>		<b>\$</b>	<b>12,278.92</b>

Audit confirmed the Keene Great Plains 9/30/22 balance of \$12,381.27 to the SAP starting balance. Audit was unable to confirm the SAP and F-16 annual report 12/31/22 balance of \$12,278.92 to filing Schedule RR-EN-2-1 which reported an ending balance of \$52,550.76. This indicates a variance of \$40,271.84 between the filing and the general ledger and annual report. **Audit Issue #1**

The filing also reflected a pro-forma known and measurable adjustments of \$1,230. See RR-EN-3. The general ledger consisted of weekly payroll entries, payroll accruals and small maintenance charges.

**Meter and House Regulator Expenses Regulatory Account 878**

5000001187800010168	Salaries and Wages	\$	741,162.44
5000101187800010168	Overtime	\$	2,309.76
5001001187800010168	Vacation & Other TO	\$	888.64
5050001187800010168	Other Operating Exp	\$	229,549.56
8000001187800010168	Lbr Alloc	\$	294,453.13
8020001187800010168	Settle Lbr	\$	49,606.20
8020001187800010169	Settle Lbr	\$	718.45
8040001187800010168	WBS ST Lbr	\$	(224,610.71)
8040001187800010169	WBS ST Lbr	\$	(718.45)
8040201187800010168	WBS ST Material	\$	(5,948.99)
8041101187800010168	WBS ST OH Benefit	\$	(888.64)
<b>Reg. Acct. 878 Total</b>		<b>\$</b>	<b>1,086,521.39</b>

The ending EnergyNorth Great Plains ending balance as of 9/30/22 of \$969,722.95 was verified to the SAP starting balance. However, the filing Schedule RR-EN-2-1 amount of \$1,268,363.53 could not be verified to either the SAP general ledger of F-16 Annual report which both reported a 12/31/22 ending balance of \$1,086,521.39. This demonstrates a variance of \$181,842.14. **Audit Issue #1**

The filing also reflects pro-forma known and measurable adjustments of \$28,226. See RR-EN-3.

Journal entries consisted of weekly payroll, accruals, fleet spreads, reclassifications, p-card purchases, and vendor invoices. Audit requested documentation for one invoice from Distribution Now totaling \$13,311.00. The cost was for 300 Balon Valves originally costing \$69.01 each but with a 35.70% discount resulted in each valve costing \$44.37 each.

**Customer Installations Expenses Regulatory Account 879**

5000001187900010168	Salaries and Wages	\$	524,133.37
5000001187900010169	Salaries and Wages	\$	16,409.54
5000101187900010168	Overtime	\$	591.36
5001001187900010168	Vacation & Other TO	\$	1,143.49
5003001187900010168	Outside Svs	\$	4,587.00
5003001187900010169	Outside Svs	\$	538.98
5009301187900010168	Util Exp-Cust Instal	\$	(69,828.73)
5009301187900010169	Util Exp-Cust Instal	\$	2,136.18
5050001187900010168	Other Operating Exp	\$	881.37
5050001187900010169	Other Operating Exp	\$	1,105.31
8000001187900010168	Lbr Alloc	\$	129,611.69
8000001187900010169	Lbr Alloc	\$	3,188.95
8020001187900010168	Settle Lbr	\$	63,279.00
8020001187900010169	Settle Lbr	\$	1,784.21
8020201187900010168	Settle Material	\$	2,169.76
8040001187900010168	WBS ST Lbr	\$	(186,252.65)
8040001187900010169	WBS ST Lbr	\$	(4,973.16)
8040201187900010168	WBS ST Material	\$	(4,368.47)
8040301187900010168	WBS ST Services	\$	(4,587.00)
8040301187900010169	WBS ST Services	\$	(538.98)
8040401187900010168	WBS ST Other	\$	(2,047.42)
8040401187900010169	WBS ST Other	\$	(1,105.31)
8041101187900010168	WBS ST OH Benefit	\$	(1,143.49)
<b>Reg. Acct. 879 Total</b>		<b>\$</b>	<b>476,715.00</b>

Audit verified the EnergyNorth Great Plains general ledger 9/30/22 ending balance

of \$459,851.17 and the Keene balance of \$18,545.72 to the SAP general ledger starting balance. Audit was unable to confirm the filing Schedule RR-EN-2-1 12/31/22 amount of \$614,498.51 to either the SAP general or F-16 Annual Report. Both SAP and annual report indicated a yearend balance of \$476,715.00, resulting in a variance of \$137,783.51 to the filing. **Audit Issue #1**

The filing also reflects pro-forma known and measurable adjustments of \$18,343. See RR-EN-3

Journal entries consisted of weekly payroll entries, accruals, reclassifications, p-card expenses, customer installation jobs, expenses such as office supplies and tool purchases or repairs.

**Other Expenses Regulatory Account 880**

5000001188000010168	Salaries and Wages	\$	639,055.00
5000001188000010169	Salaries and Wages	\$	1,154.90
5000101188000010168	Overtime	\$	82,440.95
5000501188000010168	AllocCorp Lbr Leg	\$	(213,559.76)
5001001188000010168	Vacation & Other TO	\$	30,689.88
5002551188000010168	Service Awards	\$	324.86
5003001188000010168	Outside Svs	\$	34,498.26
5003001188000010169	Outside Svs	\$	1,167.28
5003301188000010168	Outside Svs-Ser Main	\$	4,816.08
5012101188000010168	Fleet-Fuel	\$	53,482.76
5012201188000010168	Fleet-Repair/Main	\$	5,909.34
5012301188000010168	Fleet-Permit/Inspect	\$	479.07
5017101188000010169	Lic/Fee/Per-Other	\$	216.00
5023001188000010168	Facility Costs	\$	14,190.52
5050001188000010168	Other Operating Exp	\$	476,399.31
5050001188000010169	Other Operating Exp	\$	36,496.25
5051001188000010168	Cost Alloc to Cap	\$	(25,726.91)
5055001188000010168	Collection System	\$	-
7020001188000010168	BS Lbr Offset	\$	(7,455.06)
8000001188000010168	Lbr Alloc	\$	53,996.74
8000001188000010169	Lbr Alloc	\$	45,231.96
8030001188000010168	Assess Lbr	\$	(110,013.33)
8030201188000010168	Assess Material	\$	2,816.98
8030401188000010168	Assess Other	\$	7,056.91
8030501188000010168	Assess Fleet – Asses	\$	338.74
8030801188000010168	Assess Meals	\$	7,660.04
8030851188000010168	Assess Travel	\$	2,678.96
8031101188000010168	Assess OH Benefit	\$	626.66

8040001188000010168	WBS ST Lbr	\$ 1,211,254.80
8040001188000010169	WBS ST Lbr	\$ (45,231.96)
8040201188000010168	WBS ST Material	\$ 50,405.81
8040201188000010169	WBS ST Material	\$ (316.50)
8040301188000010168	WBS ST Services	\$ 599,695.16
8040301188000010169	WBS ST Services	\$ (1,167.28)
8040401188000010168	WBS ST Other	\$ 357,316.86
8040401188000010169	WBS ST Other	\$ (1,859.84)
8040501188000010168	WBS ST Fleet	\$ 48,501.84
8040801188000010168	WBS ST Meals	\$ 291.57
8040851188000010168	WBS ST Travel	\$ 72,716.21
8041101188000010168	WBS ST OH Benefit	\$ 13,990.11
8530001188000010168	Assess Lbr-Intrc	\$ 220,967.21
8530801188000010168	Assess Meals -Intrc	\$ 52.65
8531101188000010168	As OH BenIntrc	\$ (7,460.10)
<b>Reg. Acct. 880 Total</b>		<b>\$ 3,664,128.93</b>

Audit confirmed the 9/30/22 Great Plains balance for EnergyNorth of \$1,028,563.89 and the Keene ending balance of \$39,577.20 to the SAP starting balance. Audit could not confirm the filing amount of \$1,378,632.99 to either the SAP general ledger 12/31/22 balance or the F-16. The SAP GL and annual report both reported an ending balance of \$3,664,128.93, indicating a difference of \$2,285,495.94. **Audit Issue #1**

The filing reflects pro-forma known and measurable adjustments of \$26,727. See RR-EN-3.

Audit reviewed all three general ledgers which consisted of A/P accruals, employee boot allowances, weekly payroll entries, reclassifications, vehicle maintenance charges, expenses for cleaning employee uniforms, p-card purchases, and vendor invoices. Audit requested supporting documentation for the following vendor expenses:

VENDOR	DATE OF INVOICE	AMOUNT
James A Amico DbA Commercial Driving School LLC.	1/6/2022	\$ 16,500.00
Aon Reed Stenhouse Inc.	3/7/2022	\$ 34,000.00
Element Fleet Corporation	11/2/2022	\$ 52,353.84
<b>Total of Invoices</b>		<b>\$ 102,853.84</b>

The first invoice from Commercial Driving School, LLC totaled \$16,500 and was CDL-A driving courses for 2 employees. The course per person totaled \$8,250.

The second invoice from Aon Reed Stenhouse, Inc. totaled \$34,000 and was related to a Right of Way Surety Bond for a right-of-way in Manchester, NH. Audit believes this expense

should have been capitalized rather than expensed since it is most likely related to installation of a gas main, or some other piece of infrastructure. **Audit Issue #24**

The final invoice for Element Fleet Corporation totaling \$52,353.84. Charges included fleet management services, dump truck rentals, supplies, and fuel charges.

**Rents Regulatory Account 881**

5003001188100010168	Outside Svs	\$	15,516.53
5009301188100010168	Util Exp-Cust Instal	\$	20,428.73
5050001188100010168	Other Operating Exp	\$	-
8000001188100010168	Lbr Alloc	\$	70.99
8040001188100010168	WBS ST Lbr	\$	(70.99)
8040301188100010168	WBS ST Services	\$	(15,516.53)
<b>Reg. Acct. 881 Total</b>		<b>\$</b>	<b>20,428.73</b>

The EnergyNorth Great Plains 9/30/23 ending balance of \$20,428.73 was verified to the SAP general ledger starting balance. Audit was unable to verify the 12/31/22 filing Schedule RR-EN-2-1 balance of \$36,016.25 to either the SAP ending general ledger balance or the F-16 Annual Report, see **Audit Issue #1**

Both the SAP general ledger and the annual report had a year-end balance of \$20,428.73, resulting in a difference of \$15,587.52 from the filing. The filing also reflected a pro-forma known and measurable adjustments of \$2. See RR-EN-3.

Audit tested one invoices from PSNH Trans Northeast Utilities totaling \$12,477.36. The charge was related to a gas pipeline corridor for a parcel that goes from Manchester to Londonderry. There is a note on the invoice stating "This account is annual recurring".

**Maintenance Supervision and Engineering Regulatory Account 885**

5050001188500010168	Other Operating Exp	\$	-
8000001188500010168	Lbr Alloc	\$	110,718.57
8040001188500010168	WBS ST Lbr	\$	(110,718.57)
<b>Reg. Acct. 885 Total</b>		<b>\$</b>	<b>-</b>

There were no entries for this account in Great Plains for both Keene and EnergyNorth. The SAP general ledger balance as of 12/31/22 was \$0 which matches the F-16 Annual Report. The Schedule RR-EN-2-1 12/31/22 balance however was \$110,718.57 indicating a difference of the full filing amount, see **Audit Issue #1** of this report for further information.

The filing reflected a pro-forma known and measurable adjustments of \$3,008. See RR-EN-3.

**Maintenance of Structures & Improvements Regulatory Account 886**

5000001188600010168	Salaries and Wages	\$	61,366.64
5000001188600010169	Salaries and Wages	\$	3,228.57
5000101188600010168	Overtime	\$	(39.17)
5000501188600010168	AllocCorp Lbr Leg	\$	2,123.24
5001001188600010168	Vacation & Other TO	\$	2,863.17
5003001188600010168	Outside Svs	\$	1,344.72
5050001188600010168	Other Operating Exp	\$	152,303.09
5050001188600010169	Other Operating Exp	\$	1,687.57
8000001188600010168	Lbr Alloc	\$	33,481.43
8000001188600010169	Lbr Alloc	\$	3,388.25
8021101188600010168	Settle OH Benefit	\$	(26,261.13)
8030001188600010168	Assess Lbr	\$	(2,171.92)
8030201188600010168	Assess Material	\$	4,791.98
8030401188600010168	Assess Other	\$	14.59
8030801188600010168	Assess Meals	\$	37.30
8040001188600010168	WBS ST Lbr	\$	(2,080.48)
8040001188600010169	WBS ST Lbr	\$	(3,427.67)
8040201188600010168	WBS ST Material	\$	464.10
8040201188600010169	WBS ST Material	\$	(5.81)
8040301188600010168	WBS ST Services	\$	12,752.82
8040301188600010169	WBS ST Services	\$	(2,777.50)
8040401188600010168	WBS ST Other	\$	289,796.63
8040401188600010169	WBS ST Other	\$	(299.10)
8040501188600010168	WBS ST Fleet	\$	3,566.40
8040851188600010168	WBS ST Travel	\$	5,401.90
8530001188600010168	Assess Lbr-Intrc	\$	(2,123.24)
<b>Reg. Acct. 886 Total</b>		<b>\$</b>	<b>539,426.38</b>

Audit verified the Great Plains 9/30/22 EnergyNorth balance of \$205,069.32 and the Keene balance of \$4,852.72 to the SAP starting general ledger balance. The Filing Schedule RR-EN-2-1 12/31/22 balance \$262,296.22 could not be verified to either the SAP general ledger or the F-16 Annual Report, see **Audit Issue #1**.

Both the SAP general ledger and annual report showed a year-end balance of \$539,426.38, indicating a difference of \$277,130.16 to the filing. The filing also reflects pro-forma known and measurable adjustments of \$2,717. See RR-EN-3

Journal entries consisted of monthly fleet spread charges, p-card expenses, weekly payroll entries and accruals, and reclassifications. Refer to the Payroll portion of this report for additional detail regarding the Labor.

**Maintenance of Mains Regulatory Account 887**

5000001188700010168	Salaries and Wages	\$	480,827.99
5000001188700010169	Salaries and Wages	\$	23,591.79
5000101188700010168	Overtime	\$	2,506.72
5000101188700010169	Overtime	\$	59.13
5001151188700010168	Ben Offst	\$	311.44
5003001188700010168	Outside Svs	\$	222,835.47
5003001188700010169	Outside Svs	\$	264.00
5003301188700010168	Outside Svs-Ser Main	\$	10,959.72
5050001188700010168	Other Operating Exp	\$	1,098,209.64
5050001188700010169	Other Operating Exp	\$	278,619.44
8000001188700010168	Lbr Alloc	\$	183,699.08
8000001188700010169	Lbr Alloc	\$	4,645.04
8020001188700010168	Settle Lbr	\$	8,443.45
8020001188700010169	Settle Lbr	\$	1,360.82
8020201188700010168	Settle Material	\$	-
8020301188700010168	Settle Services	\$	806.02
8020401188700010168	Settle Other	\$	-
8040001188700010168	WBS ST Lbr	\$	(180,445.83)
8040001188700010169	WBS ST Lbr	\$	(7,188.46)
8040201188700010168	WBS ST Material	\$	(8,924.02)
8040301188700010168	WBS ST Services	\$	(230,911.80)
8040301188700010169	WBS ST Services	\$	(264.00)
8040401188700010168	WBS ST Other	\$	(247,834.17)
8040401188700010169	WBS ST Other	\$	(40.49)
8041101188700010168	WBS ST OH Benefit	\$	(311.44)
<b>Reg. Acct. 887 Total</b>			<b>\$ 1,641,219.54</b>

Audit verified the 9/30/22 Great Plains EnergyNorth ending balance of \$1,369,262.14 and the Keene ending balance of \$301,520.04 to the SAP starting balance. Audit was unable to verify the filing Schedule RR-EN-2-1 12/31/22 balance of \$2,306,529.46 to either the SAP general ledger or the F-16 Annual Report which reported a year-end balance of \$1,641,219.54. This indicates a variance of \$665,309.92, refer to **Audit Issue #1**.

The filing reflects pro-forma known and measurable adjustments of \$18,893. See RR-EN-3.

Audit requested supporting documentation for the following 5 vendors:



VENDOR	DATE OF INVOICE	AMOUNT
Breton Construction, Inc.	9/12/2022	\$ 18,119.44
Midway Utility Contractors LLC	8/30/2022	\$ 19,000.00
John Brown & Sons Inc.	3/29/2022	\$ 12,308.87
National Grid	2/25/2022	\$ 197,634.26
Midway Utility Contractors LLC	11/17/2022	\$ 24,220.44
<b>Total of Invoices</b>		<b>\$ 253,163.57</b>

The first invoice for Breton Construction totaling \$18,119.44 was for a road leak repair and charges were for grind and inlay of an area that was 36 x 61 feet in Manchester, NH.

The next invoice from Midway Utility Contractors which summed to \$19,000 was a portion of a larger invoice totaling \$23,785.94. Charges were for a Valve Box Crew and to raise, lower and remove a valve box. Work was performed from 5/23/22 – 7/21/22.

The third invoice from John Brown & Sons, Inc. totaling \$12,308.87 was for landscaping charges related to mowing and clearing an easement in Concord, NH. Costs were all hourly charges for a foreman, laborers, the amount of time to saw, use a disk chipper, a chip truck and to move equipment on and off the job site. Work was performed from 3/14/2022 to 3/18/2022.

The fourth invoice from National Grid totaling \$197,634.26 indicated it was for a “Mutual Assistance Program” and was related to an equipment failure at the Keene propane plant. Charges included a labor fringe expense, transportation and overheads. Audit considers this non-recurring since is reasonable to anticipate equipment not failing on an annual basis. **Audit Issue #22**

The last invoice from Midway Utility Contractors totaling \$24,220.44 was for grind and inlay of a 64 x 32-foot area on Massachusetts Ave., in Nashua, NH. Work was performed from 10/31/2022 to 11/1/2022.

#### **Maintenance of Measuring & Regulating Station Expenses Reg. Acct. 889**

5000001188900010168	Salaries and Wages	\$ 2,357.16
5050001188900010168	Other Operating Exp	\$ -
8000001188900010168	Lbr Alloc	\$ 129.90
8040001188900010168	WBS ST Lbr	\$ (2,487.06)
<b>Reg. Acct. 889 Total</b>		<b>\$ -</b>

There was no activity in the Great Plains general ledger for either EnergyNorth of Keene for this account. Audit was unable to verify the filing Schedule RR-EN-2-1 12/31/22 balance of \$2,487.06 to either the SAP general ledger or the F-16 Annual Report. See **Audit Issue #1**. Both the SAP and the annual report indicated year-end balance of \$0, resulting in a difference of the full filing amount.

The filing reflected a pro-forma known and measurable adjustments of \$68. See RR-EN-3.

**Maintenance of Services Regulatory Account 892**

5000001189200010168	Salaries and Wages	\$	199,733.41
5000001189200010169	Salaries and Wages	\$	9,072.69
5000101189200010168	Overtime	\$	1,517.49
5003001189200010168	Outside Svs	\$	102,300.18
5003001189200010169	Outside Svs	\$	264.00
5003301189200010168	Outside Svs-Ser Main	\$	14,176.58
5050001189200010168	Other Operating Exp	\$	472,815.72
5050001189200010169	Other Operating Exp	\$	(319,913.08)
8000001189200010168	Lbr Alloc	\$	78,575.57
8000001189200010169	Lbr Alloc	\$	716.60
8020001189200010168	Settle Lbr	\$	42,533.63
8020001189200010169	Settle Lbr	\$	443.48
8020201189200010168	Settle Material	\$	2,866.03
8020301189200010168	Settle Services	\$	528.00
8040001189200010168	WBS ST Lbr	\$	(125,598.55)
8040001189200010169	WBS ST Lbr	\$	(1,160.08)
8040201189200010168	WBS ST Material	\$	(6,906.50)
8040301189200010168	WBS ST Services	\$	(117,004.76)
8040301189200010169	WBS ST Services	\$	(264.00)
8040401189200010168	WBS ST Other	\$	(12,479.50)
8040401189200010169	WBS ST Other	\$	(304.48)
<b>Reg. Acct. 892 Total</b>			<b>\$ 341,912.43</b>

Audit was able to verify the 9/30/22 EnegyNorth Great Plains balance of \$673,465.65 and the Keene ending balance of \$(311,144.87) to the SAP starting balance. Both the SAP and the F-16 Annual Report had matching 2022 year-end balances of \$341,912.43. This amount could not be verified to the year-end balance reported in filing Schedule EN-RR-2-1, which was \$559,259.16. See **Audit Issue #1**

The filing reflects pro-forma known and measurable adjustments of \$7,869. See RR-EN-3.

Audit requested supporting documentation for an expense from Midway Utility Contractors LLC totaling \$18,271.56. Work was for grind and inlay for a 50 x 31 foot are at 8 Hastings Street in Nashua, NH. Work was performed from 9/29/2022 to 9/30/2022.

**Maintenance of Meters and House Regulators Regulatory Account 893**

5000001189300010168	Salaries and Wages	\$	180,406.64
5000001189300010169	Salaries and Wages	\$	31,921.75
5000101189300010168	Overtime	\$	342.25
5000101189300010169	Overtime	\$	77.86
5001001189300010168	Vacation & Other TO	\$	9.60
5001001189300010169	Vacation & Other TO	\$	332.24
5003001189300010168	Outside Svs	\$	133.88
5050001189300010168	Other Operating Exp	\$	60,379.13
5050001189300010169	Other Operating Exp	\$	7,717.57
8000001189300010168	Lbr Alloc	\$	52,404.39
8000001189300010169	Lbr Alloc	\$	5,975.06
8020001189300010168	Settle Lbr	\$	103,595.66
8020001189300010169	Settle Lbr	\$	1,078.34
8020201189300010168	Settle Material	\$	798.56
8040001189300010168	WBS ST Lbr	\$	(160,242.29)
8040001189300010169	WBS ST Lbr	\$	(7,505.75)
8040201189300010168	WBS ST Material	\$	(3,258.10)
8040201189300010169	WBS ST Material	\$	(211.06)
8040301189300010168	WBS ST Services	\$	(133.88)
8040401189300010168	WBS ST Other	\$	(12,946.42)
8040401189300010169	WBS ST Other	\$	(83.53)
8041101189300010168	WBS ST OH Benefit	\$	(9.60)
8041101189300010169	WBS ST OH Benefit	\$	(332.24)
<b>Reg. Acct. 893 Total</b>		<b>\$</b>	<b>260,450.06</b>

Audit was able to verify the 9/30/22 ending Great Plains general ledger balances for both EnergyNorth \$227,405.71 and Keene \$39,358.69, to the SAP starting balance. Audit was unable to verify the filing Schedule RR-EN-2-1 12/31/22 balance of \$339,700.37 to either the SAP general ledger or the F-16 Annual Report. Both the SAP and annual report had year-end balances that summed to \$260,450.06, indicating a variance of \$79,250.31. See **Audit Issue #1**.

The filing reflects pro-forma known and measurable adjustments of \$7,376. See RR-EN-3.

**Maintenance of Other Equipment Regulatory Account 894**

5000001189400010168	Salaries and Wages	\$	98,769.84
5000001189400010169	Salaries and Wages	\$	5,414.43
5001001189400010169	Vacation & Other TO	\$	1.80
5003001189400010168	Outside Svs	\$	3,447.48
5003001189400010169	Outside Svs	\$	125.28
5005001189400010168	Equip & Machin Rents	\$	564.88
5050001189400010168	Other Operating Exp	\$	191,029.70
5050001189400010169	Other Operating Exp	\$	862.00
8000001189400010168	Lbr Alloc	\$	67,462.42
8000001189400010169	Lbr Alloc	\$	1,066.54
8040001189400010168	WBS ST Lbr	\$	(67,808.82)
8040001189400010169	WBS ST Lbr	\$	(1,216.48)
8040201189400010168	WBS ST Material	\$	(29,656.42)
8040301189400010168	WBS ST Services	\$	(3,447.48)
8040301189400010169	WBS ST Services	\$	(125.28)
8040401189400010168	WBS ST Other	\$	(7,831.90)
8041101189400010169	WBS ST OH Benefit	\$	(1.80)
<b>Reg. Acct. 894 Total</b>		<b>\$</b>	<b>258,656.19</b>

The 9/30/22 Great Plains general ledger ending balances for both EnergyNorth \$283,956.14 and Keene \$6,126.49 could be verified to the SAP starting balances. However, Audit was unable to verify the 12/31/22 filing Schedule RR-EN-2-1 balance of \$368,744.37 to either the SAP or the F-16 Annual Report, see **Audit Issue #1**.

Both the SAP and annual report showed a 12/31/22 balance of \$258,656.19, indicating a difference of \$110,088.18 to the filing. The filing also reflects pro-forma known and measurable adjustments of \$4,693. See RR-EN-3.

Journal entries consisted of weekly payroll and accruals, and vendor expense related to equipment maintenance. Audit requested supporting documentation for a charge from Liberty Sales & Distribution LLC totaling \$28,668.98. The Company provided a screen print of the charges “for various flange fittings” from their accounts payable system in SAP, to which the vendor has online access.

Total O&M – Gas Distribution Per SAP GL	\$13,595,883.91
Total O&M – Gas Distribution Per Filing Sch. RR-2.1	\$13,059,211.80
Total O&M – Gas Distribution Per F-16 Annual Report	<u>\$13,595,884.00</u> (rounded)
<b>Overall Total Difference of Filing vs. SAP GL</b>	<b>\$536,672.11</b>

**Customer Accounting**

The filed expenses of \$3,925,424 on Schedule RR-EN-2-1 could not be verified to the following 78 SAP general ledger accounts or F-16 Annual Report. **Audit Issue #1.**

Both the SAP general ledger and F-16 reported expenses totaling \$4,652,505 which is 26% increase from 2021. The Customer Account portion of the filing reflected an overall pro-forma known and measurable adjustments of \$1,412,740. See RR-EN-3.

**Supervision Regulatory Account 901**

5000001190100010168	Salaries and Wages	\$	120,331.49
5000101190100010168	Overtime	\$	(509.04)
5050001190100010168	Other Operating Exp	\$	-
8000001190100010168	Lbr Alloc	\$	29,601.59
8040001190100010168	WBS ST Lbr	\$	(35,199.72)
<b>Reg. Acct. 901 Total</b>		<b>\$</b>	<b>114,224.32</b>

Audit was able to verify the EnergyNorth 9/30/22 Great Plains ending general ledger balance of \$116,939.61 to the SAP starting balance. Audit was unable to verify the Schedule RR-EN-2-1 filing amount \$149,424.04 as of 12/31/22, to either the SAP general ledger or F-16 Annual Report. Both the annual report and the SAP general ledger reflected a year-end balance of \$114,224.32 resulting in a difference of \$35,199.72 compared to the figure listed in the filing. **Audit Issue #1**

The filing also listed a pro-forma known and measurable adjustment of \$4,060. See RR-EN-3

**Meter Reading Expenses Regulatory Account 902**

5000001190200010168	Salaries and Wages	\$	289,477.30
5000001190200010169	Salaries and Wages	\$	2,632.00
5000101190200010168	Overtime	\$	23,378.42
5000501190200010168	AllocCorp Lbr Leg	\$	(50,224.48)
5001001190200010168	Vacation & Other TO	\$	22,719.48
5002551190200010168	Service Awards	\$	496.00
5003001190200010168	Outside Svs	\$	2,502.72
5033001190200010168	Misc Other Deduction	\$	150.78
5050001190200010168	Other Operating Exp	\$	-
5050001190200010169	Other Operating Exp	\$	2,602.85
8000001190200010168	Lbr Alloc	\$	65,874.14
8000001190200010169	Lbr Alloc	\$	1,325.62
8020001190200010168	Settle Lbr	\$	8,519.02
8020001190200010169	Settle Lbr	\$	342.88
8030001190200010168	Assess Lbr	\$	36,708.51
8030201190200010168	Assess Material	\$	1,861.87

8030401190200010168	Assess Other	\$	1,011.21
8030501190200010168	Assess Fleet – Asses	\$	1.50
8030801190200010168	Assess Meals	\$	1,659.18
8031101190200010168	Assess OH Benefit	\$	1,509.00
8040001190200010168	WBS ST Lbr	\$	494,192.35
8040001190200010169	WBS ST Lbr	\$	(1,747.34)
8040201190200010168	WBS ST Material	\$	26,192.62
8040301190200010168	WBS ST Services	\$	14,100.00
8040401190200010168	WBS ST Other	\$	36,694.70
8040401190200010169	WBS ST Other	\$	(2,602.85)
8040501190200010168	WBS ST Fleet	\$	40,904.44
8040851190200010168	WBS ST Travel	\$	61,956.51
8041101190200010168	WBS ST OH Benefit	\$	4,042.24
8530001190200010168	Assess Lbr-Intrc	\$	53,363.05
8531101190200010168	As OH BenIntrc	\$	(3,138.57)
<b>Reg. Acct. 902 Total</b>		<b>\$</b>	<b>1,136,505.15</b>

Audit was able to verify the ending 9/30/22 Great Plains general ledger balances for both EnergyNorth, \$259,032.28 and Keene, \$2,615.46 to the SAP starting balance. Audit was unable to verify the Schedule RR-EN-2-1 filing amount of \$453,910.58 as of 12/31/22 to either the F-16 Annual Report or the SAP general ledger. Both the SAP general ledger and annual report listed an ending balance of \$1,136,505.15, resulting in a difference of \$682,594.57 from the filing. **Audit Issue #1**

The filing also listed a pro-forma known and measurable adjustment of \$13,463. See RR-EN-3.

The majority of the journal entries were payroll or payroll accruals along with a few office supply expenses. Please refer to the Payroll portion of this report for additional detail regarding the Labor. Audit did not select any journal entries from the accounts for further review.

