

STATE OF NEW HAMPSHIRE

Intra-Department Communication

DATE: October 26, 2023

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

SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities
DG 22-045, 2022/2023 Winter Cost of Gas Adjustment Reconciliation
Final Audit Report

TO: Tom Frantz, Director of Regulatory
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Introduction

Liberty Utilities filed the 2022 – 2023 Winter Cost of Gas Reconciliation in DG 22-045 on July 31, 2023. The Company, on September 1, 2023, filed updated schedules with the PUC, highlighted in red that note specific changes because of the of the Audit review of the cost of gas. There were several pages refiled that include Summary pages 1, 2, 4, 6, schedule 1 pages 1 and 2, and schedule 3. This Audit Report reflects the review of the refiled **CONFIDENTIAL** September 1, 2023 figures. The cost of gas rate was set by Commission Order 26,715 on October 31, 2022. The Order approved the cost of gas as follows for non-fixed price option customers:

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.4300	\$1.7875
C&I low winter use	\$1.4296	\$1.7870
C&I high winter use	\$1.4301	\$1.7876

Commission Order 26,737 issued November 30, 2022 for effect 11/1/2022 approved gas rates that were different than those approved in Order 26,715. It is unclear which specific rates were in place for effect November 1, 2022. **Audit Issue #1**

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.4300	\$1.7875
C&I low winter use	\$1.4301	\$1.7876
C&I high winter use	\$1.4296	\$1.7870

The Company was authorized to charge up to 25% more of the non-fixed price rate, with 5-day notice to the Commission, and a revised tariff page. The rate could be decreased without

limitation. The maximum rate above reflects the authorized 25% increase to the cost of gas rate. There were four tariff changes in the winter period.

The Commission required EnergyNorth to recalculate the fixed price option for residential customers to be 2 cents higher than the winter cost of gas rates approved for November 1, 2022 through April 30, 2023. The Commission Order 26,715 approved \$1.4500 residential FPO.

On November 30, 2022 the Commission Order 26,737 clarified EnergyNorth is supposed to be using the quarterly Wall Street Journal Prime Interest Rate rather than the monthly Federal Reserve Board Statistical interest rate as had been indicated in Order 26,715.

Audit notes many of the responses to questions asked during the course of the audit took nearly a month. It is understood that the Company presently has two active rate cases, but in the future, audit questions should be answered in a more timely manner. James King, Rates and Regulatory Analyst II at Liberty Utilities, apologized for the delay, which Audit appreciated.

Reported Summary Page 1 and Page 2

5/1/2022 (Over)/Under Beginning Balance	\$ 5,378,797	Line 2
Net Peak Gas Costs 5/1/2022 - 10/31/2022	\$(8,663,378)	Line 4
Interest	\$ (1,582)	Line 12
Winter Beginning Balance 11/1/2022 (Over)	\$(3,286,163)	Line 15
Less: Cost of Gas Revenue Billed	\$(72,771,532)	Line 50,
Add: Cost of Gas Allowable (11/1/22 – 4/30/23)	\$ 67,480,005	Line 48
Total (over) Collection as of 4/30/2023	\$ (8,577,690)	Line 52
Bad Debts Accounts 1920-1743	\$ (389,248)	Line 68
Working Capital	\$ (162,369)	Line 84
TOTAL 1920-1740, 1743, 1163-1422 a/o 4/30/23	\$ (9,129,307)	Line 86

Audit verified that Schedule 3, Bates page 038 in the Liberty Winter 2023-2024 docket DG 23-076, filed on September 1, 2023, reflects the April 30, 2023 beginning over-collected balance of \$(8,577,690). Audit is also aware that an updated schedule 3 was filed in DG 23-076 on October 24, 2023. In that filing, the Company reflected a revised beginning under-collection of \$3,674,198, a change of \$12,251,888. This figure does not agree with the general ledger as of 4/30/2023 and has not been audited. The adjusted figure was reported to be the results of a general ledger reclassification of over \$6 million dollars. Refer to seasonal reclassification discussion in this report.

The Summary Schedule was supported/verified to the GL by the net of three specific balance sheet general ledger accounts through 4/30/2023, noted on additional supporting schedules:

R/A COG Reported Over-Collection SAP 130800-11174001-10168 (\$8,577,690) SAP

Deferred Winter Bad Debt	SAP 130804-11174003	(389,248)
Deferred Working Capital Peak	SAP 130801-11142004	<u>(162,369)</u>
April 30,2023 Summary Page 1 adj. Summary Page 1		(\$9,129,307)

Winter Period Beginning Balance-\$5,738,797

The May 1, 2022 beginning balance was verified to the prior year audited ending balance of \$5,738,797. There was (\$4,562,210) in net activity adjustment from May-October 2022 that consisted of fuel refinancing, interest, and Gas Assistance Program Credits. As a result of the Net Summer 2022 adjustments, the November 1, 2022 beginning balance is an over-collection of (\$3,286,163).

NET Winter Gas Cost Activity

The filing Summary Page 1 summarizes the Actual activity for the winter period:

Gas Cost Billed	\$ (72,771,532)
Interest	\$ (424,323)
Return on Inventory	\$ 500,438
Capacity Release Credits	\$ (2,065,600)
Production & Storage	\$ 3,685,458
Bad Debt Adjustment	\$ 0
Gas Assistance Plan	\$ (1,148,580)
FPO Admin Costs	\$ 0
Transportation Cost of Gas Revenue	\$ (124,205)
Broker Revenues	<u>\$ (2,158,152)</u>
Net Adjustments	\$ (1,731,325)
Gas Costs	<u>\$ 67,480,005</u>
Total Gas Costs Per Audit	\$ 67,480,005
Net Activity per Summary Page 1	\$ (8,577,690)

SAP Winter Deferral Account 130800-11174000-10168

Audit was not able to verify the over under activity in the SAP winter deferral account 130800-11174000-10168 for the month of November 2022. The summary trial balance indicates the November 2022 beginning balance is a (\$404,546) overcollection with net debits of \$6,925,594 and credits of (\$20,627,594) that resulted in a November 30, 2022 ending balance of (\$14,106,547). The Filing schedule 1 ended November 2022 with a (\$16,988,163) over-collection ending balance. This is a (\$2,881,616) difference that the Company indicated was the September 30, 2022 ending balance in Great Plains. In October 2022 the Company transitioned to SAP but the October 1, 2022 former GP carryover balance entry was not done until December 2022. On the December 2022 adjusting entry, the Company debited the legacy GP winter deferral account 130800-11174000-10168 for \$2,881,616 and credited the winter deferral account 130800-11174001-10168 for the same amount.

On filing schedule 1 line 12, Accrued Transportation, for November and December 2022 were left blank. The Company indicated the November and December 2022 entries were booked to the summer season in error. The Company did not provide any additional explanations or journal entries, or indicate if the transportation entries have since been adjusted. The amount cannot be quantified at this time. **Audit Issue #2**

Within the filing the costs are noted as Accrued Transportation-Net, but within the deferral general ledger activity, the charges are identified as Commercial and Industrial Daily Meters.

Audit was able to verify the November 2022-April 2023 balances on the winter deferral account to the filing except for the November and December 2022 transportation entries that described above.

The Company, on the revised filing schedule 1 line 9, indicates there is a net \$4,196,806 seasonal adjustment reclassification from the summer season to the winter season. This net figure consisted of a \$10,262,769 December 2022 entry and (\$6,065,963) March 2023 adjusting entry. Audit reviewed the \$10,262,769 December 2022 adjusting entry that was discussed on page 3 of the DG 21-130 Summer Cost of Gas Final Audit Report issued on March 28, 2023. The December 2022 adjusting entry is summarized below.

May 2022	\$1,859,411
June 2022	\$1,628,729
July 2022	\$1,437,292
August 2022	\$2,114,607
September 2022	\$2,103,649
October 2022	<u>\$1,119,077</u>
Total	\$10,262,769

The Company provided the net \$10,262,769 December 2022 month-end adjusting entry that was part of a larger \$26,448,446 entry that also included bad debt and working capital, removing the deferred gas costs booked to the summer that should have been booked to the winter season. The adjusting entry was done on January 9, 2023 and moved \$10,262,769 in deferred summer gas costs to the winter season:

Debit Winter deferral account #130800-10168-11174001	\$10,262,769
Credit Summer deferral account #130800-10168-11174002	\$(10,262,769)

The Company further indicated that the December 2022 adjusting entry movement was part of a change in the process reflecting the cost of gas monthly deferral purchases. Previously purchases were recorded in the month they occurred unless it was a contract that specified winter, then it would be recorded in the winter season even in the summer months. During the prior summer 2022 filing and audit review process, invoices associated with storage injection purchases in summer but for winter use were recorded to the summer but adjusted the on the filing. The process now accurately reflects purchases in the winter period.