#### **Customer Records & Collection Expenses Regulatory Acct 903**

5000001190300010168	Salaries and Wages	\$	1,043,717.00
5000101190300010168	Overtime	\$	22,809.41
5000501190300010168	AllocCorp Lbr Leg	\$	(41,589.94)
5000601190300010168	AllocReg Lbr Leg	\$	18,431.34
5001001190300010168	Vacation & Other TO	\$	10,875.73
5003001190300010168	Outside Svs	\$	40,656.00
5003001190300010169	Outside Svs	\$	19.38
5015001190300010168	Advertising Expenses	\$	4,611.95
5024001190300010168	Legal Expenses	\$	95.25
5031101190300010169	Training	\$	3,000.00

5050001190300010168	Other Operating Exp	\$	(1,614.25)
5050701190300010168	Cust Rec&Cltn Exp	\$	868,058.75
5050701190300010169	Cust Rec&Cltn Exp	\$	15,727.49
5051001190300010168	Cost Alloc to Cap	\$	(144,983.98)
7020001190300010168	BS Lbr Offset	\$	(1,304.66)
8000001190300010168	Lbr Alloc	\$	247,973.33
8020001190300010168	Settle Lbr	\$	(1,647.47)
8030001190300010168	Assess Lbr	\$	(24,209.69)
8030401190300010168	Assess Other	\$	1,215.08
8030801190300010168	Assess Meals	\$	806.83
8030851190300010168	Assess Travel	\$	1,922.30
8031101190300010168	Assess OH Benefit	\$	145.92
8040001190300010168	WBS ST Lbr	\$	39,628.81
8040301190300010168	WBS ST Services	\$	22,186.33
8040401190300010168	WBS ST Other	\$	46,422.89
8040501190300010168	WBS ST Fleet	\$	27.03
8040801190300010168	WBS ST Meals	\$	284.62
8040851190300010168	WBS ST Travel	\$	371.83
8041101190300010168	WBS ST OH Benefit	\$	(11,881.89)
8530001190300010168	Assess Lbr-Intrc	\$	47,077.63
8530401190300010168	Assess Other-Intrc	\$	18.86
8530801190300010168	Assess Meals -Intrc	\$	114.36
8531101190300010168	As OH BenIntrc	\$	(5,620.91)
<b>Reg. Acct. 903 Total</b>		<b>\$</b>	<b>2,203,345.33</b>

Audit was able to verify 9/30/22 EnergyNorth Greta Plains ending balance of \$1,826,264.97 and the Keene ending balance of \$16,681.24 to the SAP starting balance. Audit was unable to verify the filing Schedule RR-EN-2-1 year-end balance of \$2,107,953.18 to either the SAP general ledger or the F-16 Annual Report. Both the annual report and SAP reported a 12/31/22 balance of \$2,203,345.33, indicating a variance of \$95,392.15 compared to the filing.

#### **Audit Issue #1**

The filing also listed a pro-forma known and measurable adjustment of \$1,393,567. See RR-EN-3.

Audit reviewed the detail in the customer records and collections expense accounts. Activity included payroll and payroll accruals, financial services technology, p-card purchases, postage and other miscellaneous expenses. Audit requested supporting documentation for an expense from FISERV totaling \$10,619.50. The Company provided an invoice dated 1/26/2022 for digital financial services such as check image processing, digitally depositing checks, cash processing and other miscellaneous financial transactions.

**Uncollectible Accounts & Bad Debt Exp. Reg. Accounts 904 & 904.1**

5020001190400010168	Bad Debt Write-off	\$	290,735.84
5020001190400010169	Bad Debt Write-off	\$	34,665.62
5020101190400010168	Bad Debt IVA	\$	3,192,768.77
5020101190400010169	Bad Debt IVA	\$	137,339.22
5020201190400010168	Bad Debt Manual Adj	\$	(2,519,469.74)
5020201190400010169	Bad Debt Manual Adj	\$	17,395.74
<b>Reg. Accts. 904 &amp; 904.1 Total</b>		<b>\$</b>	<b>1,153,435.45</b>

For Uncollectible Accounts (Account 904), Audit was able to verify the Great Plains 9/30/22 ending balance for EnergyNorth of \$ 1,073,428.98 and the Keene ending balance of \$34,665.62 to the SAP starting balance. However, Audit was unable to verify the 12/31/22 filing Schedule RR-EN-2-1 balance of \$ 1,936,128.59 to the SAP general ledger or the \$(782,693.14) for Account 904.1, refer to **Audit Issue #1**.

The combination of the 904 and 904.1 from the figures listed in the filing does agree to the F-16 Annual Report amount \$1,153,435.00, however Audit cannot trace the individual amounts in the accounts themselves, as noted on the filing RR-EN-2-1:

904.0 Uncollectible Accounts	\$1,936,128.59
904.1 Bad Debt Expense-Commodity	<u>\$ (782,693.14)</u>
	\$1,153,435.45

The filing does not reflect any pro-forma known and measurable adjustments. Refer to the Revenue portion of this report for additional information on the Uncollectible Accounts.

**Miscellaneous Customer Accounts Expenses Regulatory Acct 905**

5050001190500010168	Other Operating Exp	\$	-
8000001190500010168	Lbr Alloc	\$	60,700.71
8020001190500010168	Settle Lbr	\$	(15,706.44)
<b>Reg. Acct. 905 Total</b>		<b>\$</b>	<b>44,994.27</b>

The EnergyNorth Great Plains ending balance as of 9/30/22 was reported as \$0, and was verified to the SAP starting balance with no exceptions noted. Audit was unable to verify the filing Schedule RR-EN-2-1 year-end balance of \$60,700.71 to the 12/31/22 balances reflected in the SAP general ledger or annual report, both of which reported a 2022 ending balance of \$44,994.27, which sums to a difference of \$15,706.44 compared to the filing. **Audit Issue #1**

The filing lists a pro-forma known and measurable adjustment of \$ 1,649. See RR-EN-3.

Total O&M – Customer Accounting Per SAP GL	\$ 4,652,504.52
Total O&M – Customer Accounting Per Filing Sch. RR-2.1	\$ 3,925,423.96
Total O&M – Customer Accounting Per F-16 Annual Report	<u>\$ 4,652,503.00 (rounded)</u>
<b>Overall Total Difference of Filing vs. SAP GL</b>	<b>\$ 727,080.56</b>



**Customer Service and Informational and Sales Expenses**

The filed expenses of \$487,256 on Schedule RR-EN-2-1 could not be verified to the following 32 SAP general ledger accounts or F-16 Annual Report. **Audit Issue #1** Both the SAP general ledger and F-16 reported expenses totaling \$419,861.26 which is 35% decrease from 2021. The Customer Service and Informational Expenses portion of the filing reflected an overall pro-forma known and measurable adjustments of \$14,694. See RR-EN-3.

**Informational & Instructional Advertising Exp. Regulatory Acct. 909**

5000001190900010168	Salaries and Wages	\$	51,714.46
5015001190900010168	Advertising Expenses	\$	40,532.51
<b>Reg. Acct. 909 Total</b>		<b>\$</b>	<b>92,246.97</b>

Audit was able to verify the 9/30/22 Great Plains balance of \$101,812.89 to the SAP starting balance. Furthermore, Audit was able to verify the filing amount of \$ \$92,246.97 to both the SAP 12/31/22 general ledger balance and the F-16 Annual Report with no exceptions noted.

The filing reflected a pro-forma known and measurable adjustments of \$1,405. See RR-EN-3.

Audit requested supporting documentation related to an Invoice from the Northeast Gas Association totaling \$9,737.50. The invoice was dated 3/10/2022 and was the balance due for a 4-year effectiveness study. This is considered this non-recurring. **Audit Issue #22**

**Sales & Advertising Regulatory Account 912**

5000001191200010168	Salaries and Wages	\$	319,639.30
5000501191200010168	AllocC/orp Lbr Leg	\$	(9,994.28)
5001001191200010168	Vacation & Other TO	\$	7,862.62
5015001191200010168	Advertising Expenses	\$	(300.00)
5050001191200010168	Other Operating Exp	\$	(60,753.99)
5051001191200010168	Cost Alloc to Cap	\$	(72,358.00)
7020001191200010168	BS Lbr Offset	\$	(27,008.88)
8000001191200010168	Lbr Alloc	\$	109,955.08
8030001191200010168	Assess Lbr	\$	(23,645.83)
8030851191200010168	Assess Travel	\$	538.11
8040001191200010168	WBS ST Lbr	\$	14,626.97
8530001191200010168	Assess Lbr-Intrc	\$	10,642.16
8531101191200010168	As OH BenIntrc	\$	(647.88)
<b>Reg. Acct. 912 Total</b>		<b>\$</b>	<b>268,555.38</b>

Audit verified the ending Great Plains balance as of 9/30/22 of \$316,616.63 to the SAP starting balance. Audit was unable to verify the filing Schedule RR-EN-2-1 amount of \$253,928.41 to either the 12/31/22 SAP general ledger balance or the F-16 Annual Report. Both the SAP and annual report reflected a year-end balance of \$268,555.38, indicating a

variance of \$14,626.97 compared to the total listed in the filing. **Audit Issue #1**

The filing also reflected a pro-forma known and measurable adjustments of \$11,533. See RR-EN-3.

**Advertising Expenses Regulatory Account 913**

5000001191300010168	Salaries and Wages	\$	818.52
5003001191300010168	Outside Svs	\$	22,186.33
5015001191300010168	Advertising Expenses	\$	44,206.18
5050001191300010168	Other Operating Exp	\$	-
8040001191300010168	WBS ST Lbr	\$	(5,918.84)
8040301191300010168	WBS ST Services	\$	(22,186.33)
8040401191300010168	WBS ST Other	\$	(53,232.84)
8040501191300010168	WBS ST Fleet	\$	(27.03)
8040801191300010168	WBS ST Meals	\$	(284.62)
8040851191300010168	WBS ST Travel	\$	(371.83)
8540001191300010168	WBS ST Lbr-Intrc	\$	5,100.32
8540401191300010168	WBS ST Other-Intrc	\$	9,026.66
8540501191300010168	WBS ST Fleet-Intrc	\$	27.03
8540801191300010168	WBS ST Meals-Intrc	\$	284.62
8540851191300010168	WBS ST Travel-Intrc	\$	371.83
<b>Reg. Acct. 913 Total</b>		<b>\$</b>	<b>0.00</b>

The EnergyNorth Great Plains ending balance as of 9/30/22 was reported as \$0 and was verified to the SAP starting balance, with no exception noted. Audit was unable to verify the filing Schedule RR-EN-2-1 year-end balance of \$82,021.49 to the 12/31/22 balances reflected in the SAP general ledger or annual report. **Audit Issue #1.**

Both the annual report and SAP reported a 2022 ending balance of \$0, which is the difference of the entire filing total \$82,021.49. The filing also lists a pro-forma known and measurable adjustment of \$161. See RR-EN-3.

Audit requested supporting documentation for one invoice from Benchmark Graphics totaling \$8,353.46. The Company provided the screen print from their accounts payable system that indicated the charges were for advertising expenses.

**Miscellaneous Sales Expenses Regulatory Account 916**

5000001191600010168	Salaries and Wages	\$	58,696.49
5015001191600010168	Advertising Expenses	\$	362.42
<b>Reg. Acct. 916 Total</b>		<b>\$</b>	<b>59,058.91</b>

Audit was able to verify the 9/30/22 ending Great Plains balance of \$59,467.36 to the SAP starting balance. Furthermore, the filing Schedule RR-EN-2-1 2022 year-end balance of

\$59,058.91 was verified to both the SAP general ledger and the F-16 annual report with no exceptions noted. The filing also lists a pro-forma known and measurable adjustment of \$1,595. See RR-EN-3

Total O&M – Customer Service and Informational & Sales Expenses Per SAP GL	\$ 419,861.26
Total O&M – Customer Service and Informational & Sales Expenses Per Filing Sch. RR-2.1	\$ 487,255.78
Total O&M – Customer Service and Informational & Sales Expenses Per F-16 Annual Report	<u>\$ 419,861.00 (rounded)</u>
<b>Overall Total Difference of Filing vs. SAP GL</b>	<b>\$ (67,394.52)</b>

### **Administrative and General**

The filed expenses of \$12,266,439.92 on Schedule RR-EN-2-1 could not be verified to either the following 244 SAP general ledger accounts below or the F-16 Annual Report. The SAP general ledger shows a total of \$23,827,788.96 in expenses while the F-16 Annual report shows \$23,877,758.00. The variances between the three 2022 year-end totals are the following

#### **Audit Issue #1**

Filing Sch. RR-EN-2-1	\$ 12,266,439.92
SAP GL	<u>\$ 23,827,788.96</u>
<b>Variance</b>	<b>\$ (11,561,349.04)</b>
Filing Sch. RR-EN-2-1	\$ 12,266,439.92
F-16 Annual Report	<u>\$ 23,877,758.00</u>
<b>Variance</b>	<b>\$ (11,611,318.08)</b>
SAP GL	\$ 23,827,788.96
F-16 Annual Report	<u>\$ 23,877,758.00</u>
<b>Variance</b>	<b>\$ (49,969.04)</b>

The expenses overall showed a **164% increase** from the 2021 year-end. Furthermore, the Administrative and General Expenses portion of the filing shows an overall pro-forma known and measurable adjustment of \$3,385,305. See RR-EN-3.

### **A&G Salaries Regulatory Account 920**

5000001192000010168	Salaries and Wages	\$ 1,118,932.18
5000001192000010169	Salaries and Wages	\$ 182,940.04
5000101192000010168	Overtime	\$ 22,347.93
5000501192000010168	AllocCorp Lbr Leg	\$ (2,367,612.53)
5000601192000010168	AllocReg Lbr Leg	\$ 429,671.04
5001001192000010168	Vacation & Other TO	\$ (250,600.16)

5001101192000010168	SS/CPP/Emp Pension	\$	408.49
5001201192000010168	Unemp/Emp Insurance	\$	448.50
5001201192000010169	Unemp/Emp Insurance	\$	19.26
5001501192000010168	Medicare/Healthcare	\$	1,708,398.58
5001701192000010168	Group/Emp Ben	\$	22,847.49
5002101192000010168	LTIP	\$	113,268.55
5002201192000010168	Bonuses	\$	1,400,223.07
5012201192000010168	Fleet-Repair/Main	\$	133,084.49
5012301192000010168	Fleet-Permit/Inspect	\$	12,482.91
5017601192000010168	Lic/Fee/Per-Escrow	\$	(670.00)
5023101192000010169	Facility Costs-Maint	\$	775.71
5025401192000010168	Prof Svs-Other	\$	14,904.61
5032001192000010168	Dues & Memberships	\$	698.65
5033001192000010168	Misc Other Deduction	\$	(9,695.46)
5050001192000010168	Other Operating Exp	\$	26,806.32
5051001192000010168	Cost Alloc to Cap	\$	(617,933.07)
5052001192000010168	AllocCorp NonLbr Leg	\$	(9,051.07)
5052101192000010168	AllocReg NonLbr Leg	\$	409,904.66
5055001192000010168	Collection System	\$	-
5900101192000010168	Current SIT Exp	\$	-
5902101192000010168	Deferred FIT Exp	\$	-
5902301192000010168	Deferred Amrt EADIT	\$	-
7020001192000010168	BS Lbr Offset	\$	(53,787.64)
7021101192000010168	BS Ops OH Benefit	\$	(150,128.29)
8000001192000010168	Lbr Alloc	\$	273,254.63
8020001192000010168	Settle Lbr	\$	(258,285.25)
8020201192000010168	Settle Material	\$	(5,124.06)
8020301192000010168	Settle Services	\$	(1,334.02)
8020401192000010168	Settle Other	\$	(463,746.44)
8021101192000010168	Settle OH Benefit	\$	60,479.99
8021121192000010168	Settle Payroll Tax	\$	183,752.42
8021131192000010168	Settle Pension/OPEB	\$	(385,356.58)
8021141192000010168	Settle Prop Ins	\$	(134,379.43)
8021161192000010168	Settle Vacation	\$	(316,515.36)
8030001192000010168	Assess Lbr	\$	53,787.64
8031101192000010168	Assess OH Benefit	\$	(283,123.59)
8031121192000010168	Assess Payroll Tax	\$	(20,191.85)
8031131192000010168	Assess Pension/OPEB	\$	857.05
8031141192000010168	Assess Prop Ins	\$	1,514.50
8040001192000010168	WBS ST Lbr	\$	313,803.50
8040001192000010169	WBS ST Lbr	\$	234,064.96

8040201192000010168	WBS ST Material	\$	89.94
8040201192000010169	WBS ST Material	\$	20,021.72
8040301192000010168	WBS ST Services	\$	198,733.58
8040301192000010169	WBS ST Services	\$	40,701.48
8040401192000010168	WBS ST Other	\$	12,476,630.95
8040401192000010169	WBS ST Other	\$	327,662.87
8040501192000010168	WBS ST Fleet	\$	(138,257.07)
8040851192000010168	WBS ST Travel	\$	(433,924.76)
8041101192000010168	WBS ST OH Benefit	\$	11,963.70
8041101192000010169	WBS ST OH Benefit	\$	1,329.95
8041121192000010168	WBS ST OH Payroll Tx	\$	-
8041131192000010168	WBS ST OH Pen/OPEB	\$	-
8041141192000010168	WBS ST OH Prop Ins	\$	-
8041161192000010168	WBS ST Vacation	\$	8.79
8530001192000010168	Assess Lbr-Intrc	\$	428,560.80
8530201192000010168	As Mat -Intrc	\$	2,721.86
8530301192000010168	As Serv-Intrc	\$	25,202.09
8530401192000010168	Assess Other-Intrc	\$	34,829.58
8530801192000010168	Assess Meals -Intrc	\$	184.09
8530851192000010168	Assess Travel-Intrc	\$	572.82
8531101192000010168	As OH BenIntrc	\$	27,029.37
8531121192000010168	As Prl Tx-Intrc	\$	4,687.40
8540001192000010168	WBS ST Lbr-Intrc	\$	(158,081.97)
8540201192000010168	WBS ST Mat-Intrc	\$	687.55
8540301192000010168	WBS ST Serv-Intrc	\$	717,712.48
8540401192000010168	WBS ST Other-Intrc	\$	553,762.88
8540501192000010168	WBS ST Fleet-Intrc	\$	15.03
8540801192000010168	WBS ST Meals-Intrc	\$	186.12
8540851192000010168	WBS ST Travel-Intrc	\$	114.40
8541101192000010168	WBS ST OH Ben-Intrc	\$	408,751.31
8541121192000010168	WBS ST OH PrlTx-intr	\$	2,963.98
8541131192000010168	WBS ST OH Pn/OPEB-in	\$	5,435.24
8541141192000010168	WBS ST OH PrIn-Intrc	\$	446.04
8541161192000010168	WBS ST Vaca-Intrc	\$	4,592.76
<b>Reg. Acct. 920 Total</b>		<b>\$</b>	<b>15,957,477.35</b>

Audit could not verify the ending 9/30/23 Great Plains balance to the starting SAP general ledger, due to multiple mipmaped accounts. **Audit Issue #21**

The combined EnergyNorth and Keene ending Great Plains balance was \$3,775,756.18 while the SAP starting balance was \$3,329,510.33 indicating a variance of \$446,245.85. Furthermore, Audit could not verify the 12/31/22 filing Schedule RR-EN-2-1 balance of

\$1,706,503.99 to the SAP general ledger of the F-16 Annual Report, refer to **Audit Issue #1**. Both the SAP and the annual report had a 2022 year-end balance of \$15,957,477.35, demonstrating a difference of \$14,250,973.36.

The A&G Salaries portion of the filing listed a pro-forma known and measurable adjustment of \$88,218. See RR-EN-3.

The majority of the journal entries were payroll or payroll accruals along with reclassifications. Please refer to the Payroll portion of this report for additional detail regarding the Labor. Audit did not select any journal entries from the accounts for further review.

**Office Supplies and Expenses Regulatory Account 921**

5000001192100010168	Salaries and Wages	\$	14,209.45
5000001192100010169	Salaries and Wages	\$	64.06
5003001192100010168	Outside Svs	\$	79,211.26
5003001192100010169	Outside Svs	\$	1,119.06
5004001192100010168	Materials & Supplies	\$	50,622.30
5004051192100010168	M&C-NonStck Cntrl	\$	47,830.77
5004051192100010169	M&C-NonStck Cntrl	\$	19,705.22
5004101192100010168	M&C-Small Tools	\$	19,718.50
5004201192100010168	M&C-Safety Supplies	\$	14,158.10
5004201192100010169	M&C-Safety Supplies	\$	316.50
5004301192100010168	M&C-Main Parts	\$	80.96
5004301192100010169	M&C-Main Parts	\$	38.88
5004401192100010168	M&C-Spare Parts	\$	9,913.52
5004951192100010168	M&C-Inventory Diff	\$	54,534.85
5009001192100010168	Util Exp-Water & Sew	\$	1,173.03
5009201192100010168	Util Exp-Heat & Elec	\$	67,522.78
5009201192100010169	Util Exp-Heat & Elec	\$	12,689.82
5009301192100010168	Util Exp-Cust Instal	\$	(230.51)
5009401192100010168	Util Exp-Gas	\$	1,331.16
5011001192100010168	Trvl Exp	\$	43,097.11
5011101192100010168	Trvl Exp-Accomm	\$	289.56
5011201192100010168	Trvl Exp-Airfare	\$	1,317.09
5011301192100010168	Trvl Exp-Rental	\$	1,336.22
5011401192100010168	Trvl Exp-Mileage	\$	1,661.16
5013001192100010168	Meals & Ent	\$	4,824.27
5014001192100010168	Comm Exp-Telephone	\$	1,431,203.88
5014101192100010168	Comm Exp-Cellular	\$	184.15
5014201192100010168	Comm Exp-Internet	\$	809.46
5015001192100010169	Advertising Expenses	\$	1,463.86
5021001192100010168	Comp Exp	\$	569.68

5021101192100010168	Comp Exp-Repair	\$	71,919.87
5021301192100010168	Comp Exp-Software	\$	(25,945.74)
5027001192100010168	Office Related Exp	\$	807,120.73
5027001192100010169	Office Related Exp	\$	50,697.08
5027101192100010168	Postage	\$	50.21
5030001192100010168	Rental Expense	\$	26,690.00
5031101192100010168	Training	\$	97,025.16
5031101192100010169	Training	\$	3,000.00
5032001192100010168	Dues & Memberships	\$	150,850.57
5032001192100010169	Dues & Memberships	\$	325.00
5050001192100010168	Other Operating Exp	\$	17,768.46
5050001192100010169	Other Operating Exp	\$	13,793.35
5505701192100010168	Cap Depr-Fleet	\$	(147,204.64)
5511001192100010168	Unrealized Gns/Lss	\$	(1,724.27)
5600101192100010168	Bank Charges	\$	1,358.07
5600101192100010169	Bank Charges	\$	502.74
8000001192100010168	Lbr Alloc	\$	18,861.57
8000001192100010169	Lbr Alloc	\$	9,653.94
8040001192100010168	WBS ST Lbr	\$	(33,071.02)
8040001192100010169	WBS ST Lbr	\$	(10,483.28)
8040201192100010168	WBS ST Material	\$	(14,588.30)
8040201192100010169	WBS ST Material	\$	(9,699.94)
8040301192100010168	WBS ST Services	\$	(76,411.26)
8040301192100010169	WBS ST Services	\$	(1,119.06)
8040401192100010168	WBS ST Other	\$	(97,751.07)
8040401192100010169	WBS ST Other	\$	(22,534.06)
8040801192100010168	WBS ST Meals	\$	(291.57)
8040851192100010168	WBS ST Travel	\$	89,758.84
8530201192100010168	As Mat -Intrc	\$	8,073.86
8530401192100010168	Assess Other-Intrc	\$	3,440,159.77
8530501192100010168	As Fleet – Intrc	\$	(43.85)
8530801192100010168	Assess Meals -Intrc	\$	9,367.04
8530851192100010168	Assess Travel-Intrc	\$	25,508.01
8540001192100010169	WBS ST Lbr-Intrc	\$	765.28
8540301192100010168	WBS ST Serv-Intrc	\$	(2,800.00)
<b>Reg. Acct. 921 Total</b>		<b>\$</b>	<b>6,280,347.64</b>

Audit was able to verify the combined Great Plains 9/30/22 EnergyNorth and Keene balance of \$2,252,962.87 to the SAP starting balance. Audit was unable to verify the filing Schedule RR-EN-2-1 amount of \$6,406,775.60 to either the SAP general ledger or the F-16 Annual Report. Both the SAP and annual report demonstrated 2022 year-end totals \$6,280,347.64 resulting in a difference of \$126,427.96 from the filing. **Audit Issue #1.**

The filing also listed a pro-forma known and measurable adjustment of \$1,183. See RR-EN-3.

Audit requested supporting documentation for the following 13 vendors:

VENDOR	DATE OF INVOICE	AMOUNT
Windstream Enterprise	8/23/2022	\$ 12,183.65
Verizon Wireless	6/29/2022	\$ 50,639.45
Northeast Gas Association	2/11/2022	\$ 13,000.00
PC Connection	9/15/2022	\$ 23,218.48
EnergyTools, Inc.	4/11/2022	\$ 22,050.00
Former Employee	8/3/2022	\$ 10,044.00
R & M Realty, Inc.	6/7/2022	\$ 5,590.62
Leighton A. White Inc.	12/22/2022	\$ 73,400.00
Enduro Pipeline Services, Inc.	12/2/2022	\$ 41,031.00
Complete AV, LLC	11/8/2022	\$ 9,082.90
Grainger	12/14/2022	\$ 10,369.80
Softchoice Corporation	11/28/2022	\$ 32,760.00
Cyxtera Canada	10/31/2022	\$ 12,862.16
<b>Total of Invoices</b>		<b>\$316,232.06</b>

1. The first invoice for Windstream Enterprise invoice and the Verizon Wireless invoices were both for voice and data communications and invoices were allocated to both EnergyNorth and Granite State Electric ("GSE").
2. The invoice for Northeast Gas Association totaling \$13,000 was for a "Local Distribution Company Membership" and was dated 2/9/2022. It is unknown if any portion of the dues relates to lobbying.
3. The invoice for PC Connection totaling \$23,218.48 consisted of charges for computer equipment such PC wall mounts, a Logitech large room capacity audio/video device and other various computer equipment.
4. The Softchoice invoice totaling \$32,760 was for 21 Dell Latitude laptops. It is unclear to Audit why the PC Connection of Softchoice purchases were expensed rather than capitalized. **Audit Issue #24**
5. The invoice for EnergyTools, Inc. was for the annual license fee for the DREAM system. The total amount of the invoice was \$31,500 and was split among EnergyNorth and GSE. The license runs from 2/27/2022 to 2/26/2023.
6. There was a payment made to a former employee related to a settlement agreement and appears to be a one-time payment Audit considers this a non-recurring charge since the case was settled. **Audit Issue #22**
7. The invoice for R&M Realty was a rental payment for 80 Pearl Street in Keene, NH for the month of July 2022 It appears the \$5,590.62 expense should have been booked to



Regulatory Account 931 (Rental Expense). **Audit Issue #18**

8. The invoice for Leighton A. White, Inc, was part of a paving contract for work in Nashua, NH. The original contract was for \$1,604,573.30 however the total cost of the contract increased to \$2,149,281.66. The portion expensed in Account 921 totaling \$73,400 was for the labor costs for sub-contractors, asphalt and stone base and supervision fees. Audit is unsure how these costs relate to office supplies and expenses and believes these costs should have been capitalized. This also applies to an expense for Enduro Pipeline totaling 41,031.00 for pipeline work which included site surveys, labor and materials **Audit Issue #23**.
9. Audit requested the supporting invoice for Complete AV, LLC totaling \$9,082.90, however the Company did not provide it and instead provided a screen print from their accounts payable system. The screen print indicated the charges were for display equipment used at their Concord Training Facility and listed a “delivery date” of 11/10/22. It’s unclear why the equipment was expensed rather than capitalized. **Audit Issue #24**
10. Audit also requested the supporting documentation for an invoice listed in the Company’s SAP general ledger as “Cyxtera Canada” totaling \$12,862.16. The Company did not provide the appropriate documentation and instead submitted the same invoice for Windstream Enterprise totaling \$12,183.65 (an amount different than what was requested) with a notation that Cyxtera should have been Windstream. As noted earlier in this report, Audit understands the pivot of the data retrieved the incorrect vendor name.
11. The last invoice reviewed by Audit was for Grainger totaling \$10,369.80 and was for 180 ice melt pails and was dated 12/7/2022.
12. Within the 1604 filing schedules, Bates page I-077 contains a list of memberships, dues, lobbying and donations. Audit requested additional detail on The New England Council amount of \$12,500 and American Gas Association in the amount of \$106,292. These expenses were booked to FERC account 921. Audit received copies of two invoices from The New England Council. The invoice dated 3/23/2021 was in the amount of \$15,000. The invoice notes that 50% was charged to ENG and 50% was charged to NE Gas. The second invoice was dated 9/7/2021 in the amount of \$10,000. This invoice was also allocated 50/50 with NE Gas. Audit was able to verify these expenses to general ledger account 8840-2-9860-69-5131-9214 booked April 12, 2022. Audit notes that these expenses were invoiced and due in 2021 and therefore should be removed from the test year. **Audit Issue #25**
13. Audit also received a copy of the 2022 membership dues invoice from American Gas Association. The invoiced totaled \$269,777 with \$106,292 being allocated to ENG. Along with the invoice, Liberty provided the allocation to all utilities. They allocated the expenses using the budgeted 4 factor allocation with 39.40% being charged to ENG. Audit recalculated the allocation amount without exception. Audit was able to verify the AGA expenses to GP account 8840-2-9825-69-5131-9214 and SAP account 50320011921000 without exception.

**Administrative Expenses Transferred Regulatory Account 922**

5000001192200010168	Salaries and Wages	\$	(612,118.58)
5000001192200010169	Salaries and Wages	\$	4,485.92
5033001192200010168	Misc Other Deduction	\$	105.97
5050001192200010168	Other Operating Exp	\$	-
5051001192200010168	Cost Alloc to Cap	\$	(11,092,544.10)
5051001192200010169	Cost Alloc to Cap	\$	(49,645.72)
8000001192200010168	Lbr Alloc	\$	226.99
8000001192200010169	Lbr Alloc	\$	474.68
8030001192200010168	Assess Lbr	\$	(290,533.66)
8030201192200010168	Assess Material	\$	1,071.63
8030401192200010168	Assess Other	\$	3,101,869.91
8030501192200010168	Assess Fleet – Asses	\$	49.78
8030801192200010168	Assess Meals	\$	(16,878.84)
8030851192200010168	Assess Travel	\$	11,825.88
8040001192200010168	WBS ST Lbr	\$	(226.99)
8040001192200010169	WBS ST Lbr	\$	(4,960.60)
8040401192200010168	WBS ST Other	\$	(105.97)
<b>Reg. Acct. 922 Total</b>		<b>\$</b>	<b>(8,946,903.70)</b>

Audit was able to verify the combined Keene and EnergyNorth Great Plains 9/30/22 balance of \$(11,754,308.40) to the SAP starting balance. Audit was unable to verify the filing Schedule RR-EN-2-1 balance of \$(8,941,610.14) to either the SAP general ledger or the F-16 Annual Report. Both the annual report and SAP 12/31/22 balance was \$(8,946,903.70), indicating a difference of \$5,293.56. **Audit Issue #1**

The filing demonstrated a pro-forma known and measurable adjustment of \$(605,519). See RR-EN-3.

Audit reviewed the Administrative Expenses Transferred accounts and noted that all activity was for capitalization. Expenses are classified as capital based on the job number. No journal entries were selected for review.