The Company provided the net (\$6,065,963) April 2023 month-end adjusting entry that removed the deferred gas costs booked in the winter season that should have been booked in the summer season. The adjusting entry was done on April 4, 2023:

Debit Summer deferral account #130800-10168-11174002 \$6,065,963
Credit Winter deferral account #130800-10168-11174001 \$(6,065,963)

The Company described the \$6,065,963 seasonal adjusting entry, “*The entry for the \$6,065,963 movement was that information was made available to better reflect the gas supply activity recovery from customer invoices, and seasonality of that recovery. When Liberty moved from Great Plains to SAP, the detailed information report that was provided through Great Plains needed to be formulated through SAP, this was accomplished in March 2023 for not only the current month but also the prior months of October 2022-February 2023. With the new detailed information, the previous monthly entries were adjusted to reflect the actual seasonal separation rather than the estimated separation.*” **This is the third year in a row ENG has had to perform a large seasonal winter/summer deferred gas cost adjusting entry.**

Interest on the Summary Page 1 of (\$424,323) was not able to be recalculated using the Commission Ordered quarterly WSJ Prime Rate on the NH DOE Customer Deposits interest rate website page. Interest was calculated monthly based on the average balance divided by 365 days, times the number of days in the month. However, the Company used the monthly website Federal Reserve Board Statical Survey of Interest Rates prime rate. As a result, the Company overcharged interest in November and December 2022, that will require an adjusting entry.

Audit Issue #3

Month	Average Balance	Interest Rate	# Days	Quarterly	Interest Per Filing	Interest Per	Difference
				Interest Rate		Quarterly Rate	
Nov-22	\$ (10,347,734)	6.25%	30	5.50%	\$ (53,156)	\$ (46,777)	\$ 6,379
Dec-22	\$ (20,129,920)	7.00%	31	5.50%	\$ (119,677)	\$ (94,032)	\$ 25,645
Jan-23	\$ (14,567,920)	7.50%	31	5.50%	\$ (92,796)	\$ (92,796)	\$ (0)
Feb-23	\$ (10,225,027)	7.75%	28	7.00%	\$ (60,790)	\$ (60,790)	\$ (0)
Mar-23	\$ (6,403,150)	7.75%	31	7.00%	\$ (42,147)	\$ (42,147)	\$ (0)
Apr-23	\$ (8,479,793)	8.00%	30	7.00%	\$ (55,757)	\$ (55,757)	\$ (0)
					<u>\$ (424,323)</u>	<u>\$ (392,299)</u>	<u>\$ 32,023</u>

Audit reviewed Commission Order 26,760, issued on January 17, 2023, that withdrew the portion of Commission Order 26,737 requiring Liberty to use the quarterly WSJ interest rate. Audit notes the Order indicates DOE Regulatory Staff is still able to address the interest rate matter in the future. Specifically: “*Third Ordering Clause was withdrawn without prejudice to DOE’s ability to request that the interest rate reported by the Wall Street Journal be ordered to be applied in the future.*” The Order also granted Liberty’s request for rehearing on the interest rate issue. Audit reviewed the docket books for DG 22-057 and DG 22-045, and it does not appear that the rehearing has been scheduled.

Return on Inventory \$500,438 – Inventory return calculation shown on Summary Page 1 of the filing resulted from the DG 17-048 rate case. The Return on Inventory charges were

allocated \$83,406 per month from November 2022-April 2023 and were booked to the SAP 130800-11174000-10168 winter deferral account.

The SAP General Ledger account 521060-11804000-10168 reflects Capacity Release Credits of \$(338,620.91). The filing schedule 4 shows (\$2,065,600), which agrees with the filing Summary. The Capacity Release Credits are a mechanism by which holders of firm interstate transportation capacity can relinquish their rights to utilize the firm capacity to other parties that are interested in obtaining the right to use that capacity at a specific price, for a given period, and under a specifically identified set of conditions. The firm transportation rights may include transmission capacity and/or storage capacity. Audit was unable to verify the activity for December through April:

SAP #	SAP Title Reference	November 22	December 22	January 23	February 23	March 23	April 23	TOTAL
521060-11804000-10168	Nat Gas Purchases Accruals	\$ (312,423.53)	\$ (60,526.11)	\$ 10,765.15	\$ 11,501.30	\$ 21,724.41	\$ (9,662.13)	\$ (338,620.91)
Schedule 4 Page 1 of 1	Capacity Release Credits	\$ (312,424.00)	\$ (372,970.00)	\$ (362,184.00)	\$ (350,442.00)	\$ (328,959.00)	\$ (338,621.00)	\$ (2,065,600.00)
	SAP vs. Filing	\$ 0.47	\$ 312,443.89	\$ 372,949.15	\$ 361,943.30	\$ 350,683.41	\$ 328,958.87	\$ 1,726,979.09

Audit Issue #4

Production and Storage - \$3,685,458 Production and Storage of \$3,685,458 is included within the balance sheet, and is an approved cost noted on First Revised Tariff page 18, Cost of Gas Clause, of the Company's tariff. Thus, the filing line had no specific expense account associated with it. The \$3,685,458 are reported to be the production and storage costs from November 2022 through April 2023.

Bad Debt Adjustment recovery period and the allowed bad debt recovery rate are shown on page 18 of the tariff. If the Company is recovering its actual gas supply related bad debt on a fully recoverable basis, then the actual bad debt percentage is calculated by dividing the Company's actual net write-offs for the relevant period by its revenue for the same period. There were zero Bad Debt Adjustment charges for the period that the Company attributes to better bad debt recoupment measures.

Gas Assistance Plan- (\$1,148,580)

On 8/27/2020, the Commission Order #26,397 approved the Settlement Agreement for the changes made to the (RLIAP) Residential Low Income Assistance Program for gas to be called GAP or the Gas Assistance Program. The Settlement Agreement replaces a qualified customer's 60 percent bill credit on distribution and supply rates (exclusive of the LDAC) over twelve months with a 45 percent bill credit on the distribution and supply rates (exclusive of the LDAC) during the winter months, November 1, to April 30. The Company indicated the (\$1,148,580) allocated to GAP is the result of a calculation done monthly for the winter period transactions in the GR4 and GR7 (MEP) low-income rate classes. Formerly, under the old mechanism the COG rate was not reduced for the RLIAP program. The new GAP program that went into effect on November 1, 2020 reduces the COG rate on the low-income customers. The (\$1,148,580) GAP was verified to the winter deferral account.

The Fixed Price Option – Administration Costs shown on Summary Page 1 of the filing indicated \$0 charges for the year. These are adjustments to costs associated with envelopes and postage to inform customers they are eligible for the fixed price option during the winter season.

Transportation Cost of Gas Revenue over collection of (\$120,566) was shown on the Amended Summary page 6. The Company updated the filing of the Transportation COG revenue correctly on Summary Page 6 because on the prior filing there was a billing rate class discrepancy discovered in April 2023 regarding the G51-58 Commercial/Industrial and Transportation on lines 14 and 22 of filing schedule 3 that were left blank in the original revenue breakout. The total 117,450,898 billed therms for November 2022-April 2023 did not change. As result the Transportation revenue was reduced from (\$124,205) by \$3,639 to (\$120,566) from the original filing schedule on the revised filing schedule. All the components of the calculation used in figuring the (over)/under collection were traced to the supporting schedules page 98 of the tariff effective August 1, 2021 and winter deferral account.

Broker Revenues (\$2,158,152) were verified to a portion of account 521020-11804001-10168 Natural Gas City Gate Purchases and 521020-11804000-10168 . Audit reviewed the November-April 2023 invoices to Filing Schedule 2B.

Total Adjustments (\$1,731,325) on the Summary Page 1 represents the sum of all activity in the winter deferral account Capacity Release Credits, Broker Revenues, Gas Assistance Plan, Transportation, Production/Storage, Interest, Return on Inventory Bad Debt, and Working Capital deferred balance sheet accounts from November 2022-April 2023.

General Ledger

Audit requested all the expense accounts that comprise the individual types of gas costs that sum to of \$67,480,004 Summary Page 1.