**Outside Services Employed Regulatory Account 923**

5003001192300010168	Outside Svs	\$	(82,067.91)
5003001192300010169	Outside Svs	\$	15,754.65
5003101192300010168	Outside Svs-Engineer	\$	5,040.00
5003401192300010168	AllocCorp OutSvs Leg	\$	1,475,494.60
5004001192300010168	Materials & Supplies	\$	188.50
5024001192300010168	Legal Expenses	\$	84,836.49
5025401192300010168	Prof Svs-Other	\$	1,011,726.28
5025401192300010169	Prof Svs-Other	\$	77.15
5050001192300010168	Other Operating Exp	\$	15,438.46
5052001192300010168	AllocCorp NonLbr Leg	\$	1,753,581.43
5052101192300010168	AllocReg NonLbr Leg	\$	1,394,454.39
8030301192300010168	Assess Services	\$	4,984.07
8040201192300010168	WBS ST Material	\$	(188.50)
8040301192300010168	WBS ST Services	\$	(43,919.70)
8040301192300010169	WBS ST Services	\$	(77.15)
8040401192300010168	WBS ST Other	\$	(67,589.19)
8530301192300010168	As Serv-Intrc	\$	188,728.22
<b>Reg. Acct. 923 Total</b>		<b>\$</b>	<b>5,756,461.79</b>

Audit could not verify the 9/30/22 ending Great Plains balance of \$4,600,514.48 to the SAP starting balance, which was \$5,153,531.63. The variance of \$553,017.15 was traced to mis-mapped GP accounts. **Audit Issue #21**

Furthermore, Audit was unable to verify the 2022 year-end filing Schedule RR-EN-2-1 balance of \$5,855,336.33 to the SAP or the F-16 Annual Report. Both the SAP and annual report listed a 12/31/22 balance of \$5,756,461.79 which results in a difference of \$98,874.54 from the filing. **Audit Issue #1**

The filing also lists a pro-forma known and measurable adjustment of \$1,737,945. RR-EN-3.

Audit requested supporting documentation for the following 10 vendors on 12/5/2022:

VENDOR	DATE OF INVOICE	AMOUNT
MSR Utility Maintenance Corp.	8/29/2022	\$ 27,700.00
New England CP, Inc.	7/7/2022	\$ 10,940.00
ScottMadden, Inc.	9/13/2022	\$ 59,273.75
Hitachi Energy USA Inc.	8/23/2022	\$ 16,777.73
Platts	8/4/2022	\$ 13,916.12
Moody Analytics, Inc.	4/30/2022	\$ 20,573.25
Pastori Krans PLLC	3/25/2022	\$ 14,152.00
Trans En Workiva – Outside Svs.	6/30/2022	\$ 10,544.31
Price Waterhouse Coopers LLP	12/28/2022	\$ 35,000.00
Keegan Werlin LLP	12/1/2022	\$ 22,084.00
<b>Total of Invoices</b>		<b>\$230,961.16</b>

The first invoice for MSR Utility Maintenance Corp. was for atmospheric inspections at different locations in Nashua and Manchester, NH. Costs were for labor charges for a foreman and setup to perform the inspection. All work was performed in May 2022. The invoice for New England CP, Inc. summed to \$10,940 and was for corrosion consulting services. Charges either listed “Mag Anode Annuals, Non-Annual Field or Non-Annual Office”. The designation of charges described as “Non-annual” indicates they are one-time charges and are not recurring. In total, \$4,140 was designated as “non-annual”. **Audit Issue #19**

Audit reviewed an invoice from ScottMadden, Inc. totaling \$59,273.75. Work was for research analysis for a project entitled “Project 354-066” and included preparation or econometric models, preparation of demand forecasts and preparation of final presentations. All charges were incurred in July 2022. It is unclear if this consultant was hired to assist with the current rate case or not, therefore the cost should be in a deferred account. **Audit Issue #25**

Another invoice reviewed was for Moody Analytics and in full totaled \$27,431. A notation on the invoice read “75 % 8840-9835-prog \$20,573.25 and 25%8840-9835-negas \$6,857.75”. Audit confirmed the \$6,857.75 was not expensed to the same Great Plains general ledger account 8840-2-9835-69-5200-9230 , Outside Services –Energy Procurement, but was instead expensed to Great Plains account 8840-2-0000-10-1250-1840, Misc. Bill Clearing – Intercompany. The invoice indicated the charges were for “I/S Modeling/Data” from May 1, 2022 to April 30, 2023. It appears part of the charges are beyond the test year of 2022. **Audit Issue #22**

An invoice for Hitachi Energy USA Inc. was for a part entitled “VXA03ES428” that in total summed to \$31,656.08 but was allocated among 4 Liberty subsidiaries (EnergyNorth’s portion totaling \$16,777.73). Audit also reviewed an invoice listed in the general ledger as “Platts” but is truly for S&P Global – Platts. The charges were related to ratings, benchmarks

and analytics related to the gas market and were all incurred in the month of September 2022.

Audit reviewed 2 invoices related to legal services. The first one from Pastori Krans PLLC, related to the Conservation Law Foundation's Appeal of PUC's approval of a TGP Contract. The invoice consisted of 51.80 hours of time associated with the case along with photocopy expenses. The charges were from 2/9/22 to 2/28/22. The second invoice from Keegan Werlin LLP was related to a Liberty/EnergyNorth 2021 RDAF reconciliation case. Costs were for 65.9 hours of work performed by different staff during the month of July 2022.

Audit requested supporting documentation for an expense that summed to \$10,544.31 listed in the Great Plains general ledger as "Trans En Workiva – Outside Svs". The Company provided an invoice from Workiva Canada ULC, dated 12/6/2021, billed to Algonquin Power & Utilities Corp. The product description noted "Workiva Platform Subscription Fee" in the amount of \$157,000 USD (and \$202,356 CAD). Included within the subscription was reference to "Electric Utilities-Per Entity 1 of 3 invoices for Term 1/8/2021 – 1/7/2024", "Connected FERC Reporting Solution" for the same period, and "Service Companies Only-Per Entity" for the same three year period. Allocation of the total, before taxes of \$20,475, was identified, in Canadian dollars, to be:

\$41,756 to 2100-9830-GStates

\$19,272 to 2100-9830-NH (Liberty indicated this to equate to \$15,000 USD at time of invoice

\$41,756 to 2100-9830-Empire2

\$57,856 to 2100-9830-OPS

\$41,756 to 2100-9830-CALPECO

Audit calculated the conversion at \$1.29 USD per \$1 CAD. At the time the invoice was allocated, the conversion rate had changed to \$1.28, resulting in \$15,063.30 allocated 70% to EnergyNorth \$10,544 and 30% to Granite State Electric \$4,519. Liberty indicated that the portion allocated to EnergyNorth is the result of automation of the FERC Form 1/3Q/60 filings. The FERC Form 60 is filed NH Services Corp., of which EnergyNorth (and Granite State Electric) are subsidiaries.

The final invoice reviewed was from Price Waterhouse Coopers LLP totaled \$35,000. The invoice did not have any itemization of costs just a notation that it was for "services performed in connection with the EnergyNorth gas decoupling tariff calculation". The invoice was dated 12/2/2022.

Audit also requested supporting documentation for the following 3 journal entries :

Journal Entry No. 1839587	Date: 8/31/2022	Desc: Invoice Reclass	
		Debit	Credit
8840-2-9823-69-5200-9230	Outside services-Legal	\$ 17,312.10	
8840-2-0000-10-1930-1745	Rate Case Recovery		\$ 17,312.10
8840-2-9823-69-5200-9230	Outside services-Legal	\$ 14,607.50	
8840-2-0000-10-1930-1745	Rate Case Recovery		\$ 14,607.50
8840-2-9823-69-5200-9230	Outside services-Legal	\$ 31,151.00	
8840-2-0000-10-1930-1745	Rate Case Recovery		\$ 31,151.00
<b>TOTAL</b>		<b>\$ 63,070.60</b>	<b>\$ 63,070.60</b>

Based on the information submitted from the Company, all 3 of these re-classified invoices were for legal fees associated with the Granite Bridge project. See Granite Bridge Supreme Court Case portion of this report for further information. Furthermore, the documentation submitted identified an additional \$4,541.80 in “invoice reclassification” charges that were related to Granite Bridge. Moreover, Audit noted five entries totaling \$21,882.65 that were identified in the general ledger as legal fees related to Granite Bridge. The total identified costs considered non-recurring related to the Granite Bridge case were \$89,495.25. **Audit Issue #19**

Audit noted in FERC Account 923 an entry entitled “5/9- 5/20/22 MAG/NON-ANNUAL” for \$6,865 to vendor New England CP, Inc. which indicates \$2,700 of it was a non-recurring charge. **Audit Issue #19**

#### **Property Insurance Regulatory Account 924**

5010101192400010168	Property Insurance	\$	92,983.95
5010101192400010169	Property Insurance	\$	36,454.72
8531141192400010168	As Prop Ins-Intrc	\$	674.96
<b>Reg. Acct. 924 Total</b>		<b>\$</b>	<b>130,113.63</b>

Audit was able to verify the combined EnergyNorth and Keene 9/30/22 Great Plains ending balance of \$95,168.64 to the SAP starting balance. Audit was able to verify the 2022 year-end total listed in filing Schedule RR-EN-2-1 of \$130,113.63 to both the SAP and F-16 annual report.

Activity in the accounts include expenses offset to prepaid accounts, accruals and the associated reversals.

**Injuries and Damages Regulatory Account 925**

5003001192500010168	Outside Svs	\$	514.00
5010501192500010168	Inj & Damages Insrce	\$	1,076,836.01
5010501192500010169	Inj & Damages Insrce	\$	346,501.75
5050001192500010168	Other Operating Exp	\$	-
8040301192500010168	WBS ST Services	\$	(514.00)
<b>Reg. Acct. 925 Total</b>		<b>\$</b>	<b>1,423,337.76</b>

Audit was able to verify the combined Keene and EnergyNorth Great Plains 9/30/22 balance of \$1,072,334.32 to the SAP starting balance. Audit was unable to verify the 12/31/22 total listed in filing Schedule RR-EN-2-1 of \$1,423,851.76 to either the SAP or F-16 Annual Report, refer to **Audit Issue #1**.

Both the SAP and annual report listed a year-end total of \$1,423,337.76, resulting in a difference of \$514.00 from the filing.

**Employee Pensions and Benefits Regulatory Account 926**

5001151192600010168	Ben Offst	\$	(438,343.70)
5001401192600010168	Opt Out Cr	\$	16,247.42
5001501192600010168	Medicare/Healthcare	\$	3,193,188.02
5001601192600010168	RRSP/DPSP/401K	\$	2,642,559.84
5001701192600010168	Group/Emp Ben	\$	(698,162.02)
5002301192600010168	StkPurPlns Emp Cntr	\$	47,655.60
5002701192600010168	Car Allowance	\$	581.53
5780101192600010168	OPEB Non-Srv Cst	\$	173,065.98
5780201192600010168	Pension Nn-Srv Costs	\$	(264,214.04)
7021101192600010168	BS Ops OH Benefit	\$	(309,489.63)
7021171192600010168	BS OH PenOPEB Nonser	\$	365,400.60
8531101192600010168	As OH BenIntrc	\$	508,488.98
8531131192600010168	As Pnsn/OPEB-Intrc	\$	1,435.04
<b>Reg. Acct. 926 Total</b>		<b>\$</b>	<b>5,238,413.62</b>

Audit was able to verify the Great Plains balance of \$4,775,037.97 as of 9/30/22 to the SAP starting balance. Audit was unable to verify the 2022 year-end total of \$7,240,312.58 in filing Schedule RR-EN-2-1 to either the SAP general ledger or F-16 Annual report. Both the annual report and SAP listed a year-end balance of \$5,238,413.62, resulting in a difference of \$2,001,898.96 to the filing. **Audit Issue #1**

The filing also lists a pro-forma known and measurable adjustment of \$2,082,065. See RR-EN-3.

**Regulatory Commission Expenses Account 928**

5050601192800010168	Reg Commission Exp	\$	1,090,204.02
	<b>Reg. Acct. 928 Total</b>	<b>\$</b>	<b>1,090,204.02</b>

The \$1,090,204 Regulatory Commission Expense was seen in the F-16 and within the Revenue Requirement filing schedule RR-EN-2-1. The total was verified to the general ledger as follows:

For January through September 2022, the activity was posted to the following accounts:

8840-2-9830-69-5610-9280	Regulatory Commission Expense	\$828,609.02
8843-2-9830-69-5610-9280	Regulatory Commission Exp KN	\$ -0-
8840-2-9868-69-5610-9280	Regulatory Comm Exp Strat Plan	<u>\$ 4,200.00</u>
	a/o 9/30/2022	\$832,809.02

Both the \$828,609.02 and \$4,200 were rolled into SAP account 5050601192800010168.

Audit reviewed the PUC fiscal year assessments for 2022 and 2023:

	Gas	IESR	
2022 Quarter 3	\$190,711	\$46,219	
2022 Quarter 4	\$190,711	\$46,219	
2023 Quarter 1	\$169,618	\$33,422	
2023 Quarter 2	<u>\$210,159</u>	<u>\$43,247</u>	
	\$761,199	\$169,107	\$930,306 combined

The IESR is the imputed energy suppliers' revenue. The filing reflected a pro-forma known and measurable adjustments of \$87,083. See RR-EN-3.

**Miscellaneous General Expenses Regulatory Account 930.2**

5000001193020010168	Salaries and Wages	\$	7,832.27
5000101193020010168	Overtime	\$	23,194.66
5001001193020010168	Vacation & Other TO	\$	11,486.61
5003001193020010168	Outside Svs	\$	685.49
5004051193020010168	M&C-NonStck Cntrl	\$	79.99
5005001193020010168	Equip & Machin Rents	\$	3.98
5023001193020010168	Facility Costs	\$	250.00
5050001193020010168	Other Operating Exp	\$	(3,217,846.44)
8000001193020010168	Lbr Alloc	\$	2,925.12
8040001193020010168	WBS ST Lbr	\$	(33,952.05)
8040201193020010168	WBS ST Material	\$	(79.99)
8040301193020010168	WBS ST Services	\$	(685.49)
8040401193020010168	WBS ST Other	\$	(3,905.28)
8041101193020010168	WBS ST OH Benefit	\$	<u>(11,486.61)</u>
	<b>Reg. Acct. 930.2 Total</b>	<b>\$</b>	<b>(3,221,497.74)</b>



Audit was able to verify the 9/30/22 Great Plains total the SAP general ledger, with no exceptions noted. Audit was unable to verify the 12/31/22 total of \$(3,121,419.15) listed in filing Schedule RR-EN-2-1 to either the SAP or F-16 Annual Report. The SAP lists a year-end total of \$(3,221,497.74) while the annual report shows a total of \$(3,171,529.00). The variances between the three 2022 year-end totals are the following: **Audit Issue #1**

Filing Sch. RR-EN-2-1	\$ (3,121,419.15)
SAP GL	<u>\$ (3,221,497.74)</u>
<b>Variance</b>	<b>\$ 100,078.59</b>

Filing Sch. RR-EN-2-1	\$ (3,121,419.15)
F-16 Annual Report	<u>\$ (3,171,529.00)</u>
<b>Variance</b>	<b>\$ 50,109.85</b>

SAP GL	\$ (3,221,497.74)
F-16 Annual Report	<u>\$ (3,171,529.00)</u>
<b>Variance</b>	<b>\$ (49,968.74)</b>

The filing also lists a pro-forma known and measurable adjustment of \$1,235. See RR-EN-3.

Audit reviewed the activity in both the GP and SAP general ledger and noted 65 journal entries with the job description of "COVID19". The total costs by job and account number are:

COVID Job	Total Charges	GP GL Account
8840-9823-COVID19 00004312	\$ 111.21	8840-2-9823-69-5615-9302
8840-9825-COVID19	\$ 753.73	8840-2-9825-69-5615-9302
8840-9825-COVID19 00009678	\$ 224.30	8840-2-9825-69-5615-9302
8840-9825-COVID19 00011318	\$ 931.00	8840-2-9825-69-5615-9302
8840-9825-COVID19 00115230	\$ 264.54	8840-2-9825-69-5615-9302
8840-9852-COVID19 00004153	\$ 714.24	8840-2-9852-69-5615-9302
8840-9852-COVID19 00004155	\$ 403.00	8840-2-9852-69-5615-9302
8840-9852-COVID19 00009854	\$ 714.24	8840-2-9852-69-5615-9302
8840-9852-COVID19 00009953	\$ 251.00	8840-2-9852-69-5615-9302
Job 8840-9815-COVID19 2	\$ 2,016.00	8840-2-9815-69-5615-9302
Job 8840-9815-COVID19 4	\$ 2,345.00	8840-2-9815-69-5615-9302
Job 8840-9825-COVID19 2	\$ 997.20	8840-2-9825-69-5615-9302
Job 8840-9825-COVID19 4	\$ 14,650.00	8840-2-9825-69-5615-9302
Job 8840-9825-COVID19 5	\$ 3,250.00	8840-2-9825-69-5615-9302
Job 8840-9852-COVID19 2	\$ 355.00	8840-2-9852-69-5615-9302
Job 8840-9852-COVID19 5	\$ 175.00	8840-2-9852-69-5615-9302
<b>TOTAL</b>	<b>\$ 28,155.46</b>	

Because the COVID-19 pandemic has subsided, Audit recommends that all of these charges be considered non-recurring. **Audit Issue #19**

#### Rents Regulatory Account 931

5003001193100010169	Outside Svs	\$ 5,590.62
5013001193100010168	Meals & Ent	\$ 13,552.60
5030001193100010168	Rental Expense	\$ 78,328.89
5030001193100010169	Rental Expense	\$ 27,953.10
5050001193100010168	Other Operating Exp	\$ -
8040301193100010169	WBS ST Services	\$ (5,590.62)
<b>Reg. Acct. 931 Total</b>		<b>\$ 119,834.59</b>

Audit was able to verify the 9/30/22 ending Great Plains balance of \$112,962.09 to the starting SAP general ledger, however SAP Account 5013001193100010168 (highlighted above) appears to be mislabeled as “Meals & Entertainment” when the former GP account title was “Rental Expense-Intercompany”. **Audit Issue #23**

Audit was unable to verify the 12/31/22 filing Schedule RR-EN-2-1 balance of \$125,425.21 to the SAP or Annual Report. Both the annual report and the SAP reported the year-end total to be \$119,834.59, resulting in a difference of \$5,590.62. **Audit Issue #1**

The filing also lists a pro-forma known and measurable adjustment of \$(7,751). See RR-EN-3.

Audit reviewed the activity in the rent expense accounts. Activity included payment for office space leases and credit entries for the Concord training center. The \$13,552.60 in SAP Account 5013001193100010168 represents the 9/30/22 Great Plains ending balance of EnergyNorth's portion of the Londonderry office rent and the Concord Training Center income from Granite State Electric. The October through December Londonderry rent and Concord Training Center income were allocated to different accounts within Regulatory Account 931, see the Leases portion of this report for further details.

Audit notes there is a corrective credit entry in Great Plains account 8840-2-0000-69-6125-9310 for \$13,278. This was related to the rent for 15 Buttrick Road, Londonderry and was due to a duplicate entry made in October 2021. **Audit Issue #22**

See the Leases portion of this report for details on the leases.

**Maintenance of General Plant Regulatory Account 935 (listed on filing as Acct. 932 and in SAP as 932)**

5000001193200010168	Salaries and Wages	\$	5,276.07
5003001193200010168	Outside Svs	\$	4,094.46
5003301193200010168	Outside Svs-Ser Main	\$	796.80
5004101193200010168	M&C-Small Tools	\$	128.27
5004301193200010168	M&C-Main Parts	\$	335.83
5007001193200010168	Land&Property Rents	\$	-
5009001193200010168	Util Exp-Water & Sew	\$	506.08
5009101193200010168	Util Exp-Waste Remvl	\$	750.00
5009101193200010169	Util Exp-Waste Remvl	\$	1,633.94
5009201193200010168	Util Exp-Heat & Elec	\$	29,867.99
5009401193200010168	Util Exp-Gas	\$	193.08
5023001193200010168	Facility Costs	\$	171,868.01
5023001193200010169	Facility Costs	\$	19,098.03
5023101193200010168	Facility Costs-Maint	\$	3,189.11
5030001193200010168	Rental Expense	\$	68,933.88
5050001193200010168	Other Operating Exp	\$	18,440.64
8000001193200010168	Lbr Alloc	\$	25,833.90
8040001193200010168	WBS ST Lbr	\$	(31,109.97)
8040201193200010168	WBS ST Material	\$	(464.10)
8040301193200010168	WBS ST Services	\$	(4,891.26)
8040401193200010168	WBS ST Other	\$	(293,748.79)
8040401193200010169	WBS ST Other	\$	(20,731.97)
<b>Reg. Acct. 935 aka 932 Total</b>		<b>\$</b>	<b>0.00</b>

There were no transactions in Great Plains for this account. Audit was able to verify the filing Schedule RR-EN-2-1 balance of \$0 to both the SAP general ledger and F-16 with no

exceptions noted. The filing lists a pro-forma known and measurable adjustment of \$845. See RR-EN-3.

Transactions consisted of P-card expenses, maintenance charges assigned to various facilities, uniform charges from Aramark Clothing and fire alarm monitoring from K&J Alarm Monitoring related to the facility in Manchester.

Total O&M – Admin & General Expenses Per SAP GL	\$23,827,788.96
Total O&M – Admin & General Expenses Per Filing Sch. RR-2.1	\$12,266,439.92
<b>Overall Total Difference of Filing vs. SAP GL</b>	<b>\$11,561,349.04</b>

Total O&M – Admin & General Expenses Per F-16 Annual Report	\$23,877,758.00
Total O&M – Admin & General Expenses Per Filing Sch. RR-2.1	\$12,266,439.92
<b>Overall Total Difference of Filing vs. F-16 Annual Report</b>	<b>\$11,611,318.08</b>

Total O&M – Admin & General Expenses Per SAP GL	\$23,827,788.96
Total O&M – Admin & General Expenses Per F-16 Annual Report	\$23,877,758.00
<b>Overall Total Difference of SAP vs. F-16 Annual Report</b>	<b>\$ (49,969.04)</b>

#### **Audit Issue #1**

### **Leases Income and Expenses**

Regarding Operating Leases, the updated 2016-02 FASB guidance indicates all leases should be included on the balance sheet. The FERC ruling issued on December 27, 2018 in their Docket No. 9-1-000 indicates that the lease accounting rule changes should have no material impact from a ratemaking perspective as a result of the GAAP change of accounting and financial reporting for leases. Audit noted Operating Leases in account 1012 were not included in the Plant in Service total.

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

EnergyNorth owns a training facility at 10 Broken Bridge Road in Concord, and leases space within it to Granite State Electric (GSE). In the Great Plains general ledger account 8840-2-0000-69-6125-9310 (Rental Expense – Intercompany), Audit noted 4 credit entries in the amount of \$10,560.95 for January through April and 5 entries in the amount of \$10,206.12 for May through September. In the SAP GL Account 5030001193100010168 (Rents – Rental Expense) Audit was able to trace 3 credit entries each summing to \$10,206.12. Lease/rental payments are allocated between Granite State Electric and EnergyNorth Account 5013001193100010168 (Intercompany account). The total credit entries are summarized as follows:

<b>Date</b>	<b>Amount</b>	<b>Account #</b>	<b>Account Name</b>
1/30/2022	\$ (10,560.95)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
2/28/2022	\$ (10,560.95)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
3/28/2022	\$ (10,560.95)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
4/28/2022	\$ (10,560.95)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
5/31/2022	\$ (10,206.12)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
6/30/2022	\$ (10,206.12)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
7/31/2022	\$ (10,206.12)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
8/31/2022	\$ (10,206.12)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
9/30/2022	\$ (10,206.12)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
10/31/2022	\$ (10,206.12)	5030001193100010168	Rents – Rental Expense
11/30/2022	\$ (10,206.12)	5030001193100010168	Rents – Rental Expense
12/31/2022	\$ (10,206.12)	5030001193100010168	Rents – Rental Expense
<b>TOTAL RENT INCOME</b>	<b>\$ (123,892.76)</b>		

### **114 and 116 North Main Street, Concord, NH**

Liberty and Ciborowski Associates, LLC have lease agreements for 2 properties: 2,150 square feet at 116 North Main Street, Concord (through 11/30/2026); and 1,660 square feet at 114 North Main Street, Concord, amended in 2019 to include an additional 645 square feet at 114 North Main Street. The lease at 114 North Main Street was extended until 11/30/2026, but the portion of the lease relating to the 645 square feet was not extended, and thus expired 11/30/2021. The amended leases were executed 12/30/2021. Lease/rental payments are allocated between Granite State Electric and EnergyNorth. Audit was able to trace all monthly payments to the appropriate Great Plains account (8840-2-9823-69-5110-9310 – 114 N. Main and 8840-2-9865-69-5110-9310 – 116 N. Main) and to SAP Account 5030001193100010168.

The monthly payments are expressed below. Audit notes that the January payments are the same as the 2021 rental amounts and that the lease terms most likely changed. Audit did not request a copy of the updated lease agreement.

#### 114 North Main St., Concord, NH

Date	Amount	Account #	Account Name
1/28/2022	\$ 1,032.34	8840-2-9823-69-5110-9310	Rent Expense
1/28/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
2/23/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
2/23/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
3/23/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
3/23/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
4/18/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
4/18/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
5/24/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
5/24/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
6/13/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
6/13/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
7/27/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
7/27/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
8/23/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
8/23/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
9/12/2022	\$ 1,999.30	8840-2-9823-69-5110-9310	Rent Expense
9/12/2022	\$ 66.27	8840-2-9823-69-5110-9310	Rent Expense
11/4/2022	\$ 66.27	5030001193100010168	Rents – Rental Expense
11/5/2022	\$ 1,999.30	5030001193100010168	Rents – Rental Expense
11/14/2022	\$ 1,999.30	5030001193100010168	Rents – Rental Expense
11/14/2022	\$ 66.27	5030001193100010168	Rents – Rental Expense
12/30/2022	\$ 1,999.30	5030001193100010168	Rents – Rental Expense
12/30/2022	\$ 66.27	5030001193100010168	Rents – Rental Expense
<b>TOTAL RENT PAID</b>	<b>\$ 23,819.88</b>		

#### 116 North Main St, Concord – 1<sup>st</sup> & 3<sup>rd</sup> Floor

Date	Amount	Account #	Account Name
1/28/2022	\$ 4,701.10	8840-2-9865-69-5110-9310	Rent Expense
1/28/2022	\$ 301.76	8840-2-9865-69-5110-9310	Rent Expense
2/23/2022	\$ 2,880.88	8840-2-9865-69-5110-9310	Rent Expense
2/23/2022	\$ 984.30	8840-2-9865-69-5110-9310	Rent Expense
2/23/2022	\$ 301.76	8840-2-9865-69-5110-9310	Rent Expense
3/23/2022	\$ 2,880.88	8840-2-9865-69-5110-9310	Rent Expense

3/23/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
3/23/2022	\$	301.76	8840-2-9865-69-5110-9310	Rent Expense
4/18/2022	\$	2,880.88	8840-2-9865-69-5110-9310	Rent Expense
4/18/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
4/18/2022	\$	301.76	8840-2-9865-69-5110-9310	Rent Expense
5/24/2022	\$	2,880.88	8840-2-9865-69-5110-9310	Rent Expense
5/24/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
5/24/2022	\$	301.76	8840-2-9865-69-5110-9310	Rent Expense
6/13/2022	\$	2,880.88	8840-2-9865-69-5110-9310	Rent Expense
6/13/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
7/27/2022	\$	2,880.88	8840-2-9865-69-5110-9310	Rent Expense
7/27/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
7/27/2022	\$	301.76	8840-2-9865-69-5110-9310	Rent Expense
8/23/2022	\$	2,880.88	8840-2-9865-69-5110-9310	Rent Expense
8/23/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
8/23/2022	\$	301.76	8840-2-9865-69-5110-9310	Rent Expense
9/12/2022	\$	2,880.88	8840-2-9865-69-5110-9310	Rent Expense
9/12/2022	\$	984.30	8840-2-9865-69-5110-9310	Rent Expense
9/12/2022	\$	301.76	8840-2-9865-69-5110-9310	Rent Expense
11/4/2022	\$	301.76	5030001193100010168	Rents – Rental Expense
11/5/2022	\$	2,880.88	5030001193100010168	Rents – Rental Expense
11/5/2022	\$	984.30	5030001193100010168	Rents – Rental Expense
11/14/2022	\$	2,880.88	5030001193100010168	Rents – Rental Expense
11/14/2022	\$	984.30	5030001193100010168	Rents – Rental Expense
11/14/2022	\$	301.76	5030001193100010168	Rents – Rental Expense
12/30/2022	\$	2,880.88	5030001193100010168	Rents – Rental Expense
12/30/2022	\$	984.30	5030001193100010168	Rents – Rental Expense
12/30/2022	\$	301.76	5030001193100010168	Rents – Rental Expense
<b>TOTAL RENT PAID</b>		<b>\$ 50,537.44</b>		

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

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

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

*Department of Labor (the 'CPI') for January 1 of the then-current year, and the denominator of which is the CPI for January 1 of the previous year".*

Yearly lease calculations was not requested, however Audit reviewed the Great Plains general ledger and notes nine monthly payments in the amounts of \$13,345 each posted to account 8840-2-0000-69-6125-9310, Rental Expense – Intercompany. It was also noted that a June rental payment was paid in July. As discussed earlier in the Rent Expense portion of this report, there was a 2022 corrective entry made for a 2021 duplication of monthly rent for October 2021 in the amount of \$13,278 related to the Londonderry lease. **Audit Issue #22**

Audit noted only 1 rental payment in SAP account 5030001193100010168 (Rents – Rental Expense) totaling \$13,345.00 dated 12/30/22. Audit was able to trace the 2 other rental payments, each \$13,345 and dated 10/31/22 and 11/30/22 to the rental expense account within Regulatory Account 921 (Office Supplies) SAP account number 5030001192100010168. **Audit Issue #18**

The total rental payments made are reflected below:

Date	Amount	Account #	Account Name
1/31/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
1/31/2022	\$ (13,278.00)	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
2/28/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
3/31/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
4/30/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
5/31/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
7/31/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
7/31/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
8/31/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
9/30/2022	\$ 13,345.00	8840-2-0000-69-6125-9310	Rental Expense – Intercompany
10/31/2022	\$ 13,345.00	5030001192100010168	Office Supplies & Expenses – Rental Expense
11/30/2022	\$ 13,345.00	5030001192100010168	Office Supplies & Expenses – Rental Expense
12/31/2022	\$ 13,345.00	5030001193100010168	Rents – Rental Expense
<b>TOTAL RENT</b>	<b>\$ 146,862.00</b>		

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

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



It appears the lease for this property was not renewed as Audit could not trace rental payments for this property. It's noted that formerly rental payments were made from Great Plains account 8840-2-9825-51-5436-8740, Mains and Services Expense.

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

254 Sheep Davis Road in Concord, NH is the location of EnergyNorth's Computer-based On-Site Test Center, charged specifically to ENG, as the center is used for the purpose of making Operator Qualification examinations, sponsored by the National Gas Association, available to ENG employees. The prior lease contract terms were January 1, 2019 through December 31, 2021 and is for space consisting of approximately 2,500 square feet including daytime parking spots for twenty cars and five oversized vehicles. Audit did not request updated lease information for this property, however Audit noted in Great Plains account 8840-2-9825-51-5436-8740 (Mains & Service Expense) there was one payment of \$2,491.07 and eight payments of \$2,540.80 for a total of \$22,817.47 to Sheep Davis Partners, LLC. It is unclear to Audit why these payments are not expensed to Regulatory Account 931 Rent. **Audit Issue #18**

Audit also noted there was an expense for \$99.46 which represented the difference of 2 underpayments (\$49.73 each) for the month of January and the month of February. It was also discovered there was a credit entry totaling (\$2,380.66) with a notation "CAM overpymt", "CAM" is the Common Area and Maintenance charge.