Effective October 1, 2022, Liberty converted from the Great Plains system to SAP. The account transition associated with the Cost of Gas was noted to be:

Great Plains Account Number and Title		SAP Account Title and Number	
8840-2-0000-52-5541-8040	Natural Gas City Gate Purchases	Gas Pur	5210201180400010168
8840-2-0000-52-5541-8041	Natural Gas Demand Charges-Transportation	Gas Pur Dmnd Transp	5210301180410010168
8840-2-0000-52-5541-8042	Deferred Gas Costs	Gas Pur Def Costs	5210401180400010168
8840-2-0000-52-5541-8044	Natural Gas Capacity Release	Gas Pur Cap Release	5210601180400010168
8840-2-0000-52-5541-8045	Natural Gas Imbalances-Cashout	Gas Pur Imbalances	5210701180400010168
8840-2-0000-52-5542-8051	PGA for Residential - PGA Recoveries	Gas Pur PGA Rec Res	5211001180510010168
8840-2-0000-52-5542-8052	PGA for Commercial - PGA Recoveries	Gas Pur PGA Rec Com	5211101180510010168
8840-2-0000-52-5542-8053	PGA for Industrial - PGA Recoveries	Gas Pur PGA Rec Ind	5211201180510010168
8840-2-0000-52-5542-8054	PGA for Transportation - PGA Recoveries	Gas Pur PGA Rec Pub	5211301180510010168
8840-2-0000-52-5543-8081	Natural Gas Withdrawn from Storage	Gas Pur Wthdn Strg	5211801180810010168
8840-2-0000-52-5543-8082	Natural Gas Delivered to Storage	Gas Pur Dlvrd Strg	5211901180820010168

Gas Costs Summary for Winter 2022-2023		Notes
winter 2022-2023 Gas Costs per Summary Page 1	\$ 69,211,329	
Net Adjustments Summary Page 1		
winter 2022-2023 Interest	\$ (424,323)	
Return on Inventory	\$ 500,438	
winter 2022-2023 Capacity Release Credits	\$ (2,065,600)	
winter 2022-2023 Broker Revenues	\$ (2,158,152)	
Production and Storage	\$ 3,685,458	
Gas Assistance Plan	\$ (1,148,580)	
Net Transportation Gas Costs	\$ (120,566)	
Net Adjustments Summary Page 1	\$ (1,731,325)	
Total Gas Costs and Adjustments Summary Page 1	\$ 67,480,004	

Filing Schedule 1 page 1 winter deferral gas costs

Line 13 winter 2022-2023 gas costs Filing Sch. Pg 1	\$ 64,893,958	Not Able to Verify to 804, 805, and 808 GL accounts Audit Issue #4
Line 19 summer to winter def gas costs adjustment Fil. Sch. Pg. 1	\$ 4,196,806	Able to Verify to GL
Net Transportation Gas Costs Summary Page 1	\$ 120,566	
Total Gas Costs Summary Page 1	\$ 69,211,330	Audit Issue #4

The Company provided each accounts' activity for the November 2022 through April 2023 period for the 804, 805, and 808 expense accounts, which should have included all the deferred gas costs. The summary of the accounts, by month, is below. The only activity which was verified to the filing is highlighted in yellow. The November "Nat Gas Purchases-Accruals" \$(312,423.53) was noted on the November 2022 Capacity Release line in schedule 4. The Total for that account, \$(338,620.91) was listed on schedule 4 as the April 2023 figure. None of the other monthly figures could be verified. As a result, Audit was not able to verify \$64,893,958 in deferred winter gas charges to the expense accounts listed below. **Audit Issue #4**