The remaining monthly payments for October through December could not be traced to either Account 874 or Account 931, however Audit was able to trace them to a rental expense account within Regulatory Account 932 (Maintenance of General Plant), SAP Account 5030001193200010168. **Audit Issue #18**

It is also noted that within Account 932, the detailed SAP general ledger notes the 12/30/22 payment of \$2,540.80 is for "Facilities – Delta Drive" but the Vendor general ledger detail provided by the Company confirms this payment was to Sheep Davis Partners, LLC. The total rent expense is reflected below:

Date	Amount	Account #	Account Name
1/28/2022	\$ 2,491.07	8840-2-9825-51-5436-8740	Mains & Services Expense
2/23/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
2/23/2022	\$ 99.46	8840-2-9825-51-5436-8740	Mains & Services Expense
3/23/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
4/18/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
4/18/2022	\$ (2,380.66)	8840-2-9825-51-5436-8740	Mains & Services Expense
5/24/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
6/13/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
7/27/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
8/23/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
9/12/2022	\$ 2,540.80	8840-2-9825-51-5436-8740	Mains & Services Expense
11/4/2022	\$ 2,540.80	5030001193200010168	Maintenance of General Plant – Rental

			Expense
11/14/2022	\$ 2,540.80	5030001193200010168	Maintenance of General Plant – Rental Expense
12/30/2022	\$ 2,540.80	5030001193200010168	Maintenance of General Plant – Rental Expense
<b>TOTAL RENT PAID</b>	<b>\$ 28,158.67</b>		

Pearl Street, Keene, NH

The Pearl Street property lease was signed on March 16, 2012 between R&M Realty and New Hampshire Gas Corporation. The term of the lease is for the ten-year period beginning March 1, 2012 and terminating on February 28, 2022. An amendment to the lease, effective November 1, 2016, notes an option to extend the lease for an additional five years. Audit did not request a copy of the updated lease extension; however it was noted in the 2016 extension the following:

*...Tenant shall have the right, by delivering written notice of Tenant's election to extend on or before December 1, 2021, to extend the Lease Term for one (1) period of five (5) years (the "Extension Option"), the Extension Option being upon the same terms and conditions contained in the Lease. If exercised prior to February 28, 2020, the Extension Option shall commence March 1, 2020. If exercised on or after March 1, 2020 and prior to December 1, 2021, the Extension Option commences March 1 following its exercise. If the Extension Option commences on March 1 in 2020 or 2021, annual Base Rent for those years shall be set forth in the table in Paragraph 2, above. Annual base Rent for the Extension Option for those years after March 1, 2022 shall be equal to 95% of the then Fair Market Rent for the Leased Premises as defined in the subsection below.*

The Base Rent referenced in Paragraph 2 of the extension was \$5,590.62. Audit was able to trace 5 entries in the Keene Great Plains general ledger account 8843-2-0000-69-5110-9310 (Rents), each totaling \$5,590.62. Audit was also able to trace 2 entries each summing to \$5,590.62 to account 8843-2-0000-51-5436-8740 (Mains & Service Expenses) and 2 more entries each summing to \$5,590.62 to account 8843-2-0000-69-5130-9210 (Office Supplies & Expenses). **Audit Issue #18**

Within the SAP GL, all the carryforward charges from the correct Great Plains account 8843-2-0000-69-5110-9310 (Rents) were transferred into SAP Account 5030001193100010169 (Rents – Rental Expense), however the Company did not continue to expense the Keene rent there. Instead they posted 1 entry SAP Account 5003001193100010169 (Rents – Outside Services) and 2 entries to SAP Account 5023001193200010169 (Maintenance of General Plant – Facility Costs). **Audit Issue #18**

It is unclear why the Company did not continue charging the facility costs in the same account where the GP roll forward costs were already expensed. Below are the total rental payments Audit could trace:

Date	Amount	Account #	Account Name
1/24/2022	\$ 5,590.62	8843-2-0000-51-5436-8740	Mains & services expenses
2/23/2022	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
3/4/2022	\$ 5,590.62	8843-2-0000-51-5436-8740	Mains & services expenses
4/5/2022	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
5/10/2022	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
6/7/2022	\$ 5,590.62	8843-2-0000-69-5130-9210	Office Supplies & expenses
7/12/2022	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
8/11/2022	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
9/13/2022	\$ 5,590.62	8843-2-0000-69-5130-9210	Office Supplies & expenses
10/28/2022	\$ 5,590.62	5003001193100010169	Rents – Outside Services
11/9/2022	\$ 5,590.62	5023001193200010169	Maintenance of General Plant – Facility Costs
12/13/2022	\$ 5,590.62	5023001193200010169	Maintenance of General Plant – Facility Costs
<b>TOTAL RENT PAID</b>	<b>\$ 67,087.44</b>		

### 237 Londonderry Turnpike, Hooksett, NH, Units 1-3

Audit was able to locate an unsigned lease agreement from a prior audit indicating the lease for this property was entered into on May 7, 2020 with Ravenwood, LLC a New Hampshire based business, for units 1 – 3 with a combined square footage of 4,320 square feet. The agreement also notes the address as “237 Londonderry Turnpike, Hooksett, **NJ** 03106” however Audit confirmed the property is located in Hooksett, New Hampshire. The lease term was for 3 years “*commencing on the date on which the Landlord Substantially Completes the Landlord’s Work (as such terms are defined below) and delivers the Premises to Tenant*”. The rental amount listed in the agreement was **\$4,560**, however Audit was able to trace consistent monthly payments of **\$4,067** back to December 2020 in the Great Plains general ledger, all expensed to account 8840-2-9825-51-5436-8740 (Mains & Services Expense). It is unclear to Audit why these payments were not expensed to Rental Expense Account 931. **Audit Issue #18**

Audit confirmed there were 9 monthly payments in the 2022 Great Plains ledger each totaling \$4,067 and an additional charge of \$375 that is not clear for what it was.

Audit could not locate the rental payments in Regulatory Account 874 in the SAP general ledger; however Audit was able to trace the remaining year-end payments for October, November and December in SAP Account 5030001193200010168 (Maintenance of General Plant – Rental Expense). **Audit Issue #18**

Below are the total rental payments Audit could trace:

Date	Amount	Account #	Account Name
1/28/2022	\$ 4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
2/23/2022	\$ 4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
3/23/2022	\$ 4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
3/23/2022	\$ 4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
4/18/2022	\$ 4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense

5/24/2022	\$	4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
6/13/2022	\$	4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
7/27/2022	\$	4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
8/23/2022	\$	4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
9/8/2022	\$	375.00	8840-2-9825-51-5436-8740	Mains & Services Expense
9/12/2022	\$	4,067.00	8840-2-9825-51-5436-8740	Mains & Services Expense
				Maintenance of General Plant – Rental
11/4/2022	\$	4,067.00	5030001193200010168	Expense
				Maintenance of General Plant – Rental
11/14/2022	\$	4,067.00	5030001193200010168	Expense
				Maintenance of General Plant – Rental
12/30/2022	\$	4,067.00	5030001193200010168	Expense
<b>TOTAL RENT PAID</b>	<b>\$</b>	<b>53,246.00</b>		

### **Corporate Allocations**

Corporate expenses are allocated to ENG either directly or indirectly on a monthly basis. Audit requested all corporate billings for the months of February and November. Testing was performed on the November billings provided to Audit. The following billings and supporting documentation was provided:

- Direct Billing Manual LUC
- Direct Billing Manual LABS
- Direct Billing Auto-settle LUC/LABS combined
- Direct Billing Manual LUSC
- Direct Billing Auto-settle LUSC
- Indirect Billing Auto-settle LUSC combined
- Indirect Billing Auto-settle LUC combined
- Indirect Billing Auto-settle LABS combined

### **Direct Billing Manual LUC**

Liberty Utilities Canada issued invoices on 11/25/2022 for the November 2022 Direct Billing. Detail was provided to Audit as support for the invoiced amounts. The detail contained expenses from Company Code 1048 and noted the customer as 2100EAST, 2100ENORTH and 2100GSTATES. Each item noted if it was labor, outside services (with vendor names), benefits, etc. As LUC is a Canadian company, the invoices amounts are in Canadian Dollar with a conversion to USD.

The \$448 booked to ENG was noted to be outside services. As the invoice was noted to be for ENG, there was no 70/30 split with GSE.

### **Direct Billing Manual LABS**

Liberty Utilities Canada issued an invoice to ENG on 11/25/22 for the November 22 Direct Billing in the amount of \$5,180. The same detail was provided to support the November LABS billing as the LUC billing. The detail contained the information noted above.

There was one entry charged to ENG. The detail notes it was for outside services for “EH&S for Energy North”. As the expenses were for ENG only, they were not allocated 70/30 with GSE.

Direct Billing Auto-settle LUC/LABS combined

The direct billing auto-settle LUC/LABS totaled \$151,900 for the month of November. As these charges are auto-settled, they are booked to ENG general ledger through an automated SAP settlement system. Due to this, there is no invoice provided to the Company.

Supporting documentation was provided containing a total of \$1,237,088 in expenses from Company 1048. The detail contained raw data, billing summary, NH charges and the procedures on processing direct billings.

Audit verified the raw information to the billing information. The billing detail showed expenses of \$151,899.58 for ENG. Audit then verified the ENG total without exception. The NH detail included the GL account, noted if it was outside service, labor, benefits, etc. Vendor names were also included for outside services. These expenses were booked fully to ENG’s general ledger.

Expenses charged to ENG were for outside services, labor allocations, overhead benefits, and overhead bonuses.

The billing also noted a total of \$331,014 of expenses for Liberty NH. These charges were booked 30% to GSE and 70% to ENG.

Direct Billing Manual LUSC

Liberty Utilities Central Shared Services Co. provided an invoice to ENG on 11/25/2022 for November charges. The invoice totaled \$61,588. Liberty provided details containing the billing data and an ENG billing summary.

The billing data showed the expenses booked to Company 3060 totaling \$2,027,654. The data noted for which company the expense was, the type of expense, the Canadian Dollar amount and the USD amount, and other information. Audit verified the ENG total of \$61,588 to the billing data.

The ENG billing summary provided included a table showing the ENG company, GL account number, type of expense and the total. The billing data also showed (\$166,766) being charged to Liberty NH in which the amount would be allocated 70/30.

Expenses charged to ENG were for labor allocations and overhead expenses.

Direct Billing Auto-settle LUSC

The direct billing auto-settle for LUSC does not have an invoice. As previously noted, auto-settlement automatically books the expense to the GL through the SAP settlement system.

The total billed to ENG for November was \$83,295. The supporting Excel spreadsheet provided the same type of information as noted in the Auto-settle direct billing for LUC/LUSC combined.

Audit verified the raw data, to the billing pivot, to the NH billing summary to the NH pivot without exception. \$79,490 of the total was the labor allocation. The remaining \$3,149 was for meals & entertainment, miscellaneous deductions, seminars, tips, computer & software, etc.

The 3070 total was \$(694,068) for labor allocation and labor offset. This total was allocated 30% to GSE and 70% to ENG.

Indirect Billing Auto-settle LUSC combined

The expenses billed to ENG through the auto-settle LUSC are allocated through the 4 factor percentage. The percent charged to ENG is noted in the very beginning of this audit report. A total of \$492,006 was allocated to ENG for November. Expenses included labor and associated costs, property insurance, travel, fleet, materials, services, and other.

As these expenses are auto-settled so no invoice was provided. Supporting documentation which contained the SAP billing data, and information that broke the data down into different regions with checks and balances.

The East Region shows \$284,163 being allocated to ENG at 9.60%. The Libcorp shows an ENG total of \$84,888 at 9.72% and LABS shows a total of \$122,955 at 9.72%. The total of these three is \$492,006

Indirect Billing Auto-settle LUC combined

The expenses billed to ENG for the LUC Indirect billing total \$217,821. Supporting documentation provided included GL details, LU allocations, and the monthly data for all entities.

These LU expenses are allocated to ENG using the 4 Factor Percentage of 9.72%. The total of \$217,821 expensed to ENG was for labor, materials, fleet, meals, payroll taxes and overhead benefits.

Indirect Billing Auto-settle LABS combined

The amount expensed to ENG for the auto-settle LABS billing totaled \$37,359 for November 2022. As supporting documentation to the auto-settle charges, Liberty Provided an Excel spreadsheet. The spreadsheet provides the SAP detail, SAP journal entry, LABS allocation, etc.

Through the supporting documentation provided, Audit was able to verify that the allocation amount booked to ENG was based on the 4 Factor Percentage of 9.72%. Audit recalculated the allocation amounts, which were in Canadian Dollars, without exception.

The Company provided additional documentation showing the regulatory general ledger accounts to which the expenses were booked. ENG did note that an immaterial difference, \$12, between the actual amount booked to the Company and the allocation support recalculated by Audit, was due to currency exchange rates. Audit verified that a total of \$37,342 was booked to ENG's general ledger. No exception was noted.

## **PAYROLL**

During test year 2022, all ENG employees were employed by Liberty Utilities Service Corp.

Payroll is completed on a weekly and bi-weekly basis. Union employees are paid on a weekly basis whereas non-union employees are paid bi-weekly.

The final 2022 pay period for weekly paid employees ended December 24, 2022 and was paid December 30, 2022. The final pay period for bi-weekly paid employees ended December 17, 2022 and paid December 23, 2022. Audit reviewed both detailed payroll registers for the final pay periods.

Audit requested the payroll journal entry for Liberty NH, 3070, final weekly and bi-weekly pay period of the year. Liberty provided the payroll journal entry signoff, for both weekly and bi-weekly, which shows information such as the account and amount.

Audit additionally requested the journal entry booking the payroll from 3070 to GSE 3071 and ENG 3072. Liberty noted *"this is no longer done as a manual journal entry hence there is no actual document, instead it is an automated process in SAP. The payroll team received a "Success Report" from SAP when the entry goes through"*. Liberty provided an example of the "Success Report" which states "Document Posted Successfully:" with a numerical and alphabetical code.

Audit requested an explanation as to how the payroll is reconciled to the general ledger now that a previously used report is no longer available in SAP. Liberty's response was as follows:

*"The process used to reconcile payroll is first to run a Timesheet report to gather all labor hours entered for a particular month. Then the total amount of labor per weekly/bi-weekly timesheet is compared to the Payroll Register report dollar amounts. Minor variances are expected due to the timing of transactions posting in the Timesheet system (WFS) vs Payroll Processing System (SAP)."*

Liberty provided the reconciliation for the payroll paid in the month of December 2022. The timesheet report shows a total of \$1,096,705 for bi-weekly while the payroll register shows \$1,086,078, resulting in a variance of \$10,627. For weekly payroll, the timesheet report shows

\$2,178,999 and the payroll register shows \$2,180,340, resulting in a variance of (\$1,341.04). Audit notes that the reconciliation provided did not include any general ledger detail as requested. Audit is unable to determine if the general ledger accurately reflects the payroll expense for 2022. **Audit Issue #26**

### Payroll Test

Audit requested and received a listing of all Liberty employees in which a portion of their full payroll expense is charged to ENG. Audit randomly selected seven weekly employees and eight bi-weekly employees for a review of timesheets, paystubs and W2s.

Bi-weekly timesheets for the period of December 4, 2022 through December 17, 2022 were reviewed in detail. Audit was able to tie seven of the eight bi-weekly paid employees' timesheets to the payroll register detail and W2s. The final timesheet reviewed was a four factor allocation and was therefore not on the payroll register. Four factor allocation is further discussed on page 4 of the report. Types of pay included regular hours, vacation pay, and jury duty pay.

Audit reviewed the seven weekly paid employees' timesheets for the period of December 18, 2022 through December 24, 2022 in detail. All seven of the gas employee's hourly rate, based on job title, were verified to the Union Contracts without exception.

The types of pay employees received during the final pay period included regular, overtime, vacation, storm pay, shift premiums and electric emergency support.

All hours recorded on seven of the eight weekly employees' timesheets were verified to the payroll register detail without exception. The payroll register detail was then verified to the employees' W2 without exception. The one employee that was not able to be verified was out on short term disability. This employee's paystub matched the payroll register but the register did not tie to the W2. Audit questioned why this was the case and Liberty's payroll department noted that short term disability is not paid by Liberty directly. It is processed by a third party. The year to date pay on the paystub ties to the payroll register as that is what Liberty had paid the employee. The pay on the W2 is greater than the payroll register as it includes the third party short term disability payments. No exception was noted.

All premium rates, such as overtime, storm pay and shift premiums, paid to the employees were verified to the union contract without issue.

Audit noted that when rest time is noted on the actual timesheet, it is when banked rest hours are being used. If the rest hours are earned during the pay period, it will show in the result tab of the payroll system as it is entered by the supervisors not the actual employee. Audit verified the rest hours that were paid and earned during the pay period were done without exception.



Schedule RR-EN-2-1 in the filing stated the total O&M payroll for 2022 was \$15,374,489 as shown below:

Account Name	FERC Account	Labor
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
<b>O&amp;M - Gas Production</b>		
Operation Supervision and Engineering	710	\$ 1,234,127
Liquefied Petroleum Gas Expenses	717	15,430
Miscellaneous Production Expenses	735	130,386
Maintenance of Production Equipment	742	105,202
Other Expenses	846	1,772
<i>Total O&amp;M - Gas Production</i>		<u>\$ 1,486,917</u>
<b>O&amp;M - Distribution Expenses</b>		
Operation Supervision and Engineering	850	\$ 306
Maintenance of Mains (Transmission)	863	8,386
Operation Supervision and Engineering	870	337,561
Distribution Load Dispatching	871	533,356
Mains Services Expenses	874	3,540,424
Measuring and Regulating Station Expenses - General	875	45,254
Meter and House Regulator Expenses	878	1,038,814
Customer Installations Expenses	879	675,078
Other Expenses	880	983,624
Rents	881	71
Maintenance Supervision and Engineering	885	110,719
Maintenance of Structures and Improvements	886	99,994
Maintenance of Mains	887	695,330
Maintenance of Measuring and Regulating Station Expenses	889	2,487
Maintenance of Services	892	289,616
Maintenance of Meters and House Regulators	893	271,470
Maintenance of Other Equipment	894	172,715
<i>Total O&amp;M - Distribution</i>		<u>\$ 8,805,204</u>
<i>Total O&amp;M - Gas Production and Distribution</i>		<u><b>\$ 10,292,121</b></u>
<b>Customer Accounts Expenses</b>		
Supervision SAP	901	\$ 149,424
Meter Reading Expenses	902	495,479
Customer Records and Collection Expenses	903	1,366,675
Miscellaneous Customer Accounts Expenses	905	60,701
<i>Total Customer Accounting</i>		<u>\$ 2,072,278</u>
<b>Customer Service and Informational &amp; Sales Expenses</b>		
Informational and Instructional Advertising Expenses	909	\$ 51,714
Sales & Advertising	912	424,453
Advertising Expenses	913	5,919
Miscellaneous Sales Expenses	916	58,696
<i>Total Customer Service and Informational &amp; Sales Expenses</i>		<u>\$ 540,783</u>
<i>Total Customer Accounts, Customer Service and Informational</i>		<u><b>\$ 2,613,061</b></u>
<b>Administrative and General Expenses</b>		
A&G Salaries	920	\$ 3,246,668
Office Supplies and Expenses	921	43,554
Administrative Expenses Transferred	922	(897,465)
Miscellaneous General Expenses	930	45,439
Maintenance of General Plant	932	31,110
<i>Total Administrative &amp; General</i>		<u>\$ 2,469,306</u>
<b>Total Operation and Maintenance Expenses</b>		<u><b>\$ 15,374,489</b></u>

ENG provided a trial balance for the payroll, which summed to \$12,325,437. The trial balance provided showed the total labor per month per FERC account. Audit was unable to tie the payroll trial balance provided by the Company to the thirty-five FERC accounts noted in Schedule RR-EN-2-1.

Audit was able to tie Schedule RR-EN-2-1 to the 2022 detail general ledgers without exception.

The Dayforce Payroll Register Reports, weekly and bi-weekly combined, shows a total payroll of \$36,182,458 for the year. The payroll register reflects all payroll for NH, which includes ENG and GSE. Due to this, Audit was not able to directly tie the Schedule RR-EN-2-1 to the Dayforce report. ENG previously noted during the rate case audit in Docket DE16-383 that the Dayforce report will not tie directly to Schedule RR-EN-2-1 as Dayforce is only NH employees where Schedule RR-EN-2-1 represents all payroll charged to NH.

ENG's payroll is processed through Ceridian. Audit reviewed the Ceridian contract in detail, which noted the contract terms and fees charged.

Union contracts and Payroll Policies and Procedures that were in place during the test year were obtained and reviewed.

#### Liberty Utilities and Algonquin Payroll

Audit requested and received the February 2022 and November 2022 direct and indirect LUC, LUSC, and LABS billings. Audit reviewed the detail in the billings for payroll and payroll taxes. Please refer to the Allocation section of this report for a detailed review.

#### Temporary Employees

Audit requested the total paid to temp agencies and to which general ledger the expenses were booked. In response, ENG provided documentation that totaled \$165,793.40 paid to Balance Professionals.

Audit reviewed the Excel document sent in response to the request. Audit began with the GP detail for January through September which showed a total of \$121,108.32 in expenses for Balance Professional. The response provided showed the vendor name, document date, document number, and document amounts. The Excel also provided the general ledger account and the amount allocated to ENG. Audit was able to verify most of the amounts to the following GP accounts:

8840-2-0000-10-1250-1840	\$ 273.75
8840-2-0000-10-1618-1070	\$ 19,782.99
8840-2-0000-10-1920-1864	\$ 1,708.92
8840-2-0000-51-5444-7350	\$ 182.50
8840-2-0000-51-5540-7100	\$ 11,406.27
8840-2-9815-69-5200-9230	\$ 1,316.71
8840-2-9820-69-5130-9210	\$ 22,396.92
8840-2-9820-69-5200-9230	\$ 16,511.04
8840-2-9825-51-5436-8740	\$ 3,043.96
8840-2-9825-69-5130-9210	\$ 29,127.95
8840-2-9825-69-5200-9230	\$ 14,904.61
8840-2-9852-69-5130-9210	\$ 271.62
8840-2-9852-69-5200-9230	\$ 181.08
	<u>\$ 121,108.32</u>

Audit reviewed the GP general ledger in detailed and determined that four account amounts noted above did not match the actual GL detail. The actual GL showed the following totals for those four accounts:

8840-2-0000-51-5540-7100	\$ 9,307.52
8840-2-9820-69-5130-9210	\$19,645.08
8840-2-9825-51-5436-8740	\$ 1,922.48
8840-2-9825-69-5130-9210	\$25,688.15

The difference between the actual general ledger detail and the Excel provided to Audit showing the total paid to Balance Professionals was \$9,411.87 for all four accounts. Audit determined the difference to be the Excel provided to Audit included transactions from 2021 totaling \$9,411.87. As these transactions were from 2021, they were not included in the 2022 GL. As the actual GL is not overstated for the 2021 transactions, no issue is present.

Audit then attempted to verify the SAP October through December audit response to the detail general ledger. The audit request response shows a total of \$44,685.08 being booked to the general ledger for Balance Professional during the last three months of the year. The detail GL shows \$46,947.04 as being booked to SAP. The following shows the GL accounts and amounts booked to them:

Regulatory GL Account	Audit Request Response	SAP GL	Difference (AR-GL)
50030011107000	\$ 2,716.20	\$ 3,078.36	\$ (362.16)
50030011186000	\$ 4,706.52	\$ 5,042.71	\$ (336.19)
50030011886000	\$ 1,344.72	\$ 1,344.72	\$ -
50030011923000	\$ 34,616.56	\$36,180.17	\$ (1,563.61)
50030011932000	\$ 1,301.08	\$ 1,301.08	\$ -
TOTAL	\$ 44,685.08	\$46,947.04	\$ (2,261.96)

Audit reviewed the SAP general ledger detail that included vendor information for all Balance Professional entries. Audit was able to determine which entries were missing from the Company's response to the audit request. Journal Entry 1900002371 from 12/23/2022 was not included in the Company's response but was included in the GL. The journal entry sums to \$2,261.96 in Balance Professional expenses.

#### End of Year Accruals

Audit received the payroll accruals booked for weekly and bi-weekly payroll for the days worked in December 2022 but not paid until January 2023. As the final pay in 2022 for bi-weekly employees was for the period ending 12/17/22, the payroll accrual was for the period of 12/18/22 through 12/31/22. The final pay period for weekly employees ended 12/24/23, therefore accruals were for the period of 12/25/23 through 12/31/23.

Audit requested the general ledger detail and supporting payroll documentation for the end of year payroll and vacation accruals. The documentation provided, shows it is for company code 3070, Liberty NH, and only contained the journal entries booking the accrual.

The Company provided additional supporting documentation for the payroll accruals also showing the amount accrued to each regulatory account. The December payroll accrual, totaling \$303,238, includes adjustments from October and November as the settlement process was initially set up incorrectly. However, these entries were verified to the detail GL without exception.

Additional support was also provided for the vacation accrual showing the total charged to each regulatory GL account. Audit was able to verify the amount of \$117,588 to the detail GL, previously obtained, without exception.

In prior rate case audits, Liberty was able to provide the payroll support to verify the accrual amounts are correct. This detail that was previously provided included employees names, hours worked, pay rate, and unused vacation hours. With SAP, Accounting no longer has access to the level of payroll detail to tie the accrual amounts back to specific employees and pay amounts.

Although Audit was able to tie the documentation provided back to the General Ledger, Audit is unable to determine if the accrual amounts are accurate due to the inability to provide supporting documentation to the amounts. **Audit Issue #27**

### Employee Benefits

Audit requested a listing of all payments made for employee benefits such as health, dental, retirement and others for the month of December. ENG provided a listing of all group benefits journal entries. Because all employees are employed by Liberty Utilities Service Group, the full amount of the benefits is expensed to company 8810/3070. A 70/30 allocation is done and 70% of the charges are allocated to 8840/3072.

Audit reviewed the Liberty Utilities, 3070, general ledger employee benefits entries from December 2022. Audit recalculated 70% of each entry and tied the amount to the following ENG general ledger account entries:

<u>SAP GL Account</u>	<u>Name</u>	<u>Amount</u>
50017011926000	Group Benefits	277,852.28
50012011920000	Federal Unemployment taxes/Tx Oth Inc Tx-St Unempl Tax	332.53
50016011926000	401k Plan Expenses/Pension Plan Expenses/401K Match	233,093.22
50017011926000	Group Benefits	(371,610.88)

No exception was noted with the allocation amount of the employee benefits to ENG's general ledger. There was an exception with the account the Federal Unemployment taxes were booked to as noted in the Payroll Taxes section.

Per the IBEW union contract, pages 39 and 40, employees who do not meet a certain criteria (age plus years of service) were to be moved from the Liberty Energy Utilities Corp Retirement Plan for Union Employees to the Liberty Utilities Cash Balance Pension Plan. This was effective January 1, 2016. Employees who are under the age of 55 as of December 31, 2015 and were moved to the new pension plan were to have the Company make annual deposits to their 401K plan at the end of each calendar year for a total of 10 years. For employees who were over 55 and converted, the Company is to make annual deposits until the employee reached the age of 65.

Per the USW (United Steel Workers) union contract, pages 48 and 49, employees who do not meet that same criteria are also being moved from the Retirement Plan to the Pension Plan effective January 1, 2017. Annual deposits for the USW employees were to begin at the end of 2017.

Audit requested, from the Company, the total paid in transition deposits for 2022. Liberty noted that the NH total of \$233,074.10, \$38,183 for IBEW and \$194,891.10 for USW, was booked to SAP Natural Account 500160. Support showed the \$233,074.10 amount was included in the monthly pension clearing entry. The total pension clearing entry is allocated

70/30 with \$233,093.22 being booked to ENG. Audit recalculated the amount without exception.

Audit verified the amount booked to the ENG (3072) GL to the following accounts on 12/31/2022:

Debit 50016110926000	\$233,093.22
Credit 11101011146000	\$(233,093.22)

### Retirement Plan

Audit requested a listing of payments that were made in 2022 to fund the retirement plan. Liberty provided a summary of pension contributions, which shows by quarter, contribution amount for Pension Plan and Defined Benefit Pension Plan. The summary shows the ENG Pension contribution for Quarter One being \$389,790 and the Quarter Two – Quarter Four contributions were \$388,670 each. The total Pension contributions for the year were \$1,555,800.

The summary of Defined Benefit Pension Plan contributions shows quarterly amounts for ENG as \$212,000 for the first quarter and \$198,000 for the second through fourth quarters totaling \$806,000.

Audit reviewed in detail the general ledger account 8840-2-0000-20-2930-2285, Long Term Pension Obligations. Audit was able to verify the Quarter One, Quarter Two and Quarter Three, Pension Plan and Defined Pension Plan, contributions to the GP GL without exception. Audit verified the Fourth Quarter contribution booked to SAP account 28003011228300 without exception.

The quarterly contribution amounts were booked to the general ledger, for both the Pension Plan and Defined Benefit Pension Plan on the following dates; 4/12/2022; 7/12/2022; 7/14/2022 and 12/16/2022. On 10/1/2022 the amounts of \$388,670 and \$198,000 were credited to the account. The journal entry noted “Pension Parking Lot Entry 2022”.

Audit questioned the Company on the two July entries, the October credit entries and if the October quarterly contribution was booked. Liberty noted that “*The transaction booked on 7/14/2022 in the legacy system (Great Plains) was in error, the transaction was then reversed in SAP once the Company completed conversion*”.

The Company also noted, “*The October 15 payment was processed on 10/21/2022 through AP for \$589,340*”. Audit notes that the pension contribution summary shows third quarter payments to be \$388,670 and \$198,000, totaling \$586,670. The \$589,340 that was booked on October 21 is \$2,670 higher than it should be. **Audit Issue #31**

### Incentive Plan

In the filing requirements, beginning on Bates page I-082, are the details of all officer and executive incentive plans. Additional incentive plan information was provided in response to

DOE Data Request 2-13. Included in this information was the costs of each incentive program for 2022.

A total of \$1,400,223.07 was expensed in 2022 for short term incentive bonuses. The data request response noted it was booked to FERC account 920. Audit verified the total for the year to SAP general ledger account 50022011920000 without exception.

A total of \$113,268.55 was booked to FERC account 920 for the long term incentive plan. Audit was able to verify that amount to the detail SAP GL account 50021011920000 without exception.

The data request response also noted that \$47,655.60 was booked to FERC 926 for employee stock purchase plan (ESPP). The response also notes that *“in preparing this response, the Company identified that \$12,769.02 (\$18,241.46 \* 70%) of the ESPP was not allocated from LUNH (Company 3070) to EnergyNorth (Company 3072) in the test year. The Company will correct that amount in its next cost of service update in this proceeding.”*

Audit was able to verify the \$47,655.60 for ESPP to the SAP general ledger detail for account 50023011926000 without exception.

#### Severance Pay

Liberty provided a response to Department of Energy Data Request 2-25 noting \$118,806.65 was paid for severance during 2022. The response to DOE 2-25 also noted that \$36,424.81 was paid in 2021 and \$15,775.91 paid in 2020 for severance. The amount of severance paid in 2022 was 226% higher than 2021 and 653 % higher than 2020.

Liberty provided the following breakdown of the severance paid for Liberty Utilities NH:

<u>Pay Date</u>	<u>Year</u>	<u>GL Account</u>	<u>Amount</u>
10/28/2022	2022	3070-500000-1016625300	\$ 4,657.46
11/10/2022	2022	3070-500000-1016625300	\$ 4,657.46
11/25/2022	2022	3070-500000-1016625300	\$ 4,657.46
12/9/2022	2022	3070-500000-1016625300	\$ 4,657.46
12/23/2022	2022	3070-500000-1016625300	\$ 4,657.46
1/9/2023	2022	3070-500000-1016625300	\$ 4,657.46
			<b>\$ 27,944.76</b>
5/13/2022	2022	3060-500000-1014910100	<b>\$ 83,278.84</b>
12/23/2022	2022	3070-500000-1016648100	<b>\$ 7,583.04</b>
<b>Total</b>			<b>\$ 118,806.64</b>



Audit was unable to verify the amounts to the GL detail as the severance is paid through payroll and not as a separate line item.

The bi-weekly payroll register for 2022 shows a total of \$7,583.04 being paid through the NH payroll. The weekly payroll register does not show any severance being paid in 2022 to NH employees.

### **Payroll Taxes**

The payroll taxes, as stated on Filing Schedule RR-EN-2-1, were noted to be \$1,203,396. Audit reviewed the Great Plains and SAP general ledger details and noted a payroll tax amount of \$1,496,897.

Great Plains		SAP		Total
8840-2-9810-69-5040-4080	Social Security Taxes	50011011408000	SS/CPP/Emp Pension	\$ 1,067,670
8840-2-9810-69-5041-4080	Federal Unemployment Taxes	50012011408000	Unemp/Emp Insurance	\$ 9,956
8840-2-9810-69-5041-4082	State Unemployment Taxes	50012011408200	Unemp/Emp Insurance	\$ 61,697
8840-2-9810-69-5042-4080	Medicare	50015011408000	Medicare/Healthcare	\$ 293,500
		50013011408000	FICA Taxes	\$ 553
		85311211408000	As Prl Tx-Intrc	\$ 63,521
				\$ 1,496,897

The difference between the filing payroll tax amount of \$1,203,396 and the general ledger detail is \$293,500, or the Medicare/Healthcare total.

Audit notes that there was no activity in the GP or SAP general ledger for Social Security Tax, Federal Unemployment Tax, State Unemployment Tax, and Medicare general ledger accounts in October, November or December 2022. Audit was unable to verify any of the payroll tax general ledger accounts to supporting documentation received during the audit process.

Audit previously requested clarification as to what the new "As Prl Tx-Intrc" (ENG account 85311211408000) was used for. Liberty noted the account was used to record the settlement of the assess payroll tax component of overhead costs associated with intercompany labor costs recorded to 11408000. Liberty also noted that there were no costs recorded prior to October due to the fact they are now following a different overhead process in GP. In GP overhead costs were recorded in total, not by component, and charged directly to the respective GL account.

For the months of January through September, for each pay period the payroll taxes and benefits are booked to 8810 and cleared at the end of the month. The monthly 8810 tax amounts were then allocated to 8830 and 8840 using the 70/30 split. Following the conversion to SAP, the taxes and benefits are booked to Company 3070 and allocated to 3071 and 3072 using the 70/30 split.

Following the conversion to SAP, no tax entries were booked for the months of October, November and December to the 408 accounts. Audit requested a copy of the payroll tax clearing

journal entry for December 31, 2022. There were two amounts, \$323.03 and \$9.50, for payroll taxes on the journal entry. Audit recalculated the payroll tax amount to be 70% of the amount booked to 3070 without exception. The journal entry shows the unemployment taxes were booked to FERC account 920. **Audit Issue #28**

Audit requested a payroll tax account reconciliation for the year of 2022. Liberty provided an Excel spreadsheet showing the total State Unemployment, Federal Unemployment, Social Security and Medicare taxes. The Excel spreadsheet detailed the tax amount per pay period for both weekly and bi-weekly pay. Liberty noted in their response to the request that the tax detail provided was for all LUSC employees and not specific to NH. Due to this, Audit was unable to tie the payroll tax amounts from the reconciliation back to the NH year end payroll registers.

Audit was able to tie the detail for all LUSC employees to their tax filing Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, and to the New Hampshire Unemployment Summary of Deposits and Filings. Audit was unable to verify the Form 941, Employer's Quarterly Federal Tax Return to the payroll tax reconciliation provided of Social Security and Medicare expenses.

### **Taxes – Federal Income Tax**

On January 1, 2014, a Tax Sharing Agreement went into effect, executed by the Vice President of Finance (of Algonquin). The Company indicated the agreement has not changed. The agreement represents that the consolidated returns will be compiled, with the members providing to the Parent the equivalent tax payment as if the member had filed individually. The agreement Schedule A reflected a listing of 32 original members, of which Liberty Utilities (Granite State Electric) Corp was one. Each has a specific Employer Identification Number.

Audit requested copies the federal tax returns filed by Liberty Utilities (America) Co for the test year. Pro forma federal form 1120 tax returns for Granite State were provided for 2021 and 2022. The 2021 federal tax return detail was provided on July 10, 2023. The 2021 Federal return was filed on October 17, 2022 by KPMG. The Company filed the 2022 Federal Income Tax return on October 16, 2023.

### **Review of 2021 Federal Tax Return**

The overall taxable income was a loss for Liberty Utilities (America) Co and Subs with an overpayment for \$4,759,101 identified. The overpayment was credited to the 2022 estimated tax. The consolidated schedule 1120 page 1, statement 3 reflects the ENG portion as a taxable net income of (\$6,271,920), based on:

Gross sales	\$176,030,098 agrees with general ledger and A. Report
Cost of goods sold	\$ (70,082,459)
Interest Dividend Income	\$ 953,674 agrees with general ledger and A. Report
Capital Gains Net Income	\$ (57,017)
Other Income	\$ 421,443
Salaries and Wages	\$(26,472,640)
Bad Debts	\$ (847,213)
Repairs and Maintenance	\$(24,376,132)
Rents	\$ (195,075)
Taxes and Licenses	\$(14,753,792)
Interest	\$ (7,343,774)
Depreciation	\$(20,716,768)
Charitable Contributions	\$ 0
Advertising	\$ 0
Other Deductions	<u>\$ 18,832,265</u>
Taxable Income	\$ (6,271,920)

The overall net income per the general ledger and Annual Report for 2021 was \$28,572,330.

Schedule M2, statement 145 reflects the following:

Balance at beginning of year	\$76,101,215
Net income per books	<u>\$17,452,232</u>
Balance at end of year	\$93,553,447 unappropriated retained earnings per proforma 20021 ENG 1120 return.

Schedule L, statement 75 Beginning and schedule 82 Ending, of the 2021 federal return summarized ENG:

	<u>Beginning</u>	<u>Ending</u>
Cash	\$ (545,926)	\$ (798,269)
Trade Notes and A/R	\$ 38,571,185	\$ 46,069,664
Less Allowance for Bad Debt	\$ (2,182,035)	\$ (2,033,745)
Inventories	\$ 9,493,882	\$ 12,084,471
Other Current Assets (1)	\$ 8,027,475	\$ 11,297,024
Other Investments	\$ 3,047,227	\$ 3,047,227
Bldgs and Other Depreciable Assets	\$ 586,361,560	\$631,691,266
Less Accumulated Depreciation	\$(64,543,214)	\$(81,422,124)
Land	\$ 949,809	\$ 949,809
Less: Intangible Asset A/D	\$ 28,396,167	\$(28,396,167)
Other Assets	<u>\$ 70,341,827</u>	<u>\$ 58,618,293</u>
Total Assets	\$231,995,844	\$725,714,382

Accounts Payable	\$ 117,096,276	\$130,010,310
Other Current Liabilities (2)	\$ 21,919,532	\$ 26,994,952
Mtg, Bonds, Notes Payable >1yr	\$ 159,248,872	\$159,278,133
Other Liabilities	\$ 186,186,815	\$183,360,010
Common Stock	\$ 124,147,058	\$124,147,058
Additional Paid in Capital	\$ 3,047,227	\$ 3,047,227
Retained Earnings	\$ (76,101,215)	\$(93,553,447)
Adjustment to Shareholder Equity	<u>\$ (9,829,039)</u>	<u>\$ (4,676,755)</u>
Total Liabilities and Equity	\$ 677,917,957	\$725,714,382

(1) Other Current Assets were noted on statement 97 to include:

Prepays	\$ 6,222,323	\$ 5,520,520
Current Regulatory Assets	\$ 1,805,152	\$23,295,278
Income Tax Receivable	<u>0</u>	<u>295,825</u>
Sub-total	\$ 8,027,475	\$29,111,623

(2) Other Current Liabilities were noted on statement 119 to include:

Accrued Liabilities	\$10,407,261	\$18,522,508
Current Portion of Other LTD	\$ 3,300,296	\$ 3,033,268
Current Portion Regulatory Liab	\$ 4,783,622	\$12,420,007
Current Environmental Obligations	\$ 2,992,030	\$ 2,179,410
Other Current Liabilities	\$ 436,323	\$ 426,080
Operating Lease Liability	<u>0</u>	<u>\$ 413,679</u>
Sub-total	21,919,532	\$36,994,952

Audit verified that the reported ENG portions of the Liberty Utilities (America) Co federal tax return agrees with the pro-forma ENG stand-alone federal tax return. Certain items were verified to the general ledger of ENG, without exception.

The Company provided a copy of the Liberty Utilities (America) Co. & Subs statewide tax returns for the calendar year 2021. The 942-page document, prepared by KPMG, LLP Toronto, included state specific returns for Arizona, Arkansas, California, Georgia, Illinois, Iowa, Kansas, Massachusetts, Missouri, New Hampshire, New York, Oklahoma, and Texas. For Liberty Utilities (America) Co, the NH BT-Summary reflected a net overpayment for the tax year 12/2021 of \$107,290 that was filed on November 15, 2022. The Company has not filed its 2022 NH BT-Summary and anticipates filing the return by Mid November 2023.

#### Review of 2022 Federal Tax Return

The overall taxable income was a loss for Liberty Utilities (America) Co and Subs with an overpayment for \$4,974,862 identified. The overpayment was credited to the 2023 estimated tax. The consolidated schedule 1120 page 1, statement 3 reflects the ENG portion as a taxable net income of \$11,762,688, based on:

Gross sales	\$ 223,749,198	off by \$5,020 iNATGas and Merch. Rev Compared to GL and 2022 annual rpt.
Cost of goods sold	\$ (111,170,456)	
Interest Dividend Income	\$ 8,159,657	\$1,825,658 per 2022 annual report
Capital Gains Net Income	\$ (183)	
Other Income	\$ 947,878	
Salaries and Wages	\$ (20,947,086)	
Bad Debts	\$ 128,719	
Repairs and Maintenance	\$ (17,679,442)	
Rents	\$ (196,037)	
Taxes and Licenses	\$ (14,253,925)	
Interest	\$ (7,475,581)	
Depreciation	\$ (17,233,983)	
Charitable Contributions	\$ (82,050)	
Advertising	\$ (91,937)	
Other Deductions	<u>\$ (32,092,084)</u>	
Taxable Income	\$ 11,762,688	

The (\$6,333,999) Interest and Dividends accounts difference are reflected differently on the 2022 annual report and 2022 federal tax return because of the way that they are presented. The interest and dividends income per the 2022 annual report/2022 federal tax return are booked to the following GL accounts as of the December 31, 2022 test year.

4703001141900010168 ENG Interest Income	(\$1,767,038)
4703001141900010169 KN Interest Income	<u>(\$58,620)</u>
Interest and Dividends Income per 2022 a. report	(\$1,825,658)
4703001141900010168 ENG Interest Income	(\$1,767,038)
4703001141900010169 KN Interest Income	(\$58,620)
4504001143000010168 Int. Income Interest Rev.	(\$4,869,394)
4504401199999910168 Interest Income Int. Rev. Leg.	<u>(1,464,605)</u>
Total Interest Income Per 2022 Tax Return	(\$8,159,657)

The overall net income per the general ledger and Annual Report for 2022 was \$26,730,044.

Schedule M2, statement 164 reflects the following:

Balance at beginning of year	\$ 93,553,447
Net income per books	<u>\$ 29,817,467</u>
Balance at end of year	\$123,370,914 unappropriated retained earnings per proforma 2022 ENG 1120 return.

Schedule L, statement 82 Beginning and schedule 92 Ending, of the 2022 federal return summarized ENG:

	<u>Beginning</u>	<u>Ending</u>
Cash	\$ (798,269)	\$ (44,974,697)
Trade Notes and A/R	\$ 46,069,664	\$ 64,103,342
Less Allowance for Bad Debt	\$ (2,033,745)	\$ (3,315,899)
Inventories	\$ 12,084,471	\$ 19,018,224
Other Current Assets (1)	\$ 29,111,623	\$ 29,443,032
Other Investments	\$ 3,047,227	\$ 3,047,227
Bldgs and Other Depreciable Assets	\$631,691,266	\$713,600,594
Less Accumulated Depreciation	\$(81,422,124)	\$(100,688,628)
Land	\$ 949,809	\$ 949,809
Less: Intangible Asset A/D	\$ 28,396,167	\$(28,396,167)
Other Assets	<u>\$ 58,618,293</u>	<u>\$ 47,995,994</u>
Total Assets	\$725,714,382	\$757,575,165
Accounts Payable	\$ 130,010,310	\$129,803,520
Other Current Liabilities (2)	\$ 36,994,952	\$ 41,599,401
Mtg, Bonds, Notes Payable >1yr	\$ 159,278,133	\$159,307,394
Other Liabilities	\$ 183,360,010	\$177,029,344
Common Stock	\$ 124,147,058	\$124,147,058
Additional Paid in Capital	\$ 3,047,227	\$ 3,047,227
Retained Earnings	\$ (93,553,447)	\$(123,370,914)
Adjustment to Shareholder Equity	<u>\$ (4,676,755)</u>	<u>\$ (729,693)</u>
Total Liabilities and Equity	\$ 725,714,382	\$725,575,165

(3) Other Current Assets were noted on statement 109 to include:

Prepays	\$ 5,520,520	\$ 5,486,713
Current Regulatory Assets	\$ 23,295,278	\$23,465,184
Income Tax Receivable	<u>295,825</u>	<u>491,135</u>
Sub-total	\$ 29,111,623	\$29,443,032

(4) Other Current Liabilities were noted on statement 134 to include:

Accrued Liabilities	\$18,522,508	\$32,981,004
Current Portion of Other LTD	\$ 2,805,135	\$ 2,341,770
Current Portion Regulatory Liab	\$ 2,179,410	\$ 1,339,360
Current Environmental Obligations	\$12,420,007	\$ 3,509,772
Other Current Liabilities	\$ 426,080	\$ 410,373
Operating Lease Liability	\$ 413,679	\$ 412,652
Sub-total	\$36,994,952	\$41,599,401

Audit verified that the reported ENG portions of the Liberty Utilities (America) Co federal tax return agrees with the pro-forma ENG stand-alone federal tax return. Certain items were verified to the general ledger of ENG, without exception.

The Company provided a copy of the Liberty Utilities (America) Co. & Subs statewide tax returns for the calendar year 2022. The 802-page document, prepared by KPMG, LLP Toronto, included state specific returns for Arizona, Arkansas, California, Georgia, Illinois, Iowa, Kansas, Massachusetts, Missouri, New Hampshire, New York, Oklahoma, and Texas. The Company has not filed its 2022 NH BT-Summary and anticipates filing the return by Mid November 2023.

### **State Income Taxes**

The 2021 Liberty Utilities (America) Co. & Subs information was provided on July 10, 2023. The BET was overpaid by \$107,290, with the overpayment applied to the 2022-estimated tax. The overpayment was the result of:

The calculated BET	\$ 358,597
Less estimated tax payments	\$(230,000)
Less Tax Paid w/ Application Extension	\$ (190,000)
Less carryover from prior tax period	\$ (45,887)
Net overpayment	\$(107,290)

The NH Business Profits Tax Return indicated that there is a net operating loss deduction (NOLD) to be carried forward in the amount of (\$13,904,514), at the Liberty Utilities (America) Co level. Use of a portion of the NOLD resulted in a loss for the year. The net income noted on statement 3, \$12,420,797 agrees with the federal return. Statement 11 reflects 29 other members included in the water's edge combined group.

### **General Ledger Accounts Associated with State and Federal Income Taxes**

The Company has not filed 2022 State return yet. The Company provided Audit with the 2021 tax worksheets from Oakville for 2021 and the tax worksheets for 2022. The 2022 federal income taxes were filed in mid-October 2023 and State of NH returns will be filed in mid-November 2023. The Company indicated the final 2022 tax return true up entries will not be done until January 2024 after the NH state return is filed.

The 190 ADIT accounts did not have any activity during 2022 and had a zero balance.

The 283 ADIT accounts consisted of five accounts that were verified to the 2022 annual report and filing schedule 1604.01(a)(1)(a). There were three accounts not having any account activity and ended 2022 with a zero balance. The LTL Accumulated Deferred State Income Tax Account Utility Property Plant and Equipment ended 2022 with a \$0.02 account balance.

1709001128300010168 LTRA Income Tax	\$0
2409001128300010168 CPRL Income Taxes	\$0
2609001128300010168 LTRL Income Taxes	\$0
2721001128300010168 LTL ADIT Utility PPE	\$0.34
2720001128300010168 LTL ADFIT Utility PPE	<u>(\$81,334,034)</u>
Total account 283 ADIT 2022 annual report	(\$81,334,034)

Net ENG Accumulated Deferred Income Tax was verified to F-16 annual report and the filing schedules 1604.01(a)(1)(a). The Company summarized the purpose of the 283 and 254 accounts that *“includes both the excess deferred taxes as well as a tax gross-up related to the tax benefit of returning the excess ADIT to our customers through future rates. The gross-up represents future taxes and is offset by a deferred tax asset that has been recorded in the 283 account. The gross-up portion of the EADIT and the DTA net to zero on the balance sheet. For the rate case, we have excluded the gross-up from the EADIT balance and the corresponding deferred tax asset.*

The 283 ADIT accounts on the balance sheet in Great Plains September 30, 2022 ending GL balance and the, October 1, 2022 beginning balance for SAP were different from one another.

As of September 30, 2022

8840-2-0000-10-1930-2830 Total ADIT Reg. Asset <b>GP</b>	\$615,297
1709001128300010168 Total ADIT Reg. Asset per <b>SAP</b>	<u>\$622,210</u>
ADIT 283 account conversion Difference	\$ 6,913

The Company specified the \$6,913 difference compared to Great Plains is the result of costs being booked to the 186 Miscellaneous Deferred Debit Regulatory Asset SAP account 171700118600010168. Refer to **Audit Issue #1**

Activity within the accounts was reviewed and verified to the 2022 tax worksheets prepared by the Oakville Tax Manager. Offsetting entries were noted to Deferred State Income Tax Expense, Deferred Federal Income Tax Expense, and OCI FASB 158 Pensions account 3620601121900010168.

5900101140900010168 Current Income Tax Exp	\$0
5900001040910010168 NH SIT Expense	<u>\$246,690</u>
Total 409 accounts per GL	\$246,690



The 2022 activity related to the balance for the NH Business Profits Tax and Business Enterprise Tax estimated quarterly tax payments. The December 31, 2022 balance was verified to the 2022 annual report and filing schedule RR-EN-2 line 81.

The 409 federal and state income tax expense accounts Great Plains September 30, 2022 ending GL balance and the, October 1, 2022 beginning balance for SAP were different from one another. The Company indicated the September 2022 SAP tax entries were booked to the incorrect account during the GP to SAP conversion which caused the identified differences below.

<u>As of September 30, 2022</u>	
8840-2-0000-80-8710-4090 Federal Income Tax per <b>GP</b>	\$0
8840-2-0000-80-8720-4090 State Income Tax Expense	\$180,000
5900101140900010168 Current SIT per <b>SAP</b>	<u>\$120,000</u>
Federal 409 account conversion Difference	\$60,000
59001101192000010168 Current SIT	\$60,000

The Company specified the \$180,000 in SAP is correct but was booked to the 920 and 409 regulatory account. Refer to **Audit Issue #1**

Audit reviewed the ENG general ledger SAP expense accounts 5900101140900010168 consisted of the quarterly state income tax payments that ended 2022 with a September 30, 2022 \$120,000 account balance. The Company specified the \$180,000 in SAP is the correct balance, but the other \$60,000 estimated quarterly tax payment was booked to the 920 Regulatory account.

Audit verified the second state income tax expense account 5900101140910010168 had a December 31, 2022 ending balance of \$246,690. The 4<sup>th</sup> quarter activity consisted of a \$70,000 estimated quarterly payment and \$176,690 Regulatory accounts reclass. The offset for the same amount was booked to the Income Tax Receivable account # 1460101114300010168.

5902101141000010168 Deferred Federal Income Tax Expense	\$0
5902101141010010168 Deferred Federal Income Tax Expense	\$11,942,273
59023011410030010168 Deferred Amortized Excess ADIT	<u>(\$1,003,872)</u>
Total 410 accounts per 2022 annual report	\$10,938,401
5900101140900010168 Current State Income Tax Expense	\$0
5900101140910010168 NH SIT Expense	\$246,690
5902101141000010168 Deferred Federal Income Tax Expense	\$0
5902101141010010168 Deferred Federal Income Tax Expense	<u>\$11,942,273</u>
Total Per Filing Schedule RR-EN-2-1 line 81	\$12,188,963

The 410 deferred income tax expenses totaled \$11,942,273 while the filing schedule RR-EN-2-1 the 409 and 410 federal, state, and deferred income taxes summed to \$12,188,963. This is a \$1,250,262 difference. The filing schedule RR-EN-3-6 includes a (\$1,003,872) as a 407.4

amortization adjustment to give money back to ratepayers as part of an Excess Accumulated Deferred Income Tax Adjustment (EADIT). The (\$1,003,872) is reflected in RR-EN-2-1 under the 407.4 account. The remaining \$246.690 is the NH state income tax expense.

The 410 federal deferred income tax expense accounts Great Plains September 30, 2022 ending GL balance and the beginning balance for SAP were different from one another.

As of September 30, 2022

8840-2-0000-80-8760-4104 Deferred FIT per <b>GP</b>	\$6,423,015
5902101141000010168 FDIT expense per <b>SAP</b>	<u>\$6,928,897</u>
410 account Difference	\$505,882

The Company indicated the net \$6,423,015 Deferred Federal Income tax is the correct regulatory account 410 balance and the \$505,882 difference is reflected on the 920 General and Administrative SAP account. **Audit Issue #1**

Prepaid Property Taxes

Audit verified the \$5,609,916 prepaid property tax costs to the 2022 annual report and filing schedule 1604.01(a)(1)(a). Review of the prepaid property taxes is discussed below in the ENG/KN property taxes section below.

1408101116500010168 Prepaid Property Tax	\$5,208,154
1408101116500010169 KN Property Tax	\$156,424
1409001116500010168 Other Prepays	208,487
1409001116500010169 KN Other Prepays	<u>36,851</u>
Total 165 Prepays per SAP GL and F-16	\$5,609,916

Taxes Other Than Income

The filed ENG actual expenses of \$27,646,285 on Schedule RR-EN-2-1 were verified to payroll, property tax, and income tax expense accounts:

ENG/KN Payroll Tax	\$1,203,396
ENG/KN Property Tax	\$14,253,925
ENG/KN Income Tax	<u>\$12,188,963</u>
Total	\$27,646,285

Taxes Other Than Income

50011011408000101068 ENG Social Security and Employee Pension	\$1,037,238
50011011408000101069 KNG SS and Employer Pension	\$30,434
5001201140800010168 ENG Unemployment Insurance	\$9,672
5001201140800010169 KN Unemployment Insurance	\$285
5001201140820010168 ENG Unemployment Insurance	\$59,934
5001201140820010169 KNG Unemployment Insurance	\$1,763
50013011408000 FICA Taxes	\$553
5001501140800010168 ENG Medicare Taxes	\$286,383
5001501140800010169 KN Medicare Taxes	\$7,118
<b>5026001140800010168 ENG Property Taxes</b>	<b>\$13,981,819</b>
<b>5026001140800010169 KN Property Taxes</b>	<b>\$272,106</b>
85311211408000 Payroll Tax-Intrc.	<u>\$63,521</u>
Total Taxes Other than Income Per 2022 Annual Report	\$15,750,822

5001501140800010168 ENG Medicare Taxes	(\$286,383)
5001501140800010169 KN Medicare Taxes	<u>(\$7,118)</u>
Total Taxes Other than Income per Filing Schedule RR-EN-2-1 line 78	\$14,457,322

Audit verified the \$15,750,822 408 account Taxes Other than Income to the 2022 annual report and filing schedule. The filing schedule RR-EN-2-1 has a (\$293,500) difference that is the result of the exclusion of the ENG/KN Medicare accounts on the 2022 annual report.

ENG/KN Payroll Taxes

50011011408000101068 ENG Social Security and Employee Pension	\$1,037,238
50011011408000101069 KNG SS and Employer Pension	\$30,434
5001201140800010168 ENG Unemployment Insurance	\$9,672
5001201140800010169 KN Unemployment Insurance	\$285
5001201140820010168 ENG Unemployment Insurance	\$59,934
5001201140820010169 KNG Unemployment Insurance	\$1,763
50013011408000 FICA Taxes	\$553
5001501140800010168 ENG Medicare Taxes	\$286,383
5001501140800010169 KN Medicare Taxes	\$7,118
85311211408000 Payroll Tax-Intrc.	<u>\$63,521</u>
Total filing per schedule RR-EN-2-1 line 76	\$1,203,400

The payroll excludes the 408 Medicare calculations.

See the payroll section of this report for a more detailed explanation for variances related to payroll/payroll taxes and a review of the payroll details.

Abatements

The Company indicated there were no abatements during the 2022 test year for EnergyNorth/Keene.

Non-Utility Property

The Company on filing schedule RR-EN-3-7 removed \$3,193 in property tax expense that the filing calls removal of state education tax expense. Audit asked the Company the specific properties that were excluded. The Company provided invoices of non-utility properties that they indicated were removed at 14 Broken Ridge Rd in Concord Parcel 77Z/11 and a non-utility inventory warehouse located in Londonderry Parcel 14-21-2. The property is known as 7 Delta Drive and the property tax bill is paid to the Company parent organization and not the Town of Londonderry. Based on a review of filing schedule RR-EN-3-7 the Company did not remove these properties from the filing. The Company also included the Concord Sewall Falls Rd Parcel 20Z/21 that is also a non-utility property. **Audit Issue #29**

<u>Non-Utility Property</u>	<u>Amount</u>
14 Broken Ridge Rd. Concord parcel 77z/11	\$2,111
Sewall Falls Rd Parcel 20Z/21	\$1,046
7 Delta Drive	<u>\$25,435</u>
Total	28,592

Londonderry Warehouse Property

A rental agreement for a property in Londonderry known as “7 Delta Drive” that is an inventory warehouse. The lease agreement is with EnergyNorth’s immediate parent corporation, Liberty Energy Utilities (New Hampshire) Corp, as the lessee, and 7 Delta Drive LLC, the landlord/lessor. The lease agreement commenced on May 1, 2021 and per the terms of the agreement EnergyNorth is required to pay property taxes on the warehouse. The property tax bill indicates the property tax is to be paid to the owner. The rental agreement indicates the Company is to pay \$185,447.75 in rent in the first year of the contract or \$15,453.98 monthly. In the second year of the contract the Company is to pay \$191,011.18 or \$15,917.60 per month.

The Company indicated they paid \$189,156.72 in rent in 2022 for the 7 Delta Drive property. The term of the leases is from May to April each year based on the rental agreement. Audit asked the Company to provide the complete GL accounts for the monthly rental expenses. The Company responded in the text seen below.

*“ In 2022, \$189,156.72 was recorded for the Delta Drive rent. The total rent amount differs from the amount quoted in the question because the annual rent period is May – April. Of the amount recorded in 2022, \$31,835.20 was inadvertently recorded to Rental Expense (FERC account 932) and should have been recorded to FERC account 107. Please refer to the table below for detailed amounts that make up the total Delta Drive rent expense in 2022. The offset account is accounts payable.”*

The Company did not provide the actual GL journal entries but provided a summary of the expenses summarized below.

\$31,385	“Booked to the 932 Rental Exp. Account but should be booked to 107 CWIP”
\$93,651	Entry booked to CWIP
\$54,120	Entry booked to CWIP
\$5,731	Entry booked to 887 Maintenance of Mains
<u>\$3,820</u>	Entry booked to 892 Maintenance of Services
\$189,157	Total Rental Expenses

Audit requested clarification of the account to which lease payments are recorded. The Company stated, “7 Delta Drive is a warehouse used solely for capital projects.” They further provided a grid demonstrating the accounts to which the monthly lease payments were booked during the test year.

Month	Rent	Job/WBS	GP/SAP
1/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
2/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
3/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
4/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
5/1/2022	15,917.60	4019-STO	8840-2-0000-10-1618-1070
6/1/2022	15,917.60	4019-STO	8840-2-0000-10-1618-1070
7/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
8/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
9/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
10/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
11/1/2022	15,917.60	GNH.FACILIT.LN.DOPS.9322	3072-500300-11932000
12/1/2022	15,917.60	GNH.FACILIT.LN.DOPS.9322	3072-500300-11932000
	<b>189,156.72</b>		

Audit does not agree that the lease payments should be capitalized. Rather, the inventory stored therein is more appropriately capitalized. All lease/rental payments should be posted to account 931. It is unclear why the first six months were to the CWIP account 107, then the inventory account 163 for four months, then the Maintenance of General Plant account 932.

#### **Audit Issue #30**

Audit also found that the Company’s response that “\$31,835.20 was inadvertently recorded to Rental Expense (FERC account 932)” was incorrect and it was actually \$47,752.80 that posted to the “rental expense” account within account 932. The “rental” account in actuality is the Algonquin Natural number, however the corporate level account calls it a “rental expense”.