SAP #	SAP Title Reference	November 22	December 22	January 23	February 23	March 23	April 23	TOTAL
521020-11804000-10168	City Gate Purchase-AMA Credits	\$ 5,608,666.27	\$ 10,448,166.75	\$ (3,719,153.83)	\$ 3,420,612.06	\$ (9,096,519.04)	\$ (192,140.47)	\$ 6,469,631.74
521020-11804001-10168	Natural Gas City Gate	\$ 397,816.02	\$ 5,012,325.74	\$ 14,434,481.88	\$ 10,123,724.13	\$ 12,047,282.73	\$ 1,680,489.16	\$ 43,696,119.66
521020-11804000-10168	Clearing ICE Exchange	\$ -	\$ 915.45	\$ 915.45	\$ 915.45	\$ 915.45	\$ 915.45	\$ 4,577.25
521030-11804100-10168	LNG Purchases	\$ 1,701,618.95	\$ 126,804.62	\$ (110,091.91)	\$ (3,584.60)	\$ 18,891.63	\$ (37,569.13)	\$ 1,696,069.56
521030-11804001-10168	Natural Gas City Gate Purc.	\$ 402,133.11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,133.11
521030-11804101-10168	Demand Charges Trans.	\$ (388,777.54)	\$ 1,709,205.02	\$ 1,745,434.74	\$ 1,693,462.54	\$ 1,716,030.33	\$ 1,723,065.31	\$ 8,198,420.40
521040-11804000-10168	Natural Gas Deferral	\$ (6,592,997.41)	\$ (17,954,890.07)	\$ (13,465,123.83)	\$ (16,587,143.18)	\$ (5,326,361.28)	\$ (1,101,115.48)	\$ (61,027,631.25)
521050-11804002-10168	Nat Gas Purchases-Cashout	\$ -	\$ 47,117.65	\$ -	\$ (198,391.62)	\$ (97,108.64)	\$ (30,993.20)	\$ (279,375.81)
521060-11804000-10168	Nat Gas Purchases Accruals	\$ (312,423.53)	\$ (60,526.11)	\$ 10,765.15	\$ 11,501.30	\$ 21,724.41	\$ (9,662.13)	\$ (338,620.91)
521060-11804000-10168	Nat Gas Pur Capacity Release	\$ 400,958.18	\$ (312,443.95)	\$ (372,949.64)	\$ (361,943.78)	\$ (350,683.19)	\$ (328,958.78)	\$ (1,326,021.16)
521060-11804001-10168	Nat Gas City Gate Purchases	\$ (399,724.03)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (399,724.03)
521180-11805000-10168	Other Gas Purchases	\$ -	\$ 2,136.93	\$ -	\$ 8,407.11	\$ 7,684.96	\$ 7,033.91	\$ 25,262.91
521180-11808100-10168	Gas Withdrawn from Storage	\$ 638,214.04	\$ 2,077,634.93	\$ 2,928,859.90	\$ 2,950,949.98	\$ 2,563,342.32	\$ 6,230.54	\$ 11,165,231.71
521190-11804000-10168	Clearing	\$ -	\$ -	\$ -	\$ -	\$ 54,549.90	\$ -	\$ 54,549.90
521190-11804001-10168	Nat Gas City Gate Purchases	\$ 4,354.79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,354.79
521190-11805000-10168	Other Gas Supply	\$ (4,354.76)	\$ 435.20	\$ 63,974.30	\$ 160,722.13	\$ 76,709.85	\$ 416.66	\$ 297,903.38
521190-11808200-10168	Gas Delivered to Storage	\$ (422,500.64)	\$ 17,839.66	\$ 126,484.59	\$ 92.75	\$ (115,788.66)	\$ (516,487.14)	\$ (910,359.44)

Audit was able to verify the \$4,196,806 summer to winter deferred gas cost adjusting entries done in December 2022 and March 2023. Audit understands the (\$1,731,325) net adjustments on summary page 1 are non-reflected on the 804, 805, and 808 expense accounts.

Review of Monthly Invoices, Documentation

Audit tested sixteen invoices from November 2022 through April 2023, verifying that the invoices reflected the payee and delivery location, the date of the actual delivery, the proper account number code, invoice amounts and the authorization initials. Audit verified the invoices to Schedule 2B Commodity and Demand costs.

Vendor	Activity Description	Month	Amount
Rev LNG	Demand	Nov-22	\$ 54,007
Emera	Commodity	Nov-22	\$ 1,212,456
National Fuel	Demand	Nov-22	\$ 48,205
Patriot Gas	Commodity	Dec-22	\$ 294,206
Calpine	Commodity	Dec-22	\$ 831,852
ANE-Alberta Northeast	Commodity	Dec-21	\$ 3,921,140
Shell	Commodity	Jan-23	\$ 2,560,892
DTE Energy	Commodity	Jan-23	\$ 246,593
UGI	Commodity	Jan-23	\$ 538,120
BP Energy	Commodity	Feb-23	\$ 1,869,666
3JR-South Jersey Resource	Commodity	Feb-23	\$ 1,364,374
Direct Energy	Commodity	Mar-23	\$ 203,693
ICE	Commodity	Mar-23	\$ 885
Tennssee Gas	Demand	Apr-23	\$ 424,857
Calpine	Demand	Apr-23	\$ 55,977
Shell	Commodity	Apr-23	\$ 451,412
Total			<u>\$ 14,078,335</u>

Commodity and Demand Schedules

The confidential version of the filing schedule 2b, that breaks out the commodity and demand details, contains some footing variances. The totals on lines 119 Energy Atlantica, line 127 Rev LNG LLC, and line 131 Sprague Energy do not foot across in the total column. Since the commodity/demand figures were all footed vertically this did not affect the net commodity or demand charges on the other supporting schedules. **Audit Issue #2**

Bidding

The Company indicated for the 2022-2023 winter season they initiated several requests for proposals and received bids from 18 vendors for the purchase of the gas commodity. The Company indicated in all cases the lowest bid was selected and no alternative procurement partners were sought.