#### Review of Property Tax Bills

Audit requested and was provided with all municipal property tax invoices for the years 2<sup>nd</sup> half issuance of 2021 and 2022, as well as the State of New Hampshire utility property tax invoices. The result of that review is demonstrated below:

½ of 2022 second issue municipal	\$2,432,790	
Complete 2022 first issue municipal	\$5,469,473	
½ of 2022 second issue municipal	<u>\$2,999,219</u>	
Subtotal municipal	\$10,901,483	
EnergyNorth NH Utility Property Tax	<u>\$3,441,061</u>	
Subtotal property tax expensed	\$14,342,544	\$88,619 higher than expensed

The calculated property tax expense for the year is \$88,619 more than the amount booked to the general ledger. The reason for the difference in property tax bills vs expense has to do with the difference between calendar and fiscal year property tax bills. The Company specially indicated, *“Towns that operate on a fiscal tax year will have bills paid in a different calendar year than 2022. (ex. Bill received in December 2021 would be for the period January–June 2022). For each of the following 6 months after the bill was received, 1/6 of that amount is moved from the 165 Prepaid Expense amount to the 408 Property tax expense account. The same process will occur for fiscal towns for the months of July–December for bills received in June. Bills received for fiscal towns in December 2022 would be related to expenses for the first 6 months of 2023, even though they were paid in 2023. Therefore, the \$88,619 difference is related to property tax bills that will be expensed in 2023.”*

Audit noted an increase in the property tax expense based on a proformed expense of \$15,125,092. This is an increase of \$874,360 over the general ledger property tax test year expense of \$12,404,863. Refer to Filing Schedule RR-EN-3-7. The proformed property tax figure is based on the 2022 second installment payments multiplied by 2.

Audit verified the 2022 \$3,441,061 State Utility Tax to the quarterly 2022 NHDRA DP-255-ES that were for \$800,579.34 quarterly payments made on April 15, 2022, June 15, 2022, September 15, 2022, and December 15, 2022 and on December 31, 2022 made a \$238,744 true up payment.

The Company books property taxes to the prepaid account using a property tax schedule for 2021 and 2022 based on Fiscal and Calendar Towns for January-June 2022 and July-December 2022. The amounts were reconciled in December 2022. The monthly debit entry for Calendar Towns is \$75,306 and \$1,073,740 for Fiscal Towns for January-June 2022. This is \$1,149,046 per month for both entries for January-June 2022. The monthly debit entry for July-December 2022 for Calendar towns is \$75,306 and \$1,080,541 for Fiscal Towns. This is \$1,155,847 per month. Keene is considered a Fiscal town but has its own property tax schedule that follows the same methodology as EnergyNorth. The Company’s Accounts Payable department determines whether a town is a Fiscal or Calendar town.

For, towns that are on a calendar year basis, the latest property tax bill is used to record the property tax expense for the next 6 months (assuming the time covered on the invoice is 6 months. The towns of Allenstown, Auburn, Bedford, Belmont, Boscawen, Canterbury, Gilford, Goffstown, Hollis, Litchfield, Milford, Northfield, Pembroke, and Tilton. Towns on the fiscal

year basis, the property tax expense is calculated by taking the balance of the prepaid property tax expense, calculate the actual months of prepaid taxes and the difference represents property tax expense for the month. The towns of Amherst, Berlin, Bow, Concord, Derry, Franklin, Hooksett, Hudson, Laconia, Londonderry, Loudon, Manchester, Merrimack, Nashua, Sanbornton, and NH DRA are on the Fiscal Year Calendar.

The recurring monthly entries are offset with credits to two accounts:

January-June 2022

Property Tax Expense 5026001140800010168	\$1,149,046	
Tax Accrual-Municipal Property 2102001123600010168		\$(75,306)
Prepaid Taxes-Mun-Property-Oper 1408101116500010168		\$(1,073,740)

July-December 2022

Property Tax Expense 5026001140800010168	\$1,155,847	
Tax Accrual-Municipal Property 2102001123600010168		\$(75,306)
Prepaid Taxes-Mun-Property-Oper 1408101116500010168		\$(1,080,541)

KN January-December 2022

Property Tax Expense 5026001140800010169	\$22,884	
Prepaid Taxes-Mun-Property-Oper 1408101116500010169		\$(22,884)

All entries in the Tax Accrual account netted to zero at year-end for EnergyNorth/Keene. The ENG/KN Prepaid Taxes account began the year with \$5,268,066 and a September 30, 2022 year-end balance of \$3,310,030. The account had a December 31, 2022 \$5,609,916 year-end balance.

Audit reviewed the general ledger activity and noted that actual payments made to specific municipalities are debited to the prepaid account and credited to 884x-2-0000-20-2810-2606, Liberty Energy New Hampshire and after September 2022 to the Liberty Energy Intercompany Accounts Payable account 2010101123400010168 and Keene account 2010101123400010168.

Adjustments to the prepaid account and accrual account were booked in June and December 2022, based on actual payments made. The final entry in the Tax Accrual account was a debit of \$451,907 that zeroed the account and was offset to the Prepaid Taxes account.

**Income Tax Receivable**

Audit reviewed the ENG SAP GL Account 1460101114300010168 Income Tax Receivable that indicated there was a \$491,135 year-end tax debit balance. Audit reviewed an account reconciliation prepared by the Company that consisted of four estimated quarterly NH BET tax payments in 2022 and true up payments. The quarterly payments were estimated because ENG was in an expected taxable loss position for 2022 during 2022 based off the 2021 actuals. The SAP account activity consisted of a (\$66,690) November 2022 tax entry based on 2021 tax payments and a \$122,000 December 2022 yearend tax entry. The Company indicated

the account represents the state cumulative income taxes that ENG has incurred but not paid. ENG owes this amount to Liberty Utilities (Americas) Co. (Parent). Liberty Utilities (ENG) is a member of a consolidated state tax return filed by the parent organization. Audit reviewed a November 2022 \$3,310 entry that was a state tax true up from the tax provision to tax return for the 2021 tax year.

<b>Beginning balance 1/1/2022</b>	<b><u>295,825</u></b>
Q1 BET Estimated Tax	(60,000)
2021 State Return Extension Payment	190,000
Q2 BET Estimated Tax	(60,000)
Q2 Estimated Tax Payment	80,000
Q3 BET Estimated Tax	(60,000)
Q3 Estimated Tax Payment	50,000
2021 Book to Return True up	3,310
Q4 BET Estimated Tax	(70,000)
Q4 Estimated Tax Payment	<u>122,000</u>
<b>Ending Balance 12/31/2022</b>	<b><u>491,135</u></b>
<b>2022 total activities</b>	<b><u>195,310</u></b>

The December 2022 entry for \$122,000 represent the quarterly tax payment based on 2022 activities. The \$195,310 December 31, 2022 is an accumulative NH state taxes payable since the last rate case in 2020 on the standalone basis. Audit reviewed the offsetting account detail which is the NH Current State Income Tax expense account 5900101040910010168. The Company further indicated that ENG makes a true up entry every year after the prior year return is filed on November 15<sup>th</sup> of each year. The 2021 state return was filed on November 15, 2022 and the 2022 NH State return will be filed on November 15, 2023.

### **Penalties**

Audit reviewed the \$4,250 penalties to account 5051101142630010168 Other Income Deductions that consisted of reclassifications for Dig Safe Notices of Probable Violation (NOPV). The penalties account did not include any violations related to taxes.

### **AMERICAN ELECTRIC POWER COMPANY**

In early May 2023, a \$2.65 billion deal for Liberty Utilities Co to purchase American Electric Power Co. Inc.'s Kentucky Power Co. and AEP Kentucky Transmission Co. Inc. was terminated. Audit requested from Liberty a listing of expenses incurred by Liberty Utilities for the potential purchase of AEP. Audit also requested the expense allocation detail for ENG and GSE. The Company responded to Audit's request with the following:

*"In general, costs incurred for corporate acquisitions are collected and held at the parent company level and not allocated to subsidiaries, including Liberty EnergyNorth and Liberty Granite State."*





## Audit Issue #1 General Ledger Settlement Set-up

### Background

On October 1, 2022, Liberty converted from the legacy Great Plains accounting system and Cogsdale billing system to SAP. Part of the conversion to SAP was described as *“The job system in SAP is known as WBS elements (Work Breakdown Structure). These are used to record and track expenses to specific areas of the business: Capital, Intercompany, and Operations and Maintenance. The process that does this is called settlements. In this process, WBS activities are reflected in 7xxxxx and 8xxxxx natural GL accounts and allocated to be reflected in income statement or balance sheet accounts. Once the settlements are run, each WBS should be zero. When a WBS is not zero it means a transaction, while in the GL, did not “settle” where it needed to be reflected. This could be either a coding issue or a timing issue.”*

### Issue

Audit noted that coding issues, which Liberty identified when compiling the F-16 annual report and rate filing resulted in accounts and/or transactions that appeared in one account in SAP, but were reflected in another account, or not included in the revenue requirement schedules. Audit requested clarification of when the reclassifications and/or “mapping issues” were corrected, and was told that the corrections were not reflected in the SAP system in 2022. Rather, *“throughout 2023, as these [issues] have been identified, we are correcting those through manual journal entries or updating the treatment of WBS in the system, as applicable.”*

As a result, the 2022 F-16 and rate filing revenue requirement schedules do not actually agree with the general ledger accounts at the end of the test year, without the addition to or removal of the numerous “adjustments” which did not take place during the test year, or at the year-end closing of the financial records.

Specifically, some (*but unknown if all*) variances from the SAP general ledger to the revenue requirement schedules within the filing were identified by Audit to be:

SAP	SAP	
Row Labels	Sum of DEC Balance	verified to the F-16 annual report
1010	709,125,447.39	these balances, combined with account 1140, agree with the annual report balance sheet, line 2
1012	1,015,663.27	
1050	852,304.56	
1060	108,719,861.96	however, 1140 is GOODWILL and should not be in Plant 819,713,277.18
1070	13,240,607.37	agrees with F-16, balance sheet line 3
1080	(229,886,323.88)	the sum of these, \$249,582,833.13 agrees with the annual report balance sheet line 5
1081	(264,898.15)	
1110	(19,431,611.10)	
1140	28,219,103.73	847,932,380.91
1210	146,948.70	agrees with annual report balance sheet line 10
1220	(133,283.70)	agrees with annual report balance sheet line 11
1230	3,047,227.00	F-16 = \$0...see account 2110 below
1310	(44,979,438.02)	agrees with the annual report balance sheet line 22
1350	4,740.00	agrees with the annual report balance sheet line 24
1360	-	
1420	36,027,873.19	F-16=\$37,291,338, diff of \$1,653,464.81
1430	1,111,874.74	agrees with the annual report balance sheet line 28
1440	(3,315,899.32)	agrees with the annual report balance sheet line 29
1460	1,385,038,757.53	agrees with the annual report balance sheet line 31
1510	1,163,995.50	combined with #1641 agrees with BS account 151
1540	7,232,230.10	agrees with annual report balance sheet line 35
1630	(607.68)	agrees with annual report balance sheet line 38
1641	10,465,728.39	combined with #1510 agrees with BS account 151
1642	155,862.93	agrees with annual report balance sheet line 40
1650	5,609,915.70	agrees with annual report balance sheet line 41
1730	30,763,515.32	agrees with annual report balance sheet line 45
1740	(386,460.22)	combined, these 2 sum to \$1,137,910.70, but annual report balance sheet line 46 = \$1,101,543, diff of \$36,367.70
1750	1,524,370.92	
1810	(7,315.14)	agrees with annual report balance sheet line 53
1823	34,591,616.29	F-16=\$33,264,324 variance of \$1,327,293
1831	1,825,933.85	agrees with annual report balance sheet line 57
1832	-	
1840	(214,850.39)	combined these 2 = \$(80,212) which agrees with the annual report line 58
1843	134,638.27	
1860	36,404,722.09	F-16= 36,204,997, variance of \$199,725.09
2010	(124,147,057.70)	agrees with annual report account 201
2110	(3,047,227.00)	F-16=0...see account 123 above
2160	(102,331,799.70)	agrees w beg bal account 216, retained earn-ok
2190	729,693.34	agrees with annual report account 219
2230	(71,818,181.82)	combined with account 257 = \$159,600,000, F-16 account 223
2270	(603,011.77)	agrees with annual report account 227
2282	(24,617,774.13)	agrees with annual report account 228.4
2283	(5,440,137.04)	agrees with annual report account 228.3
2320	(3,419,934.01)	agrees with annual report account 232
2330	-	
2340	(1,506,811,288.78)	agrees with annual report account 234
2350	(3,027,601.89)	agrees with annual report account 235
2360	-	agrees with annual report account 236
2370	(4,699,352.73)	agrees with annual report account 237
2420	(33,911,364.89)	agrees with annual report account 242
2430	(412,651.50)	agrees with annual report account 243
2520	900.00	agrees with annual report account 252
2530	-	agrees with annual report account 253
2540	(37,105,421.74)	agrees with annual report account 254
2570	(87,781,818.18)	combined with account 223=\$159,600,000, F-16 account 223
2830	(81,334,034.02)	agrees with annual report account line 281-283

7100	1,388,068.78	sum of these four accounts agrees with the annual report O&M page 34 line one and page 51	RR-EN-2-1	\$ 1,461,346.00	\$ (73,277.22)
7170	147,432.99		RR-EN-2-1	\$ 34,408.00	\$ 113,024.99
7350	228,889.75		RR-EN-2-1	\$ 434,858.00	\$ (205,968.25)
7420	102,511.76		RR-EN-2-1	\$ 257,313.00	\$ (154,801.24)
8040	(21,316,737.09)	ok to O&M page 35 account 804	RR-EN-2-1	\$ 10,467,995.00	huge variance
8041	19,348,136.26	ok to O&M page 35 account 804.1	RR-EN-2-1	8041 part of 8040?	\$ (12,436,595.83)
8050	(1,074,189.83)	these 2 sum to \$105,879,815 which agrees with the annual report O&M page 35 account 805 \$105,879,815	RR-EN-2-1		
8051	106,954,005.14		RR-EN-2-1	\$ 105,879,815.00	\$ -
8081	7,481,472.49	ok to O&M page 35 account 808.1			
8082	(11,597,244.98)	ok to O&M page 35 account 808.2	RR-EN-2-1	\$ (4,115,772.00)	\$ (0.49)
8440	(2,472.23)	ok to O&M page 37 account 844.2		\$ -	
8442	-		RR-EN-2-1	\$ 27,195.00	\$ (29,667.23)
8462	6,429.59	ok to O&M page 37 account 846.2	RR-EN-2-1	\$ 7,036.00	\$ (606.41)
8500	-	ok to O&M page 37 account 850	RR-EN-2-1	\$ 306.00	\$ (306.00)
8630	7,810.65	ok to O&M page 38 account 863	RR-EN-2-1	\$ 8,386.00	\$ (575.35)
8700	698,972.94	ok to O&M page 38 account 870	RR-EN-2-1	\$ 526,329.00	\$ 172,643.94
8710	318,576.87	ok to O&M page 38 account 871	RR-EN-2-1	\$ 301,395.00	\$ 17,181.87
8740	4,268,785.88	ok to O&M page 38 account 874	RR-EN-2-1	\$ 4,922,998.00	\$ (654,212.12)
8750	12,278.92	ok to O&M page 38 account 875	RR-EN-2-1	\$ 52,551.00	\$ (40,272.08)
8780	1,086,521.39	ok to O&M page 38 account 878	RR-EN-2-1	\$ 1,268,364.00	\$ (181,842.61)
8790	476,715.00	ok to O&M page 38 account 879	RR-EN-2-1	\$ 614,499.00	\$ (137,784.00)
8800	3,664,128.93	ok to O&M page 38 account 880	RR-EN-2-1	\$ 1,378,633.00	\$ 2,285,495.93
8810	20,428.73	ok to O&M page 38 account 881	RR-EN-2-1	\$ 36,016.00	\$ (15,587.27)
8850	-	ok to O&M page 38 account 885	RR-EN-2-1	\$ 110,719.00	\$ (110,719.00)
8860	539,426.38	ok to O&M page 38 account 886	RR-EN-2-1	\$ 262,296.00	\$ 277,130.38
8870	1,641,219.54	ok to O&M page 38 account 887	RR-EN-2-1	\$ 2,306,529.00	\$ (665,309.46)
8890	-	ok to O&M page 38 account 889	RR-EN-2-1	\$ 2,487.00	\$ (2,487.00)
8920	341,912.43	ok to O&M page 38 account 892	RR-EN-2-1	\$ 559,259.00	\$ (217,346.46)
8930	260,450.06	ok to O&M page 38 account 893	RR-EN-2-1	\$ 339,700.00	\$ (79,249.94)
8940	258,656.19	ok to O&M page 38 account 894	RR-EN-2-1	\$ 368,744.00	\$ (110,087.81)
9010	114,224.32	ok to O&M page 38 account 901	RR-EN-2-1	\$ 149,424.00	\$ (35,199.68)
9020	1,136,505.15	ok to O&M page 38 account 902	RR-EN-2-1	\$ 453,911.00	\$ 682,594.15
9030	2,203,345.33	ok to O&M page 38 account 903	RR-EN-2-1	\$ 2,107,953.00	\$ 95,392.33
9040	1,153,435.45	ok to O&M page 38 account 904	RR-EN-2-1	\$ 1,153,436.00	\$ -
9050	44,994.27	ok to O&M page 38 account 905	RR-EN-2-1	\$ 60,701.00	\$ (15,706.73)
9090	92,246.97	ok to O&M page 39 account 909	RR-EN-2-1	\$ 92,247.00	\$ (0.03)
9120	268,555.38	ok to O&M page 39 account 912	RR-EN-2-1	\$ 253,928.00	\$ 14,627.38
9130	0.00	ok to O&M page 39 account 913	RR-EN-2-1	\$ 82,021.00	\$ (82,021.00)
9160	59,058.91	ok to O&M page 39 account 916	RR-EN-2-1	\$ 59,059.00	\$ (0.09)
9200	15,957,477.35	ok to O&M page 39 account 920	RR-EN-2-1	\$ 1,706,504.00	\$ 14,250,973.35
9210	6,280,347.64	ok to O&M page 39 account 921	RR-EN-2-1	\$ 6,406,776.00	\$ (126,428.36)
9220	(8,946,903.70)	ok to O&M page 39 account 922	RR-EN-2-1	\$ (8,941,610.00)	\$ (5,293.70)
9230	5,756,461.79	ok to O&M page 39 account 923	RR-EN-2-1	\$ 5,855,336.00	\$ (98,874.21)
9240	130,113.63	ok to O&M page 39 account 924	RR-EN-2-1	\$ 130,114.00	\$ (0.37)
9250	1,423,337.76	ok to O&M page 39 account 925	RR-EN-2-1	\$ 1,423,852.00	\$ (514.24)
9260	5,238,413.62	ok to O&M page 39 account 926	RR-EN-2-1	\$ 7,240,313.00	\$ (2,001,899.38)
9280	1,090,204.02	ok to O&M page 39 account 928	RR-EN-2-1	\$ 1,090,204.00	\$ 0.02
9302	(3,221,497.74)	ok to O&M page 39 account 930.2	RR-EN-2-1	\$ (3,121,419.00)	\$ (100,078.74)
9310	119,834.59	ok to O&M page 39 account 931	RR-EN-2-1	\$ 125,425.00	\$ (5,590.41)
9320	0.00	ok to O&M page 39 account 932	RR-EN-2-1	\$ 350,946.00	\$ (350,946.00)

Liberty provided a variety of summaries detailing unverified line item entries and/or accounts that comprise the variances. Some of those reported figures indicate expense accounts in balance sheet accounts, balance sheet accounts in the wrong balance sheet accounts, and

expense accounts in the wrong expense accounts. Audit is unable to determine if the annual report is accurate, or if the filing is accurate.

### **Audit Recommendation**

Liberty should have ensured that the actual financial records within the new SAP system were accurate, prior to filing the current rate case.

All transactional or system mapping adjustments should have been addressed. Because of the quantity of noted adjustments, and the time required to identify variances among the F-16 filing balances, Audit is unable to determine if the reported adjustments are accurate nor if they represent all of the adjustments that should have been done.

As noted in the DE 23-039 audit report issued October 23, 2023, Audit appreciates the efforts of Liberty, and also understands that the external auditors ensured that the “natural” accounts within SAP complied with the corporate roll-forward requirements.

Liberty must ensure that the financial accounts of EnergyNorth truly support the accounts as reflected in the F-16 and the filing. Mapping issues, or translations of portions of accounts are not consistent with the FERC UsoA.

### **Company Comment**

Liberty EnergyNorth (“Liberty”) appreciates Audit’s review and efforts during its audit, specifically, recognizing that additional efforts by Audit were required to translate how accounts and transactions previously reflected in the Company’s legacy system now appear in SAP. As a result of this transition, additional audit explanations were necessary that required additional time and attention from Audit. The Company also appreciates that it needs to take the lead on providing those “translations” and making the transition to the new accounting system as seamless as possible for Audit and other parties in this proceeding.

That said, the Company does not agree with Audit’s conclusion that the Company failed to ensure that its actual financial records within the new SAP system were accurate prior to filing the pending rate case. The financial records are accurate. There are simply some differences in the way that costs are recorded in one system or the other. These differences are known and allow for “mapping” of data from the new system to the protocols required for financial reports, such as the F-16. Liberty has also provided information to Audit to substantiate all adjustments. These adjustments were identified before the preparation of the revenue requirement and were correctly reflected in that filing.

**Audit Conclusion**

As noted in the grid above, the income statement accounts reflected on the revenue requirement filing do not agree with the SAP accounts. Throughout the text of this report, identification of balance sheet accounts that did not agree with the year-end SAP balances have also been documented.

Audit was provided reconciliations of many of the variances, but detailed testing of those to ensure the reported ending balances are correct was not be accomplished.

Audit therefore cannot conclude, as the Company has, that the financial records are accurate.

## Audit Issue #2 Accumulated Depreciation

### **Background**

Audit compared the year-end SAP balances to the F-16 annual report and to the Company's Revenue Requirement schedules.

### **Issue**

The SAP and F-16 Accumulated Depreciation total of \$(249,582,833) includes 74 mis-mapped account balances totaling \$(264,898). Refer to Audit Issue #1.

The revenue requirement filing schedules reflected Accumulated Depreciation differently:

RR-TEMP	\$(188,019,704)	\$61,563,129 less than the F-16 and GL
RR-EN-3-5	\$(188,019,704)	
RR-EN-3-5 WP2	\$(250,026,092)	\$443,259 higher than the F-16 and GL
RR-EN-5	\$(188,019,704)	

Within the RR-TEMP, RR-3-5, and RR-5 schedules, the total Reserve \$(188,019,704) is the net of:

A/D Life Reserve (108)	\$(219,022,898.12)
A/D COR Reserve (108)	\$ 30,364,951.80 incorrectly deducted
A/D COR (242)	\$ <u>638,242.47</u> incorrectly deducted
Total Reserve per RR-EN-3-5 WP2	\$(188,019,703.85) incorrect result

The Continuing Property records indicate the December 31, 2022 Accumulated Depreciation Reserve balance summed to \$(250,510,828) while the Accumulated Depreciation per the GL summed to \$(249,582,833). This is an \$827,994 difference.

Audit asked the Company to clarify and provide the CPR records that reflect the 2020-2021 Accumulated Depreciation balances or what the correct figures are supposed to be. The Company responded, *"To calculate the additional two years would be burdensome to the Company."* Since the Company would not answer the 2020/2021 CPR Accumulated Depreciation question, Audit is not able to verify the validity of the figures included for 2022.

### **Recommendation**

The accumulated depreciation balance should be the same across the CPR, GL, filing, and annual report. The Company should explain any differences and make any needed adjustments to the GL and filing.

Audit understands that the original revenue requirement schedules were identified as incorrectly excluding the Cost of Removal, and were updated for the Temporary Rate hearing held in October.

The Company should make any adjustments to the Permanent rate filing schedules as there is a (\$30,364,952) difference when comparing the Commission approved settlement agreement temporary rate schedules and the permanent rate schedules.

### **Company Response**

The Company agrees and will incorporate the adjustments associated with Cost of Removal in the updated version of the revenue requirement model to be filed in the proceeding.

### **Audit Conclusion**

Audit concurs with the Company that the Accumulated Depreciation adjustments should be made in the revenue requirement filing schedules. Audit notes that the CPR records, filing schedules, and annual reports should be consistent with one another.



### **Audit Issue #3**

#### **Keene CNG Deferred Costs**

#### **Background**

The Company included \$737,718 in Keene CNG conversion costs, accounts 1830 and 1860, regulatory accounts in the plant in service balance on filing schedule RR-EN-5, and RR-EN-3-5.

#### **Audit Issue**

Audit tied the total to Great Plains accounts:

8843-2-0000-10-1615-1830 Preliminary Survey and Investigation	\$ 89,812.17
8843-2-0000-10-1920-1860 Misc. Deferred Debits	<u>\$647,905.76</u>
	\$737,717.93

At year-end 2022, the total was included in the deferred accounts, not in the Plant in Service accounts.

#### **Audit Recommendation**

Audit requested that the specific accounts that support that figure be provided in response to the draft report.

#### **Company Comment**

The Company provided the journal entry to transfer \$737,718 from regulatory accounts 11183100 and 11186000 to Keene/CNG capital projects.

#### **Audit Conclusion**

Audit reviewed the journal entry, which was not posted until July 2023. Therefore, at year-end 2022, the revenue requirement schedules of Plant are overstated by \$737,717.93.

## **Audit Issue #4**

### **300 Plant in Service Accounts in the Annual Report**

#### **Background**

Audit reviewed the 300 plant in service accounts and was not able to verify the accuracy of the information. The plant in service accounts on the annual reports do not foot across properly.

#### **Issue**

The 2020 plant additions on page 19 of the revised annual report indicates \$42,860,991 while the 2020 CPR records indicate the net additions are \$49,038,321. This is a \$6,177,331 difference. The Company indicated the 2020 CPR records are correct and the 2020 plant additions on the 2020 annual report are a matter of presentation. The 300-plant account information that is included on the annual report should be able to be verified to the CPR records.

The 2021 plant additions per the revised annual report and CPR records are \$45,817,623 but Audit was unable to verify the individual 300 plant accounts as the figures were all different. The 2021 CPR additions and figures on the annual report should reconcile to one another.

The 2022 plant in service balance additions, retirements, transfers, and adjustments do not foot across correctly as the 2022 plant in service balance on page 19 of the revised annual report is \$817,698,361 while the 2022 GL figure is \$819,582,281. This is a \$1,883,920 difference.

The Company in 2020 retired only \$656,420 in assets and in 2022 solely \$1,004,246. The Company should have retired more assets relative to the additions that were capitalized.

#### **Recommendation**

The CPR and annual report plant in service 300 plant additions should be able to be verified in a consistent manner that is not merely a function of presentation. The Company should be able to map the 300-level plant in service accounts to the 101/106 plant in service accounts for 2020-2022. The plant in service balances on the annual reports should foot across correctly when comparing the annual report/filing. The Company going forward should retire assets in a more timely manner.

#### **Company Response**

The Company agrees that the 300 plant additions should be able to be verified in a consistent manner that is not merely a function of presentation. With the implementation and transition to PowerPlan as the asset accounting system, the Company is better positioned to provide this data. In addition, the Company is working on a retirement report which will enable more timely processing of retirements.

#### **Audit Conclusion**

Audit concurs that the plant additions should be verifiable in a consistent manner and is encouraged that the Company is working on a report for more timely processing of retirements.

**Audit Issue #5**  
**Compliance with FERC**  
**Repeat Issue from Prior Audit**

**Background**

The Company utilizes a chart of accounts and provided the information as part of the filing.

**Issue**

The Goodwill accounts are reflected on the annual report as part of Utility Plant 101-106 and 114. Account 114 is Gas Plant Acquisition Adjustments, allowed in Plant in Service. However, Goodwill should be reflected in account 116, Other Gas Plant Adjustments, which is not allowed in Plant in Service.

As a result, the plant in service balance has been overstated for years 2019-2022 since the prior ENG rate case on the annual reports. Goodwill is properly excluded from the revenue requirement schedule RR-EN-3-5.

1650101111400010168 – Goodwill	\$ 28,151,897
1650101111400010169 – Goodwill	<u>\$ 67,207</u>
Total Goodwill as of 12/31/2022	\$ 28,219,104

As noted in Audit Issue #1 of the prior DG 20-105 audit, Goodwill should be booked to account 116, rather than account 114. The Company disagreed with the recommendation, stating *“APUC has multiple companies whose financial transactions must be consolidated at the corporate level. The vast nature of the companies using the same account segments for different purposes makes it extremely difficult to match FERC accounting in all instances on the local books...”*

Audit understood the full Company Comment, and highlighted the FERC language that does allow for different account numbers to be used, which includes: *“Moreover, each utility using different account numbers for its own purposes shall keep readily available a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein.”*

**Recommendation**

Consistent with FERC, the Goodwill account should be posted to account 116, and reflected on the F-16 annual report, as it had been prior to 2020. Audit understands that the recommendation in the prior report, to adjust the general ledger from 114 to 116, will not be done due to corporate accounting. However, to ensure that the annual report does not inflate the reported plant in service, the figure should be shown on the line for Utility Plant Adjustments, account 116. To avoid issues going forward, the Company should consider a footnote indicating why the Goodwill is shown on the line for account 116 but is reflected in the SAP in account 114.

**Company Comment**

Effective December 31, 2023, Liberty EnergyNorth agrees to record Goodwill in regulatory account 116, Utility Plant Adjustments. This change will ensure the appropriate regulatory account is used for Goodwill in the 2023 F-16 annual report.

**Audit Conclusion**

Audit will review the adjustment to the account number during the next review of the F-16.

## **Audit Issue #6**

### **Granite Bridge Write Off**

#### **Background**

On November 15, 2023 the NH Supreme Court issued a ruling that indicated that EnergyNorth was not authorized to recover Granite Bridge costs. Total costs related to Granite Bridge were:

Requested for Recovery	\$7,479,317
Not Included in Request for Recovery	<u>\$1,651,223</u>
Total Granite Bridge Related	\$9,130,540

#### **Issue**

Within a November 30, 2023 write off entry, the Company debited the General Work Order Miscellaneous Other Deductions account #585320114265000010168 for \$7,490,169 and credited the Miscellaneous Deferred Debits account 171710111860000010168 for the same amount.

#### **Recommendation**

The Company should have performed the entry to also include the 183 Preliminary Survey and Investigation and 107 CWIP regulatory accounts, writing down both the total requested for recovery, and the total not requested.

#### **Company Comment**

The Company respectfully disagrees with the proposed journal entry. The Company previously adjusted the general ledger to write off balances not requested for recovery in prior years. The remaining Granite Bridge costs in the general ledger prior to the November 30, 2023 write off were \$7,490,169. Therefore, with the November 30, 2023 journal entry, the Company has written off all remaining Granite Bridge-related charges from the general ledger.

#### **Audit Conclusion**

Audit requested clarification of the previously written off figures and was provided with the details of a year-end 2020 push down of amounts recorded at the “8842” parent company level. The 8842 level entry was booked in the 3<sup>rd</sup> quarter of 2020, reversed with the 12/31/2020 entry to reflect on EnergyNorth’s books:

#### **8840-EnergyNorth**

Debit 8840-2-0000-80-8665 -4265 Regulatory Asset Write Down	\$1,787,147
Credit 8840-2-0000-10-1920-1860 Misc Deferred Debits	\$(1,787,147)

#### **8842-Liberty NH**

Debit 8842-2-0000-10-1920-1860 Misc. Deferred Debits	\$1,787,147
Credit 8842-2-0000-80-8660-4265 Regulatory Asset Write Down	\$(1,787,147)

The detailed support provided for the overall Granite Bridge related costs (prior to the write off) show that costs that had been posted to CWIP account 107, and Preliminary Survey and Investigation cost 183, were reclassified to Miscellaneous Deferred Debits 186.

As a result, Audit concurs with the manner in which the remaining costs were written off, and concurs with the Company's response.

## **Audit Issue #7**

### **Gas Meter Protection Program**

#### **Background**

The prior 2020 and 2021 DG 20-105 and DG 22-028 Step Adjustment Audit Reports identified issues with the Gas Meter Protection Program relative to the recovery of safety costs.

#### **Issue**

The Company on the 2020-2022 CPR records spent \$1,599,236 on the Gas Meter Protection Program that the DG 20-105 and DG 22-028 step adjustment audits recommended disallowing. The Company should not be authorized to recover these costs because the meters did not comply with the PUC 500 rules and CFR 192.

PUC 505.01© states: “*Meter installations shall be protected from anticipated or potential dangers, including but not limited to vehicles, ice, snow, flooding, or corrosion.*”

In addition, PUC 506.01(a) incorporates 49 CFR Parts 191, 192, 193, 198 and 199. 49 CFR 192.353(a) “*Each meter and service regulator, whether inside or outside a building, must be installed in a readily accessible location and be protected from corrosion and other damage, including, if installed outside a building, vehicular damage*

The 2020-2022 Meter Protection capital spending is summarized below per the CPR records.

<u>Project Name</u>	<u>Year</u>	<u>Account</u>	<u>Amount</u>
Meter Protection Program	2020	382 Meter Inst	\$646,962
	2021	382 Meter Inst.	\$158,567
	2022	381 Meters	<u>\$793,707</u>
	Total		\$1,599,236

#### **Recommendation**

Audit recommends that the Company comply with PUC 500 rules and 49 CFR 192. Audit also recommends that any cost to retrofit meters for compliance with PUC 505.01 (c) and 506.01(a) be borne by shareholders not ratepayers.

#### **Company Comment**

The Company does not agree with this finding. The Company addressed the same audit issue in the Docket DG 20-105 (2020) and DG 22-028 (2021) step adjustment audits and the Commission has approved recovery of these costs.

This issue arose from an NOPV that not only included civil penalties, but also included the following Safety Division condition that the Company take further steps to protect its meters:

In reviewing the procedures listed in Liberty’s Chapter–7 - Customer Meters and Service Lines, Subchapter 7-A Meters and Regulators, the Safety Division believes the procedures should be amended to remove the 2 foot reference that

conflicts with MTRS 6060 [a National Grid standard]. If the intent is for that to apply for Massachusetts only that should be explicitly stated. Procedure 6.1 and 6.2 can be further improved if Liberty explicitly states that drive-through locations that have meter sets in the vicinity of the drive-through area shall have meter protection since they are exposed to moving vehicles continuously throughout the day. This would apply to fast food restaurants, banking locations, pharmacies and other similar commercial buildings that are within Liberty's distribution systems. This provision would apply regardless of curb heights and distances from curb lines, unless it can be confirmed that such potential damage could occur.

1. Liberty shall within 60 days of receipt of this compliance action modify and update its procedures within its O&M manual to add explicit statements regarding meter protection at drive-through locations and remove any conflicting language regarding written procedures and MTRS 6060. A notification shall be made to the Safety Division that this has been amended and associated bulletins have been sent to crews and contractors and other personnel who install, maintain, inspect, survey or perform duties that are near meters sets. In addition, meter protection should be added to the 101 Loudon Road site.

The Company's original procedures complied with Puc 500 and 49 CFR 192. Given the requirement by the Safety Division for Liberty EnergyNorth to amend its procedures, the Company had to spend the additional money to install meter protection at fast food restaurants, banking locations, pharmacies, and other similar commercial buildings that are within the Company's distribution systems to meet the requirements of the updated procedure, or the Company would be out of compliance. These costs do not represent a penalty imposed by the Safety Division, but represent work performed by the Company to comply with recommended changes to its procedures in order to ensure safe service to its customers. Therefore, the \$1,599,236 is appropriately included.

Moreover, the Commission has already approved these same costs. In Order No. 26,603 at 5 (April 5, 2022), the Commission stated, "Based on Liberty's filings of August 31, 2021, and testimony heard at the January 18, 2022 hearing, we agree that the capital projects underlying Liberty's request for the first step increase are used and useful, and that their costs were prudently incurred." The Commission approved the 2020 plant in service as proposed in the step adjustment. The Meter Protection Program in service amounts were included as part of the \$4 million approved revenue requirement. And Order No. 26,676 at 5 (August 31, 2022), states: "the Commission generally accepts the Company's proposed investments made in calendar year 2021 presented as part of this step increase proposal as being used, useful, and resulting in just and reasonable rates." And at page 6 the Commission Analysis states: "However, we likewise adopt the DOE's substantive recommendations as producing rates that are just, reasonable, and in the public interest, with a resulting revenue requirement for Liberty's second step increase of



\$2,066,083.” The DOE’s supporting analysis for the annual revenue requirement of \$2,066,083 included the Meter Protection Program in service amounts as proposed, without modification.

While Audit may have recommended a disallowance in its report, the Department of Energy and the Commission found these investments prudent and ultimately approved in rate base. Audit has given no basis for continuing to recommend a disallowance of costs for which the Commission has previously approved recovery

### **Audit Conclusion**

Audit reviewed the April 5, 2022 Commission Order #26,603 that approved the DG 20-105 2020 Step Adjustment projects, which included the Gas Meter Protection program within the \$4 million revenue requirement Commission approved August 31, 2021 project list. Audit concurs with the Company on the 2020 step adjustment regarding the Gas Meter Protection program.

Audit reviewed the August 31, 2022 Commission Order #26,676 that approved the 2021 Step Adjustment \$2,663,083 revenue requirement, which also included the Gas Meter Protection project within the revised DG 22-028 August 16, 2022 Commission approved project list. Audit concurs with the Company regarding the 2021 Gas Meter Protection assets approved by the Commission.

Since the Commission approved the 2020 and 2021 Gas Meter Protection project in the step adjustment, Audit also concurs with the Company regarding the 2022 total of \$793,707 for the Gas Meter Protection project costs included in the CPR records.

## **Audit Issue #8**

### **Project Additions Backup**

#### **Background**

Audit reviewed twelve 2020-2022 project plant additions that included the budgeted vs. actuals amounts, charge detail, project cost of removal, Project retirement entries, Business Cases, Project Capital Expenditure Forms, Change Order, and Closeout support.

#### **Issue**

##### **Budget vs. Actual**

The Company, when asked to provide reasons for projects budgeted vs. actual amount variances, indicated to Audit to review the specific business cases/project closeout details. On all the projects reviewed, the Business Cases/Project Closeouts did not give a specific reason other than in some instances projects were reallocated to other ones to meet budget priorities during the year. The Project Closeout Reports also contained many large variances when compared to what was actually spent.

##### **Bids**

The Company on some projects signed a contract with vendors that were familiar with working on the Company's internal systems. The following projects should have been put to bid:

##### **Project**

8840-1933 Tilton Control Panel

8840-2061 Pelham Franchise Expansion Project

##### **Projects Unitized to Plant in Service**

SAP project 8840-2290 booked \$1,033,046 to the 106 Completed Construction Non-Classified SAP plant in service account while the project charge detail indicates costs for \$1,045,318, a \$12,272 difference. The project also contained \$10,022 purchase card costs that the charge detail indicates are for fleet permitting and inspection. It is not possible to verify what charges should be specially expensed or capitalized. The Company should further explain these costs and make any adjustments to costs that should be expensed.

##### **Cost of Removal and Retirements**

The Company for several projects did not specify a reason for why any cost of removal (COR) or retirement entries were not done. The Company did acknowledge that they were presently behind on retirement entries because of the recent conversion to SAP/PowerPlan in October 2022 and will need to get caught up. The Company did not provide any retirement entries for the project additions reviewed. The Company in 2022 should have retired more assets relative to the net additions.

##### **No COR entries Completed**

Project 8843-2015 New Keene Main

Project 8840-2018 Purchase Capital Tools and Equipment

Project 8840-2172 GIS Service Mapping  
 Project 8843-2115 Keene New Main  
 Project 8840-2141 FLIR Security Cameras  
 Project 8840-2290 Transportation and Fleet Equipment Purchase  
 Project 8843-2190 Keene Fleet Purchase  
 Project 8843-2125 Keene Propane Air Refurbishment

No Retirement Entries Completed

Project 8840-2048 New ENG Reinforcement Main  
 Project 8843-2015 New Keene Main  
 Project 8840-2018 Purchase Capital Tools and Equipment  
 Project 8840-2172 GIS Service Mapping  
 Project 8843-2115 Keene New Main  
 Project 8840-1933 Tilton Control Panel  
 Project 8840-2018 Tools Purchases  
 Project 8843-2108 City/State Main Replacement  
 Project 8840-2141 FLIR Security Cameras  
 Project 8840-2290 Transportation and Fleet Equipment Purchase  
 Project 8843-2190 Keene Fleet Purchase  
 Project 8843-2125 Keen Propane Air Refurbishment

Missing Documentation

The Company was missing specific documentation for Business Cases, Project Capital Expenditures Form, and Project Closeouts. The following projects were missing key documentation.

<u>Project</u>	<u>Document</u>
8840-2172	Change Order for 2021
8843-2125	Closeout

Unitized Amount Varies from Project Closeout Report

Several projects' actual unitized plant in service amount is different than what was indicated on the signed project closeout forms.

<u>Project</u>	<u>Project Closeout</u>	<u>Actual Plant in Service</u>	<u>Difference (Over) Under</u>
8840-2048	\$105,628	\$106,221	(\$593)
8843-2015	\$67,741	\$6,257	\$61,484
8840-2018	\$423,950	\$472,858	(\$48,908)
8840-2172	\$273,898	\$352,679	(\$78,781)
8843-2115	\$67,951	\$70,969	(\$3,018)
8840-1933	\$124,956	\$294,705	(\$169,749)
8843-2108	\$82,387	\$205,229	(\$122,842)
8840-2141	\$792,896	\$790,250	\$2,646
8840-2290	\$1,811,023	\$1,992,979	(\$811,956)
8843-2190	\$187,284	\$203,834	(\$16,550)

**Overhead Percentages Exceeding 30%**

A number of projects have an overhead rate exceeding 30% that seems rather elevated for the amount of the project. The following projects had an overhead rate that exceeded 30%.

<u>Year</u>	<u>Project</u>	<u>Description</u>	<u>Overhead %</u>
2020	8840-2048	New Reinforcement Main	85%
2021	8840-2172	GIS Service Mapping Project	43.5%
2021	8840-1933	Tilton Control Panel	36.2%

**Recommendation**

The Company should ensure that correct balances are booked to the utility plant in service accounts, and make any adjustments to the filing schedules, to the correct actual plant in service balances for projects based on the explanations for variances.

The Company should review project budgeted vs actual costs and document why there are variances.

Going forward the Company should book retirements/Cost of Removal in a more timely manner.

The Company should focus more on following the LU Capital Expenditure Policy having specific project documentation such as Change Orders and Project Closeouts. The Company should pay better attention to project bids as the Company indicated two projects were done internally when they were not.

The overhead rates on several of the projects reviewed exceeded 30% and the Company should look for ways to lower this percentage.

As noted by the Company in response to Audit Issue #2 in the DE 19-064 audit report dated 1/16/2020:

*“In addition to improvements bulleted above (monthly budget meetings, increased level of review, designated resources and improved processes around recording and tracking accruals), the Company has also implemented a dedicated operations finance resource to oversee financial planning and reporting aspects of the Operations and Engineering groups. Additionally, the Company is in the final planning stages for tracking and allocating burdens and overheads in a manner that will allow project managers to better forecast and manage the financial budget of capital projects.*

*As previously mentioned in this and prior rate cases, the management of capital projects often involves changes in scope and shifts in focus of projects to be completed in order to conduct reliable, safe and efficient operation of the business. With a newly dedicated resource supporting the operations and engineering groups, the company will be more focused on developing and implementing improvements to the process around capital spending.”*

### **Company Response**

Please see below for the Company's response to the Audit recommendations. Please note that the responses are in order of appearance as presented in the recommendation.

### **Budget vs. Actual**

Actual costs were used to calculate the plant in service balances included in the Company's revenue requirement. No adjustments to the Company's filing schedules are needed to correct actual plant in service balances.

### **Bids**

The Company agrees, and notes that it reviews budgeted vs. actual costs and documents variances through the change order process as documented in the Capital Expenditure – Planning and Management Policy ("Policy").

### **Project Cost**

As of 12/31/2022, the Company recorded \$1,045,318 to plant in service for SAP Project 8840-2290. In 2023, accrual true ups reduced the final asset cost to \$1,033,046. In DG 23-067 AR 31 the Company provided this list of assets and the header stated that "Final Asset below will include 2023 charges/credits if there were any". The \$12,272 difference is that credit. The "fleet, permitting and inspection" description was used solely as a description to post accrual transactions. These accruals totaled zero at the end of the project and were replaced with the actual charges.

### **Cost of Removal and Retirements**

The Company agrees and is working towards more timely recognition of actual and retirement reporting.

### **Missing Documentation**

Per the Policy, projects with capital costs \$100K and under do not require a business case, but rather only a capital expenditure form. Also, per the Policy, safety projects do not require a business case. The Company provided a copy of the Capital Expenditures – Planning and Management Policy to reinforce this response.

Project 8843-2125 is still ongoing, so no closeout has been completed to date.

Project 8840-2172 has been ongoing, and the 2020 spending was recorded under project 8840-1972. It used to be protocol to open a yearly project number every year, even if the project was a multi-year project. The 2020 change order for project 8840-1972 was provided, as well as the capital expenditure form, business case, and closeout form for project 8840-1972 and the business case and capital expenditure form for project 8840-2172.

### **Unitized Amount Varies from Project Closeout Report**

Projects typically have charges or adjustments that come in after the required close documents are submitted 90 days from completion. These charges cause a variance between the close-out

and the unitized in-service cost. A few selected projects are also blanket projects which are opened and closed every year.

#### Overhead Percentages Exceeding 30%

The overhead rate is a function of overhead costs that include administrative and general operating costs necessary to maintain daily operations and administer the business.

### **Audit Conclusion**

Audit appreciates the specific response by the Company.

#### Budget vs. Actual

Audit understands the Company booked the project costs to plant in service, so the Company feels no adjustments to the filing schedule are necessary. Audit reminds the Company that project documentation such as project closeouts should include a detailed analysis of why projects were over budget or under budget compared to the actual costs. Going forward, the Company should pay closer attention to why some projects are over or under budget, to ensure this will help to better manage Company resources more efficiently.

#### Bids

Audit understands that the Company acknowledged two projects should have been put out to bid and the Company is trying to follow the internal LU Capital Policy.

#### Projects Unitized to Plant in Service

Audit appreciates the clarification regarding the project 8840-2290, 2022 Transportation Fleet and Equipment regarding whether the project was unitized to plant in service for \$1,045,445 or \$1,033,045. The (\$12,399) difference was the result of a credit that posted in 2023. The Company should ensure that the filing schedule RR-EN-3-5 and RR-EN-5 are reduced by \$12,399.

- The Company should continue to address the cost of removal and retirement entries to ensure Plant is not overstated.
- Audit appreciates the Company clarifying that Keene Air Vaporizer Project 8843-2125 is still ongoing and so there is no closeout. Therefore, the Company should adjust the filing schedules as needed, removing this project as the because it is not completely unitized to plant in service.
- Regarding charges booked 90 days after the project close documentation, the Company should complete Project Closeout Reports that more accurately reflect the actual project costs that were unitized to plant in service.
- Audit understands overhead costs but notes the overhead costs exceeding 30% for projects reviewed should be kept to a minimum.

## **Audit Issue #9**

### **Legacy Software Retirements and COR**

#### **Background**

In October 2022 the Company began using the SAP Customer Information System, Enterprise Resource Management and Enterprise Asset Management software functions as a replacement for legacy software.

The Company provided a March 2023 (\$8,952,231) journal entry retiring the legacy systems:

Debit Accumulated Depreciation Plant in Service 155010-11111000-10168	\$8,952,231
Credit Plant in Service 150010-11101000-10168	\$(8,952,231)

The retired assets consist of legacy Wennsoft plant asset management software, the Cogsdale Biling System, the legacy GIS system, NH Gas Training Software, Leak Survey Management Software, the legacy Job Scheduler System, Great Plains, and the Gas Port System Management Software.

#### **Issue**

Audit asked the Company if there were any remaining legacy amortization charges to be recovered and the Company did not directly answered the question. The Company also did not provide any cost of removal entries. The Company indicated the SAP project is a corporate project and the final costs will not be known until the end of 2023 when the project is rolled out to all the entities and a final evaluation is done in Q1 2024. The Company should make any adjustments regarding the amortization of legacy software on the filing schedules .

#### **Recommendation**

The Company should clarify any remaining amortization charges from legacy software as well as perform any additional retirement entries. The Company should make any additional adjustments to the filing schedule as needed.

#### **Company Response**

The Company will do an additional review to see if any other retirement entries are required in addition to the retirements processed in March 2023. If additional retirements are necessary, the Company will adjust the filing as needed.

#### **Audit Conclusion**

Audit concurs regarding any additional retirement entries that might be required, and reminds the reader that the Plant in Service figure in the filing includes the \$8,952,231.

**Audit Issue #10**  
**Customer Advances for Construction**

**Background**

The Company made a bookkeeping error on a non-refundable contribution tied to capital projects.

**Issue**

The Energy North general ledger, Filing Schedule 1604.01 BS, and the PUC annual report show a debit balance of \$900 as of December 31, 2022 in account 252. A journal entry was done in September 2022 to reclassify \$900 from work order 8840-862449 (107 CWIP) to 8840-833170 (107 CWIP) but one side of the entry was inadvertently debited to account 252 instead of 107 in error.

**Recommendation**

The Company should perform the adjusting entry.

**Company Response**

The adjusting entry will be processed to reclass the \$900.00 from account 252 to the capital project.

**Audit Conclusion**

Audit reviewed the entry, which will be processed for month-end January 2024:  
Debit Natural account 505000 Other Operating Exp, mapped to Regulatory account 11107000, CWIP  
Credit Natural account 290100 LT AIAC, mapped to Regulatory account 11252000.



**Audit Issue #11**  
**Repeat Issue**  
**Capitalizing Fleet/Equipment Depreciation**

**Background**

The Company has been capitalizing fleet/equipment depreciation since 2018 when they adopted FASB ASC 360. In the GSE Audit Report, Audit Issue #3 of the DE 19-064 audit work, it was noted that the capitalization is the monthly depreciation expense of grouped asset 8840-3920, multiplied by the quarterly fleet depreciation rate capitalized to CWIP jobs through inclusion in the BRD calculation.

**Issue**

The Company capitalizes a portion of depreciation on vehicles in account #392 and equipment in account #396 to FERC account 107 CWIP. The calculated depreciation is posted to regulatory accounts 5505601140300010168 Capitalized Equipment and 5505701140300010168 Capitalized Fleet. The costs are also posted to the Keene account that ends in 10169. A journal entry is then done each month to move a percentage of this depreciation to the 107 CWIP account where these amounts are allocated across capital projects. For 2022:

5505601140300010168 Capitalized Depr.-Equipment	\$ (70,325)	
5505601140300010169 KN Capitalized Dep-Equipment	\$ (1,544)	(\$71,869)
5505701140300010168 Capitalized Dep.-Fleet	\$ 503,920	
5505701140300010169 KN Capitalized Dep-Fleet	\$ 11,347	\$515,268

In response to this issue in the ENG prior rate case audit, Liberty noted:

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

**Recommendation**

As noted in the prior ENG report, Audit recommends that the Company comply with the FERC Uniform System of Accounts, make any adjustments to filing schedules removing the capitalized equipment/fleet charges from the filing.

The Company must also adjust the Plant in Service balances which have been impacted by the capitalization of fleet depreciation, for all years 2018 through current.

**Company Response**

Liberty disagrees with the recommendation to adjust Plant in Service balances from 2018 through current. The Company has followed the guidance set forth in US GAAP standard FASB

ASC 360 since 2018 and is unaware of any deviations from this methodology under the FERC Uniform System of Accounts.

### **Audit Conclusion**

Audit restates that for all years from 2018 through current, the Company should not capitalize fleet depreciation.

Audit conferred with a representative from the FERC Enforcement division, who supported the Audit staff's interpretation of depreciation that can be included in Construction Work in Progress, and agreed that fleet depreciation generally does not conform with the FERC Uniform System of Accounts. That representative noted that regulated utilities must conform to FERC over GAAP and ASC 360 regarding the capitalization of depreciation expense.

Audit also understands that this issue should be resolved within the context of this rate case, and defers to the Regulatory division of the Department of Energy and the Company to ensure a clear and concise resolution of this ongoing issue.

**Audit Issue #12**  
**Depreciation Expense/Amortization Annual Report vs. Filing Variance**

**Background**

The Company on the filing schedule and 2022 annual report included different depreciation expense figures and amortization costs. RR-EN-2-1 shows:

68	<b>DEPRECIATION AND AMORTIZATION EXPENSE</b>			
69	Depreciation Expense	403	\$	21,708,700
70	Amortization - Intangibles	405		1,175,454
71	Regulatory Debits - Amortization of Regulatory Assets	407.3		736,549
72	Regulatory Credits - Amortization of Regulatory Liabilities	407.4		1,305,803
73	<i>Total Depreciation and Amortization Expense</i>		\$	<u>24,926,507</u>

**Issue**

Audit compared the general ledger to the F-16 annual report and to the filing schedule RR-EN-2-1, with an overall variance of \$941,803 identified:

<b>Account</b>	<b>Account Description</b>	<b>F-16</b>	<b>RR-EN-2-1</b>	<b>difference</b>
403	Depreciation Expense	\$ 22,051,898	\$ 21,708,701	\$ 343,197
404 and 405	Amortization and Depletion of Utility Plant	\$ 832,256	\$ 1,175,454	\$ (343,198)
	Net 403, 404, 405 totals	\$ 22,884,154	\$ 22,884,155	\$ (1)

The filing included 2 mismatched accounts 404 within the Depreciation total for account 403. The variances noted negate each other:

5505101140430010168 Dep-PP&E \$ 3,732  
5505101140430010169 Dep-PP&E \$(346,930)  
\$(343,198)

<b>Account</b>	<b>Account Description</b>	<b>F-16</b>	<b>RR-EN-2-1</b>	<b>difference</b>
407.3	Amortization of Regulatory Debits	\$ 797,869	\$ 736,549	\$ 61,320

Audit is unable to determine where SAP account 5502101140710010168, Amortization RB Offsets, \$61,320 is reflected in the filing.

Audit is unable to determine where within the filing the identified variances below can be located:

<b>Account</b>	<b>Account Description</b>	<b>F-16</b>	<b>RR-EN-2-1</b>	<b>difference</b>
5502101140740010168	Amortization of Regulatory Credits	\$ 2,168,477	\$ 1,305,803	\$ 862,674
5502101140740010169	Amortization of Regulatory Credits	\$ 17,810		\$ 17,810
		<u>\$ 2,186,287</u>	<u>\$ 1,305,803</u>	<u>\$ 880,484</u>

### **Recommendation**

The Company should explain the reason for the total variance of \$941,803, and indicate where within the Revenue Requirement filing schedules those variances can be located.

### **Company Comment**

The table below reflects the Amortization of Regulatory Assets and Liabilities reflected on filing schedule RR-EN-2-1 in FERC accounts 407.3 (Line 71) and 407.4 (Line 72), as well as the account where the amortization costs were reported in the Annual Report.

Lines 1, 2, and 3 make up the amount reflected in the in the Annual Report for account 407.3, but only Line 1 makes up the amount reflected on schedule RR-EN-2-1 (Line 71). The total of Lines 2 and 3 in the table below total the variance of \$61,320.

Line 5 in the table below reflects the amount reported for account 407.4 in the Annual Report, but Lines 2-6 comprise the balance reflected on schedule RR-EN-2-1 (Line 72). The total of Lines 2, 3, 4, and 6 in the table below total the variance of \$(880,484).

Line	G/L Account	FERC Account		Amounts
		Annual Report	Rev. Req. Filing	
1	550210	407.3	407.3	\$ 736,549
2	550210	407.3	407.4	(87,596)
3	550210	407.3	407.4	148,916
4	550210	174	407.4	\$ 62,068
5	550210	407.4	407.4	2,186,287
6	590230	410.1	407.4	(1,003,872)
				\$ 2,042,352

### **Audit Conclusion**

Regarding the grid in the Company Response:

- The Company did not address the reason for including accounts 404.3 within the filing for account 403, nor the reason for including general ledger accounts on different line items on the annual report.
- The \$736,549 noted for account 407.3 in the grid response agrees with the filing figure annual report, and the general ledger account 5502101140730010168.
- The net of \$(87,596) and \$148,916 = \$61,320. Both of those figures are identified as being reflected in the 407.3 line in the annual report, but on the 407.4 line in the filing. Audit is unclear why this was reflected in this manner, although does understand that there is no impact to the net income for the test year.
- The expense of \$62,068 noted in the grid on line 4 as in the revenue requirement of the filing, is noted to be included in the Balance Sheet account 174, Miscellaneous Current and Accrued Assets, on the annual report.
- Audit verified the \$2,186,287 to the SAP accounts:
  - 5502101140740010168 Amort Rate Base \$2,168,477.37
  - 5502101140740010169 Amort Rate Base \$ 17,809.82
  - \$2,186,287.19

- Regarding the \$(1,003,872) in the grid, expense account 410.1 is Provision for Deferred Income Taxes (annual report line 18), expense account 410.2 is Provision for Deferred Income Taxes (annual report line 53). The annual report does not include a line for account 410.3. Audit verified that figure to account 5902301141030010168, Deferred Amrt EADIT. Again, it is unclear why it is included within the filing associated with account 407.4.

**Audit Issue #13**  
**Timing of Recording Transactions**

**Background**

Account 131 (Cash): Per the F-16 and the general ledger, the Company reported \$43,238,110.63 as of 12/31/2022.

**Issue**

Account 131 (Cash): The Company provided a cash reconciliation showing a (\$186,477,648.53) difference between the SAP GL and the reconciliation that detailed reported GL balances. The Company advised that an entry posted after the reconciliation was completed.

**Recommendation**

The Company should ensure timely recording of entries to avoid large discrepancies between the reconciliation and the general ledger, and should have ensured that all roll-forward balances were properly recorded from Great Plains to SAP in a more timely manner.

**Company Response**

The Company agrees that entries should be recorded timely and does not anticipate this being an issue going forward.

**Audit Conclusion**

Audit concurs with the Company response and will verify the accuracy of it as part of the next rate case audit.

## **Audit Issue #14**

### **Aged Accounts Receivable**

#### **Background**

Audit requested and was provided with the aged accounts receivable listing.

#### **Audit Issue**

Audit requested and received a copy of the Accounts Receivable Aged Trial Balance (ATB) that includes EnergyNorth and Keene customers. The total was \$30,571,988.39, a variance of \$6,719,349.47 compared to the SAP year-end balance of \$37,291,337.86

Current	\$19,354,989.20	63.31%
1-30 Days	\$ 3,706,135.41	12.12%
31-60 Days	\$ 1,250,113.35	4.09%
61-90 Days	\$ 679,921.73	2.22%
91-120 Days	\$ 374,659.28	1.23%
121-15 Days	\$ 328,378.38	1.07%
151-365 Days	\$ 3,793,078.08	12.41%
➤ 365 Days	<u>\$ 1,084,712.96</u>	<u>3.55%</u>
Total Receivable	\$30,571,988.39	100%
Unapplied	<u>\$(2,253,403.98)</u>	
Net Receivable	\$28,318,584.41	

#### **Recommendation**

The Company must provide a detailed reason for the variance.

#### **Company Comment**

The Company provided information of the \$37,291,337.86 balance by natural account. Please note that many of these natural accounts are not included in the Aged Trial Balance report, as it only includes commodity related balances.

At close there was a variance of \$81,506.22 of the Customer AR (GL 110010) to the balance on the ATB. It was determined that the subledger was not closed until January 3, 2023, resulting in a variance to the general ledger on December 31, 2022. January 2023 documents totaling \$46,549.09 were identified, and the remaining variance of \$34,957.13 was deemed immaterial for further investigation. The Company now closely monitors this step to avoid timing differences between the subledger and general ledger.

#### **Audit Conclusion**

The reviewed the Comment and supporting documentation, summarized as:

Natural #	Regulatory #	SAP Account Title	SAP \$	ATB	Variance	Explanation
110010	11142000	Customer AR-CIS Ctrl	\$ 30,082,289.39	\$ 30,163,795.61	\$ (81,506.22)	Variance identified at closing of subledger
110012	11142000	Cst AR-Mnl	\$ 3,046,075.49	\$ -	\$ 3,046,075.49	Manual journal entries not included on ATB
110018	11142000	Cst AR-Mktr-NONPOF	\$ 86.95	\$ 86.95	\$ -	no explanation
110020	11142000	Cst AR (NonCIS)-Ctrl	\$ (36,816.38)	\$ -	\$ (36,816.38)	Misc. AR not commodity related and not on ATB
110030	11142000	AR-Legacy	\$ 173,781.07	\$ -	\$ 173,781.07	Legacy A/R items from conversion, \$82,113.86 not on ATB
130800	11142000	CRA Fuel&Commod Cc	\$ (37.72)	\$ -	\$ (37.72)	Not on ATB
131100	11142000	CRA R8 Adj Mech	\$ 4,025,959.06	\$ -	\$ 4,025,959.06	Not on ATB
		Total	\$ 37,291,337.86	\$ 30,163,882.56	\$ 7,127,455.30	
				Original variance	\$ 6,719,349.47	
					<b>\$ 408,105.83</b>	
113035	11303511143000101	Ener Eff Loan Rec	\$ 114,124.87	\$ 114,124.87	\$ -	Energy Efficiency loan receivable
290400	29040011235000101	LT Cst Dpst Hld-Ctrl	\$ -	\$ 293,980.96	0	Balance represents unpaid deposit invoices, not total deposit balance
				<b>\$ 408,105.83</b>		

Audit is encouraged by the Company statement that they will now closely monitor steps followed in monthly and annual closings.



## **Audit Issue #15**

### **Interest on Customer Deposits**

#### **Background**

Audit requested and was provided with the confidential aged customer deposit information as of 12/31/2022 to determine compliance with the applicable Puc 1203.03 Rules.

#### **Audit Issue**

The Company informed Audit that while preparing the aged listing “*the Company discovered a data anomaly affecting 238 of the 9,068 records which inhibits these accounts from receiving a monthly credit for the security deposit interest. The 238 affected accounts with the no interest paid hold \$51,690 in cumulative deposits. The Company estimates the potential interest owed assuming 5.5% over 3 months at \$710.74. The Company is working to provide the customers with a credit as soon as possible.*”

Because of the system conversion to SAP October 1, 2022, there are no deposit dates earlier than 9/29/2022 on the aged listing, thus Audit is unable to determine compliance with the term of the deposits’ retention.

#### **Audit Recommendation**

Audit reminds the Company that it must comply with the Puc 1200 rules and ensure that all customers have the monthly interest applied.