Revenue - \$(73,884,326)

Audit verified the reported figure on the filing Summary page 1 to schedule 3. Schedule 3 outlines, by month, the total volumes billed. The Total Gas Revenue Billed on Summary page 1 of \$(73,884,326) consists of the following:

Estimated Unbilled (Schedule 1)	\$ (383,359)
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Gas Cost Billed (Schedule 3)	\$(72,348,386)
Transportation Gas Adjustment (Schedule 1)	<u>\$(39,787)</u>
Total Gas Cost Billed Sum. Page 1	\$(72,771,532)
Bad Debt Revenue Billed (Schedule 7)	\$(756,810)
Working Capital Revenue Billed (Schedule 7)	<u>\$(355,984)</u>
Total Peak Revenue Billed Sum Pg. 1 and 2	\$(73,884,326)

Gas Costs Billed

Audit reviewed the monthly journal entries and supporting schedules of therm sales provided by Liberty, for November 2022 through April 2023, for billed and unbilled revenue. Liberty receives the SAP revenue data from Oakville each month and reports therm deliveries and revenues by rate class, revenue class and general ledger account for base revenues, LDAC and COG for sales and transportation customers with the appropriate totals.

Based on a review of the 26,737 Order it is unclear to Audit what the appropriate rate for November 1, 2022 should have been, or at the customer level, what rate was in fact charged.

Audit Issue #1

Audit verified the billed therms on Filing Schedule 3 for November 2022 through April 2023, that summed to 17,983,941 therms, to the revenue reports. The Company on the original filing line 13 of schedule 3 for April 2023 left the G51-G58 total therms used for the month blank. The updated filing corrects this error. This required April 2023 adjustment does not affect the total \$117,450,898 total billed therms

Audit verified the \$(72,348,386) November 2022 through April 2023 billed revenue on Filing Schedule 3 and the Deferral account to the monthly revenue reports to the regulatory accounts for residential, and commercial/industrial customers 410200,410210,410220 expense account to the 410220 revenue account. Bad debt and working capital that summed to (\$1,112,794) for the winter season. The Filing Reconciliation Schedule 3 does not include off peak bad debt and working capital that is included in the revenue report. Audit verified the bad debt and working capital collected to the working capital 10168-130801-11142004 deferral account and the 10168-130804-11174003 bad debt deferral account.

Estimated Unbilled Revenue and Interest

The Estimated Unbilled (Net), from schedule 1, totaled \$(383,359). EnergyNorth provided the journal entries and the calculations for the unbilled revenue for the winter period. Audit recalculated the unbilled commodity, the unbilled margins, and the unbilled interest for November 2022 through April 2023 from the Company's worksheet. The amounts were tied to schedule 1, Peak Demand and Commodity for, each month and tied to general ledger SAP account 10168-130800-13080011174000101698

Commission Order 26,715 issued on October 31,2022 for effect November 1, 2022 approved rates.

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.4300	\$1.7875
C&I high winter use	\$1.4296	\$1.7870
C&I low winter use	\$1.4301	\$1.7876
Gas Assistance Plan Res.	\$0.7865	\$0.9831

The cost of gas rate was set by Order 26,737-dated November 30, 2022 for Effect November 1, 2022. The Order approved the cost of gas as follows for non-fixed price option customers:

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.4300	\$1.7875
C&I high winter use	\$1.4301	\$1.7876
C&I low winter use	\$1.4296	\$1.7870
Gas Assistance Plan Res.	\$0.7865	\$0.9831

The fixed price option was \$1.4500 that is two cents higher than the residential rate.