#### **Company Comment**

The Company will comply with the Puc 1200 rules.

#### **Audit Conclusion**

Audit concurs.

## **Audit Issue #16**

### **iNATGAS Income**

#### **Background**

The Filing Schedule RR-EN-2 reflects total test year revenue of \$(223,744,178). The reported total revenue to the Company's general ledger and to the 2022 annual report is \$(223,746,578).

#### **Audit Issue**

The difference of \$(2,400) is Rental Income account 4705001141800010168 Rental Inc, iNATGAS rental income. The rental income should have been included on the Filing Schedule RR-EN-2.

#### **Audit Recommendation**

The iNATGAS rental account was excluded from the revenue requirement filing in the prior rate case, and identified by Audit as Audit Issue #6. At that time, the Company agreed that the filing should have included the total \$(9,600) in the Revenue schedule.

#### **Company Response**

Liberty EnergyNorth agrees and will incorporate the \$2,400 of Other Revenue in the updated version of the revenue requirement model to be filed in the proceeding.

#### **Audit Conclusion**

Audit concurs.

**Audit Issue #17**  
**Misstated expenses**

**Background**

The Company recorded the following journal entry expense in Regulatory Account 710:

		Debit	Credit
8840-2-9853-51-5540-7100	Operation Supervision & Engineering	\$99,692.65	
8840-2-0000-20-2810-2606	Due to Liberty Energy New Hampshire		\$(99,692.65)

**Issue**

The associated invoice for this charge was only \$9,962.65, resulting in a discrepancy of \$90,000.

**Recommendation**

The discrepancy of \$90,000 should be excluded from the filing.

**Company Response**

The Company agrees with the recommendation and will incorporate the adjustment in the next update of the revenue requirement model to be filed in this proceeding.

**Audit Conclusion**

Audit concurs with the Company's response.

## Audit Issue #18 Rental Expenses

### Background

The FERC identifies Account 931 – Rents as the account in which rental expenses should be posted.

### Issue

Within both the Great Plains general ledger and the SAP there were misclassified rental payments instead of being consistently posted to the correct accounts. Rent was noted in account 921, 874, and 932. The following are the total misclassified payments Audit could trace:

Property	Rental Payment located in	Date	Account Name	Amount	Account it should be posted to	Account Name
Londonderry	5030001 192100010168	10/31/2022	Office Supplies - Rental Expense	\$ 13,345.00	50300011931000 10168	Rents - Rental Expense
Londonderry	5030001 192100010168	11/30/2022	Office Supplies - Rental Expense	\$ 13,345.00	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	1/28/2022	Mains & Services Expense	\$ 2,491.07	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	2/23/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	2/23/2022	Mains & Services Expense	\$ 99.46	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	3/23/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	4/18/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	4/18/2022	Mains & Services Expense	\$ (2,380.66)	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	5/24/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	6/13/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	7/27/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	8/23/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	8840-2-9825-51-5436-8740	9/12/2022	Mains & Services Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	5030001 193200010168	11/4/2022	Maintenance of General Plant - Rental Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	5030001 193200010168	11/14/2022	Maintenance of General Plant - Rental Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Test Ctr. - Concord	5030001 193200010168	12/30/2022	Maintenance of General Plant - Rental Expense	\$ 2,540.80	50300011931000 10168	Rents - Rental Expense
Keene	8843-2-0000-51-5436-8740	1/24/2022	Mains & services expenses	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
Keene	8843-2-0000-51-5436-8740	3/4/2022	Mains & services expenses	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
Keene	8843-2-0000-69-5130-9210	6/7/2022	Office Supplies & expenses	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
Keene	8843-2-0000-69-5130-9210	9/13/2022	Office Supplies & expenses	\$ 5,590.62	8843-2-0000-69-5110-9310	Rents
Keene	5003001 193100010169	10/28/2022	Rents - Outside Services	\$ 5,590.62	50300011931000 10169	Rents - Rental Expense
Keene	5023001 193200010169	11/9/2022	Maintenance of General Plant - Facility Costs	\$ 5,590.62	50300011931000 10169	Rents - Rental Expense
Keene	5023001 193200010169	12/13/2022	Maintenance of General Plant - Facility Costs	\$ 5,590.62	50300011931000 10169	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	1/28/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	2/23/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	3/23/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	3/23/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	4/18/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	5/24/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	6/13/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	7/27/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	8/23/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	9/8/2022	Mains & Services Expense	\$ 375.00	50300011931000 10168	Rents - Rental Expense
Hooksett	8840-2-9825-51-5436-8740	9/12/2022	Mains & Services Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	5030001 193200010168	11/4/2022	Maintenance of General Plant - Rental Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	5030001 193200010168	11/14/2022	Maintenance of General Plant - Rental Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
Hooksett	5030001 193200010168	12/30/2022	Maintenance of General Plant - Rental Expense	\$ 4,067.00	50300011931000 10168	Rents - Rental Expense
<b>TOTAL OF MISCLASSIFIED ACCOUNTS</b>				<b>\$ 147,229.01</b>		

### Recommendation

The Company should consistently post rent expenses to the appropriate rental accounts within Regulatory Account 931 to maintain consistency.

### Company Response

The Company agrees with Audit Staff's recommendation to post rent expense to the appropriate regulatory account and maintain consistency, however the Company disagrees with regulatory

account 931 as the appropriate regulatory account. These rental expenses are related to distribution operations, not administrative and general expense. The Company will use the regulatory account 881 for distribution operations rent expense going forward.

**Audit Conclusion**

Audit concurs with the Company's use of account 881. FERC details account 881 as:  
*"This account shall include rents for property of others used, occupied or operated in connection with the operation of the distribution system. Include herein rentals paid for regulator sites, railroad crossings, rights-of-way, annual payments to governmental bodies and others for use of public or private lands, and reservations for rights-of-way."*

## Audit Issue #19 Expenses to Be Considered Non-recurring

### **Background**

Audit reviewed the account activity in several expense accounts, and sample tested certain entries.

### **Issue**

Based on the documentation provided and the activity in the account, the following entries should be considered non-recurring:

SAP/GL Ledger	Account Number	Account Name	Amount	Description
GP	8840-2-9810-69-5131-9215	Training	\$ 10,044.00	Employee Settlement Payment
GP	8840-2-9854-69-5200-9230	Outside Services	\$ 4,140.00	Charges listed as “Non-annual” for corrosion consulting services
GP	8840-2-9823-69-5200-9230	Outside services-Legal	\$ 89,495.25	Legal Fees associated with Granite Bridge case
GP	8840-2-9854-69-5200-9230	Outside Services	\$ 2,700.00	New England CP, Inc./Charges described as “non-annual”
GP	8840-2-9815-69-5615-9302	Miscellaneous General Expense	\$ 4,361.00	COVID Charges
GP	8840-2-9823-69-5615-9302	Miscellaneous General Expense	\$ 111.21	COVID Charges
GP	8840-2-9825-69-5615-9302	Miscellaneous General Expense	\$ 21,070.77	COVID Charges
GP	8840-2-9852-69-5615-9302	Miscellaneous General Expense	\$ 2,612.48	COVID Charges
<b>Total non-recurring and recommended be excluded from filing:</b>			<b>\$ 134,534.71</b>	

### **Recommendation**

Audit recommends that for the rate case consideration, the expenses above should be considered as non-recurring.

### **Company Response**

Liberty EnergyNorth agrees that the costs identified above are non-recurring and agrees to make an adjustment to remove \$134,534.71 in the next update of the revenue requirement model to be filed in this proceeding.

### **Audit Conclusion**

Audit concurs with the Company’s response.

**Audit Issue #20**  
**Expenses in wrong Regulatory Account**

**Background**

The Company had an expense totaling \$73,400 for a paving project in Nashua that was expensed to Regulatory Account 921 (Office Supplies and Expenses).

The Company expensed pipeline work to Account 921 (Office Supplies and Expenses) that totaled \$41,031.00 in Londonderry, NH.

**Issue**

It is unclear if these invoices should have been capitalized or expensed.

Neither expense should have posted to account 921, Office Supplies and Expenses.

**Recommendation**

The Company should ensure that the filing reflects any corrections to the 921 account balance.

**Company Response**

The Company has determined that the expense totaling \$73,400 belongs to the capital project *GNH.0000070.GP.GS01.1070 PAVING NASHUA – Install*, and will reclassify it to capital accordingly.

The Company has determined that the expense totaling \$41,031 is a transmission inspection expense, and will reclassify the expense from FERC Account 921 to the correct transmission main maintenance expense account, FERC Account 863.

Both adjustments will be incorporated in the updated version of the revenue requirement model to be filed in this proceeding.

**Audit Conclusion**

Audit concurs with the Company's response.

**Audit Issue #21**  
**Ending Great Plains 9/30/22 Balance does not agree with SAP starting Balance**

**Background**

The Company converted their Great Plains general ledger system to SAP with a Great Plains cutoff date of 9/30/2022. Ending balances were to be rolled forward to SAP's 10/1/2022 starting balance.

**Issue**

Audit was unable to verify many balance sheet accounts' and income statement accounts' balances from the end of September as being reflected within the SAP October balances.

**Recommendation**

Audit understands that the Company reviewed mapping issues and attempted to correct for Great Plains balances that were incorrectly reflected within SAP. Audit encourages the Company to continue to monitor any mis-mapped account balances.

Because of the inconsistency, year-end balances may or may not be accurate in SAP.

**Company Response**

The Company continuously monitors the costs recorded in the general ledger to identify and correct any costs that may have defaulted to an incorrect account.

At the time of conversion, there were known issues with certain balances not converted correctly. The Company manually reclassified any incorrectly converted balances following "go-live" and prior to year-end and can demonstrate the adjustments are incorporated into the year-end balances used for financial reporting purposes.

**Audit Conclusion**

Audit understands that reclassifications were manually made as identified, and that reported amounts on the F-16 annual report were generally reflected in conjunction with the SAP. However, mis-mapped accounts continued through the audit fieldwork. Refer to Audit Issue #1 and Audit Issue #23.



## **Audit Issue #22**

### **Expenses Outside of the Test Year**

#### **Background**

The Company expensed \$20,573.25 to Regulatory Account 923 for charges described as “I/S Modeling Data” for work to be completed from May 1, 2022 to April 30, 2023.

The Company made a corrective credit entry in Great Plains account 8840-2-0000-69-6125-9310 for \$13,278. This was related to the rent for 15 Buttrick Road, Londonderry and was due to a duplication entry made in October 2021.

Liberty booked two invoices from The New England Council to FERC account 921 during the test year.

#### **Issue**

Only the work performed during May 1, 2022 to December 31, 2022 should be in the 2022 test year.

The Company cannot make income statement adjustments in one year that is different from the year in which the original entry was posted.

The two The New England Council invoices, totaling \$12,500 were booked to GP general ledger account 8840-2-9860-69-5131-9214 on April 12, 2022. Audit reviewed both invoices and notes they were dated March 2021 and September 2021 with both due dated being in October 2021.

#### **Recommendation**

Audit recommends that the 4 months outside the test year be prorated and excluded from the filing. Audit calculates this to be \$6,867.75 ( $\$20,573.25 / 12 = \$1,714.44 \times 4$ ).

The Company should not make adjusting entries to the income statement after the prior year closes. Any year-end adjusting entries should be so posted.

Audit recommends removing the \$12,500 expense from the test year as the expenses were incurred and should have been booked to the general ledger in 2021.

#### **Company Response**

The Company agrees that the \$20,573.25 should have been recorded as a prepaid expense and expensed over the time of service. The Company agrees that the expense for 4 months of the service is outside of the historic test year and will make the corresponding adjustment to remove \$6,867.75 from the operating expenses in the next update of the revenue requirement model in this proceeding.

The correction (i.e., credit entry) for the duplicate rental payment was timely processed when duplication was identified. The Company agrees to make an adjustment to remove the credit expense in the next update of the revenue requirement model in this proceeding.

The Company agrees to make an adjustment to remove \$12,500 related to The New England Council invoices in the next update of the revenue requirement model in this proceeding.

**Audit Conclusion**

Audit concurs with the Company's response.

**Audit Issue #23**  
**Mislabeled SAP Roll forward account**

**Background**

Regulatory Account 931 – Rents is designated for the Company’s annual rent expense and all Great Plains accounts should have rolled forward into SAP as of 9/30/22.

**Issue**

In SAP within Regulatory Account 931 is Account 5013001193100010168 which has been labeled “Meals & Entertainment. This account was formally called “Rental Expense-Intercompany” in Great Plains and appears to have been mislabeled in SAP.

**Recommendation**

The Company should correct the SAP account name to reflect what the actual expenses are.

**Company Response**

The Company agrees that the account name should reflect the type of expenses recorded. In this example, the “Meals & Entertainment” account name correctly matches the natural account, 501300. However, the natural account, 501300, is incorrectly mapped to the Rental Expense regulatory account, 931. Two accounts were converted from GP to SAP for Meals & Entertainment. One group was correctly moved from 5130-9216 in GP to 501300-11921000-10168. The second group was moved from 6125-9310 in GP to 501300-11931000-10168 but should have been mapped to the rent natural account, 503000. In this instance, the costs reflected in account 501300-11931000-10168 are appropriately recorded to FERC account 931 but should have been recorded to natural account 503000. The Company will correct this going forward.

**Audit Conclusion**

Audit appreciates the explanation of the mismapping at the conversion of Great Plains to SAP and the statement that the issue will be corrected.

**Audit Issue #24**  
**Expensed costs that should have been capitalized**

**Background**

Audit reviewed the Expense accounts for activity during the test year.

**Issue**

The Company expensed the following costs rather than capitalize them:

Regulatory				
Acct.	Account	Expensed Amount	Vendor	
880	8840-2-9852-51-5435-8800	\$ 34,000.00	Aon Reed Stenhouse, Inc	
921	8840-2-9800-69-5130-9210	\$ 23,218.48	PC Connection	
921	5021101192100010168	\$ 32,760.00	Softchoice Corporation	
921	5031101192100010168	\$ 9,082.90	Complete AV, LLC	
<b>TOTAL</b>		<b>\$ 99,061.38</b>		

**Recommendation**

The Company should have capitalized these costs. As a result, the filing revenue requirement schedule for the expense accounts should be reduced.

**Company Response**

The Company agrees that the items above should be capitalized, except for \$34,000 paid to Aon Reed Stenhouse, that was an annual expense for miscellaneous service bonds. The Company will make the corresponding adjustment in the next update of the revenue requirement model in this proceeding.

**Audit Conclusion**

Audit concurs with the Company Response, and understands the revenue requirement schedules will be updated through a reduction to expense of \$65,061.38, with an offsetting increase to associated capital accounts.

**Audit Issue #25**  
**Costs related to Consultant**

**Background**

The Company expensed a ScottMadden invoice cost within the 2022 test year totaling \$59,273.75, in Great Plains account 8840-2-9835-69-5200-9230, for research analysis for a project entitled “Project 354-066” and included preparation of econometric models, preparation of demand forecasts and preparation of final presentations.

**Issue**

It appears that this cost is related to the current rate case and should therefore should have been deferred as a Rate Case expense.

**Recommendation**

The Company should have deferred the total costs of \$59,273.75 to the appropriate deferral account, and should reduce the filing expense account 923.

**Company Response**

As shown on the invoice provided to Audit, the ScottMadden invoice is related to work performed on the Company’s LCIRP docket in 2022 and not a rate case expense. The Company employs consultants for various types of work to meet regulatory requirements on an as needed basis and does not agree that this type of expense is non-recurring. While the LCIRP is no longer a requirement for the Company, the Company will continue to employ consulting resources on an as needed basis for regulatory work such as developing demand forecasts for its cost of gas.

**Audit Conclusion**

Audit understands that the Company may employ outside consultants for a variety of purposes. Based on the Company Response that the \$59,273.75 relates to the LCIRP, the recommendation to exclude the figure from the rate filing remains.

## **Audit Issue #26**

### **Payroll General Ledger**

#### **Background**

Audit reviewed the payroll registers for both weekly and bi-weekly paid employees for the final pay period of 2022.

#### **Issue**

Prior to the switch from Great Plains to SAP, ENG used an Opex Capex report to reconcile the payroll to the general ledger. While on-site to review the confidential payroll registers, Audit requested the equivalent Opex Capex report for December 2022. It was noted that the Opex Capex report is no longer available since moving to SAP. It was also noted that a replacement report has not yet been established.

Audit requested the reconciliation process and the report used to reconcile the payroll to the general ledger. The response provided the process and a reconciliation of the timesheet report to the payroll register. The reconciliation process did not include reconciling the payroll registers to the general ledger.

#### **Recommendation**

As reconciling the general ledger is an important step in providing accurate account details, Audit recommends that ENG prioritize a replacement report to the Opex Capex report.

#### **Company Response**

An Opex Capex report was provided in the Company's response to DOE 2-5 on September 22, 2023. The Company understands Audit would like to see additional fields in this report and will prioritize the development of an expanded report.

#### **Audit Conclusion**

Audit would like to see a process by which the Company itself has a reconciling procedure inclusive of ensuring the general ledger accurately reflects all payroll related costs. As part of the Department of Energy's data request 2-5, labor data for the test year was requested. Audit reviewed the Company's response to DOE 2-5.c which included an attachment showing the total monthly labor broken down into categories: Capital Labor, O&M Labor, and Other Balance Sheet (non-plant) Labor. The attachment does not contain any general ledger detail, only dollar totals per category. Audit therefore reiterates this Audit Issue and recommendation as the Attachment 23-067 DOE 2-5.c does not contain the pertinent information needed to reconcile the payroll to the general ledger.

## **Audit Issue #27**

### **End of Year Accruals**

#### **Background**

Audit requested the journal entries and supporting detail for the payroll accruals booked at the end of the year.

#### **Issue**

Through supporting documentation provided by Liberty, Audit was able to verify the year end accrual totals to the general ledger detail.

In prior rate case audits, Liberty was able to provide the payroll support to verify the accrual amounts are correct. This detail that was previously provided included employees names, hours worked, pay rate, and unused vacation hours. With SAP, Accounting no longer has access to the level of payroll detail to tie the accrual amounts back to specific employees and pay amounts.

Although Audit was able to tie the documentation provided back to the General Leger, Audit is unable to determine if the accrual amounts are accurate due to the inability to provide supporting documentation to the amounts.

#### **Recommendation**

As the year end accruals are based on actual time worked, the supporting documentation should be readily available upon request.

#### **Company Response**

The payroll accrual calculation is no longer prepared utilizing a report containing highly confidential pay detail by employee. The payroll accrual is now calculated using a report from SAP of payroll charged in the month from a GL export, as reflected in the example report provided in the Company's response to an Audit Request with the payroll accrual calculation. The SAP report contains the same necessary information for calculating the payroll accrual for accounting purposes but does not include, or risk compromising, confidential employee information. Within the payroll accrual calculation, the Company has included this GL export detail, including screenshots to evidence it is complete. To validate the report used in the preparation of the payroll accrual, Audit can review and understand how payroll records, which were made available to Audit through the payroll audit, flow from time charging, through the system to the GL.

#### **Audit Conclusion**

The accrual documentation provided to Audit only contained the totals booked to the general ledger. There was no supporting documentation, whether pay detail by employee or the new SAP report based on payroll charged for the month, to show how the accrual amounts were calculated. Audit reiterates that the documentation provided was verified to the General Leger; however, Audit is unable to determine if the accrual amounts are accurate due to the fact that the supporting calculations were not provided.

## **Audit Issue #28**

### **Payroll Taxes**

#### **Background**

Audit reviewed the \$1,203,396 of payroll taxes that were included in the filing.

#### **Issue**

During Audit's review of the payroll taxes, it was noted that following the conversion to SAP there were no payroll tax expenses booked to FERC account 408 for October, November or December.

The Company provided the journal entry detail booking the payroll taxes to Company 3071 from Company 3070. The journal entry showed that the payroll taxes were being booked to FERC account 920 and not 408.

#### **Recommendation**

Audit recommends the Company update the filing moving the payroll taxes from FERC account 920 to 408. Going forward all payroll taxes should be booked to the appropriate 408 account.

#### **Company Response**

The Company agrees with the Audit Recommendation and will make the necessary entries to transfer payroll taxes from FERC account 920 to 408. The Company will make the corresponding adjustment in the next update of the revenue requirement model in this proceeding and, going forward, payroll taxes will be recorded to FERC account 408.

#### **Audit Conclusion**

Audit understands that the 2022 financial records are closed, thus the transfer from 920 to 408 will be made within the revenue requirement model only. Going forward, the Company should ensure that the payroll taxes post to the proper expense account.



## **Audit Issue #29**

### **EnergyNorth Non-Utility Property Tax**

#### **Background**

The Company owns non-utility operations facilities located on 14 Broken Bridge Road Parcel 77Z/11 and Sewall's Falls Road Parcel 202z/21 in Concord, NH. Audit reviewed the tax invoices for Concord, which included the two non-utility property locations.

#### **Issue**

The City of Concord bills quarterly therefore the tax year and the test-year amounts are the same. Below is the total 2022 property tax expense for the two Concord locations based on the actual invoices:

14 Broken Bridge Road	\$2,111
Sewall's Falls Road	<u>\$1,046</u>
Total	\$3,157

#### **Recommendation**

The Company should reduce the ENG property tax expense in the filing by \$3,157 in tax paid on non-utility property. As noted in the Audit reports of DG 17-048 and DG 20-105, the Broken Bridge Road and Sewall's Falls Road property taxes were recommended for exclusion from the revenue requirements, and the Company agreed.

#### **Company Comment**

The Company agrees that the properties on 14 Broken Bridge Road and Sewall's Falls Road are non-utility properties and are not used in the gas distribution operations. The Company will make the corresponding adjustment in the next update of the revenue requirement model in this proceeding.

#### **Audit Conclusion**

Audit again concurs with the Company regarding the non-utility properties on 14 Broken Ridge Road and Sewall's Falls Road in Concord, and agrees that the filing expense account 408 should be reduced by \$3,157.

## Audit Issue #30

### 7 Delta Drive Inventory Warehouse

#### **Background**

The Company leases an inventory warehouse from parent Company Liberty Energy Utilities (New Hampshire) Corp, and in 2022 did not book the monthly lease payments to the correct account.

#### **Issue**

The Company indicated they paid \$189,156.72 in rent in 2022 for the 7 Delta Drive property. Audit asked the Company to provide the complete GL accounts for the monthly rental expenses. The Company responded:

*"In 2022, \$189,156.72 was recorded for the Delta Drive rent... the annual rent period is May – April. Of the amount recorded in 2022, \$31,835.20 was inadvertently recorded to Rental Expense (FERC account 932) and should have been recorded to FERC account 107. Please refer to the table below for detailed amounts that make up the total Delta Drive rent expense in 2022. The offset account is accounts payable."*

The Company did not provide the actual GL journal entries but provided a summary of the expenses:

\$31,385	<i>"Booked to the 932 Rental Exp. account but should be booked to 107 CWIP"</i>
\$93,651	Entry booked to CWIP
\$54,120	Entry booked to CWIP
\$5,731	Entry booked to 887 Maintenance of Mains
<u>\$3,820</u>	Entry booked to 892 Maintenance of Services
\$189,157	Total Rental Expenses

Audit requested clarification of the account to which lease payments are recorded. The Company stated, *"7 Delta Drive is a warehouse used solely for capital projects."* They further provided a grid demonstrating the accounts to which the monthly lease payments were booked during the test year. Audit also found that the Company's response that "\$31,835.20 was inadvertently recorded to Rental Expense (FERC account 932)" was incorrect and it was actually \$47,752.80 that posted to the "rental expense" account within account 932. The "rental" account in actuality is the Algonquin Natural number, however the corporate level account calls it a "rental expense".

Month	Rent	Job/WBS	GP/SAP
1/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
2/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
3/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
4/1/2022	15,453.98	4019-STO	8840-2-0000-10-1618-1070
5/1/2022	15,917.60	4019-STO	8840-2-0000-10-1618-1070
6/1/2022	15,917.60	4019-STO	8840-2-0000-10-1618-1070
7/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
8/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
9/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
10/1/2022	15,917.60	8840-9825-INVN	8840-2-0000-10-1380-1630
11/1/2022	15,917.60	GNH.FACILIT.LN.DOPS.9322	3072-500300-11932000
12/1/2022	15,917.60	GNH.FACILIT.LN.DOPS.9322	3072-500300-11932000
	<b>189,156.72</b>		

Audit does not agree that the lease payments should be capitalized. Rather, the inventory stored therein is more appropriately capitalized. All lease/rental payments should be posted to account 931. It is unclear why the first six months were to the CWIP account 107, then the inventory account 163 for four months, then the Maintenance of General Plant account 932.

### **Recommendation**

The Company should not capitalize the lease payments. The Company should make sure the inventory, once used in projects, is appropriately capitalized.

The filing should be adjusted to include in the 931 Rent account each of the January through October entries that were posted to CWIP #107 and Stores Expense Undistributed #163. The total is \$157,321.52.

The Company should make any adjusting entries booking the 7 Delta Drive monthly lease payments to the 931 Rent Expense account (for the current 2023 year), and going forward.

### **Company Comment**

The Company disagrees with Audit Staff's conclusion that the aforementioned lease payments should not be capitalized. The 7 Delta Drive facility is solely used for the management of inventory associated with capital work, and as such, the costs associated with the facility, including lease payments, are properly charged to capital. This treatment is consistent with other stores/inventory related costs that are allocated to capital in the ordinary course of accounting. In the Gas Plant Instructions, contained within Title 18, Chapter 1, Subchapter F, Part 201 of the Code of Federal Regulation, it states the following concerning inventory or stores related costs – "3. Components of construction cost. A. The cost of construction properly includable in the gas plant accounts shall include, where applicable, the direct and overhead costs as listed and defined hereunder: 3) "Materials and supplies" includes the purchase price at the point of free delivery

plus customs duties, excise taxes, the cost of inspection, loading and transportation, the related stores expenses, and the cost of fabricated materials from the utility's shop.” The lease expense for the capital inventory facility is considered a “related stores expense” and properly capitalizable.

**Audit Conclusion**

Audit read the FERC and restates the issue. The determination of whether or not the lease payments should be capitalized should be documented in discussions with the Department of Energy Regulatory staff.

## **Audit Issue #31**

### **Pension Contributions**

#### **Background**

Audit received a Pension Contribution Summary from the Company showing the quarterly expense amounts from Cash Balance Pension Plan and Defined Benefit Pension Plan.

#### **Issue**

The Summary notes that the October 15, 2022 pension contributions for cash balance to be \$388,670 and the defined benefit plan to be \$198,000. On October 21, 2022 the Company booked \$589,340 to SAP account 28003011228300 for the third quarter expenses.

The total booked to the GL is \$2,670 greater than it should be as the summary shows a total expense of \$586,670.

#### **Recommendation**

The Company should credit the account \$2,670 for the overstatement of pension expenses.

#### **Company Comment**

The Company's entry for October is correct for \$589,340. There was a true-up of pension contributions in Q3 2022 resulting in an increase of \$2,670 as compared to the Q1 2022 and Q2 2022 amounts.

#### **Audit Conclusion**

Audit reviewed additional documentation provided by the Company in response to this issue. The documentation, an email from Liberty Algonquin Business Services, provides a revised 2022 pension contribution schedule showing EnergyNorth to be \$589,340. No details for the revised amount were provided.

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 23-067  
Distribution Service Rate Case

Department of Energy Data Requests - Set 2

Date Request Received: 9/8/23  
Request No: DOE 2-3

Date of Response: 9/22/23  
Respondent: Tyler Culbertson  
Drew Cayton

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**REQUEST:**

Unbilled Revenue.

- a. Please provide the amount of 2021 unbilled revenue included in the test year.
- b. Please provide an estimated or actual amount of 2022 distribution revenue that was not billed in 2022 but was billed or is planned to be billed in 2023.
- c. Separate the 2022 unbilled revenue by the reason(s) the revenue was not billed in 2022.
- d. How much of the unbilled revenue was due to the implementation of the new SAP customer information and billing system?
- e. How was the revenue requirement adjusted for unbilled revenue?

**RESPONSE:**

- a. The reversal of the December 2021 unbilled revenue accrual of \$21,660,434 is included in the test year.
- b. The December 31, 2022, unbilled revenue accrual is \$29,293,655.
- c. In accordance with normal business practices and cycle billing, a portion of prior year billings are posted in the following year. Typically, this occurs for the higher numbered billing cycles, the meters for which are read near the end of the month.
- d. Please see the response to part (c) above. Principally, unbilled revenues are due to the fact that every year a portion of the prior years' billings are posted in the following year. Typically, this occurs for the higher numbered billing cycles, the meters for which are read near the end of the month. The Company records unbilled revenue to compensate for this recurring effect to accrue revenue in the appropriate calendar month.
- e. The appropriate starting point for calculating the Company's revenue deficiency is the current rates multiplied by normalized billing determinants. As such, unbilled revenue is not a factor in the Company's calculated revenue deficiency.

## Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty

DG 23-067  
Distribution Service Rate Case

## Department of Energy Data Requests - Set 2

Date Request Received: 9/8/23  
Request No: DOE 2-46

Date of Response: 9/22/23  
Respondent: Lauren Preston

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**REQUEST:**

SAP System. Please describe in detail any and all problems or challenges that Liberty has experienced during the implementation of its new customer information and billing system (SAP system) in each of the following categories: (1) Payroll; (2) Vendor Payments; (3) Financial reporting—both internal and external to regulatory agencies and/or consultants such as auditors; (4) preparation and delivery of accurate customer bills on the Company's regular, planned billing cycles for any and all customer classes and customer sub-types (e.g., residential customers taking default service, customers taking competitive supply, net metered customers, group net metered hosts and/or group members, etc.).

**RESPONSE:**

1. Liberty experienced minor work order mapping issues that were corrected immediately and that did not impact employee pay.
2. Vendor payments continued after implementation with relatively little delay. An occurrence did occur with a few construction contractor invoices where a legacy application used to review and manage approvals of the invoices did not load properly, which resulted in duplicate or incorrect payments for those invoices. An incorrect configuration in SAP was identified and corrected, resolving the issue. The incorrect/duplicate payments have also been resolved directly with the vendors.
3. Liberty experienced some delays in closing the books for the first month and the first quarter in the new system due to an expected learning curve. These were internal delays that did not impact Liberty's ability to report results internally or externally, including providing information to auditors.

The Company requested and was granted an extension to file the Annual Report. The extension request was partially related to SAP, but also as a result of the same team's involvement in the preparation of the Liberty Granite State Electric and Liberty EnergyNorth rate case materials, the timing of which coincided with the Annual Report filing. The extension needed to file the Company's Annual Report was necessary as this was the first time extracting the information from SAP for these reports. In addition, the extension allowed Liberty to prepare additional checks to compare to the legacy system reporting from prior quarters and years.

4. For regular planned billing cycles, the majority of the customers were successfully billed during the first month of the October 2022 Go-Live and continue to be on time. Within two months after Go Live, there were fewer than 600 Liberty EnergyNorth accounts, out of more than 90,000, that needed intervention and data corrections to send a bill on the new system. These were substantially completed by the end of February 2023.