The 8th revised page 95 dated November 23, 2022 and effective December 1, 2022 referenced the following:

Residential Cost of Gas	\$1.2551
Gas Assistance Plan Res. Rate	\$0.6903
C & I Cost of Gas Low Winter Use	\$1.2547
C & I Cost of Gas High Winter Use	\$1.2552

The ninth revised page 95 dated December 22, 2022 and effective January 1, 2023 referenced the following:

Residential Cost of Gas	\$1.3292
Gas Assistance Plan Res. Rate	\$0.7311
C & I Cost of Gas Low Winter Use	\$1.3288
C & I Cost of Gas High Winter Use	\$1.3293

The tenth revised page 95 dated January 24, 2023 and effective February 1, 2023 referenced the following:

Residential Cost of Gas	\$0.4525
Gas Assistance Plan Res. Rate	\$0.2489
C & I Cost of Gas Low Winter Use	\$0.4521
C & I Cost of Gas High Winter Use	\$0.4526

The eleventh revised page 95 dated February 21, 2023 and effective March 1, 2023 referenced the following:

Residential Cost of Gas	\$0.2443
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Gas Assistance Plan Res. Rate	\$0.1344
C & I Cost of Gas Low Winter Use	\$0.2439
C & I Cost of Gas High Winter Use	\$0.2444

The twelfth revised page 95 dated March 24, 2023 and effective April 1, 2023 referenced the following:

Residential Cost of Gas	\$0.1326
Gas Assistance Plan Res. Rate	\$0.0729
C & I Cost of Gas Low Winter Use	\$0.1322
C & I Cost of Gas High Winter Use	\$0.1327

INDIRECT COSTS

Bad Debt \$(389,248)

The beginning balance of (\$259,425) agrees with the October 2022 ending balance shown on schedule 1A, page 1 of 2 of the reconciliation. Summary page 1 of the 2022-2023 filing includes a schedule relating to Bad Debt:

Bad Debt Account 10168-130804-11174003

Beginning Balance	\$	(170,566)
Bad Debt Costs 5/1/2022 - 10/31/2022	\$	(83,106)
Interest 5/1/2022- 10/31/2022	\$	(5,753)
Beginning Balance 10/31/2022 (Over)/Under	\$	(259,425)
Bad Debt Costs 11/1/2022 - 4/30/2023	\$	562,335
Bad Debt COG Billed	\$	(756,810)
Adjustment	\$	72,004
Interest	\$	(7,353)
Total (Over)/Under 4/30/2023	\$	(389,248)

The Summary page 2 of the reconciliation indicates that the Bad Debt rolling (over)/under recovery is maintained in general ledger SAP account 10168-130804-11174003-Deferred Peak Bad Debt. Audit tied the April ending credit balance of (\$389,248) to the general ledger with no exceptions. The ending balance was also verified to the beginning balance of schedule 3 in docket DG 23-076.

Schedule 6 reflects the calculation of the Bad Debt costs totaling \$562,235, using a bad debt rate of 0.0086. The Company is currently using 0.86% on the bad debt collection for the monthly bad debt carrying charges. The Company explained that the bad debt collection rate was determined by dividing the actual net write-offs of \$1,561,692 by total revenue of \$181,349,187 from May 2021-April 2022. Audit recalculated the data provided by the Company and it complies with page 18 of the Tariff.

Audit reviewed Schedule 7 of the filing for bad debt collected. The total November 2022-April 2023 bad debt collected is \$(756,810) on the total column. This was verified to the deferral account.

The Company used the monthly prime interest rate rather than the quarter WSJ as a result the Company will have to make an adjustment. **Audit Issue #3**

Month	Average Balance	Interest Rate	# Days	Quarterly	Interest Per Filing	Interest Per	Difference
				Interest Rate		Quarterly Rate	
Nov-22	\$ (240,235)	6.25%	30	5.50%	\$ (1,234)	\$ (1,086)	\$ 148
Dec-22	\$ (163,554)	7.00%	31	5.50%	\$ (972)	\$ (764)	\$ 208
Jan-23	\$ (126,461)	7.50%	31	5.50%	\$ (806)	\$ (806)	\$ (0)
Feb-23	\$ (155,073)	7.75%	28	7.00%	\$ (922)	\$ (922)	\$ (0)
Mar-23	\$ (220,328)	7.75%	31	7.00%	\$ (1,450)	\$ (1,450)	\$ 0
Apr-23	\$ (299,352)	8.00%	30	7.00%	\$ (1,967)	\$ (1,967)	\$ 0
					<u>\$ (7,353)</u>	<u>\$ (6,995)</u>	<u>\$ 357</u>

Working Capital (\$162,369)

The beginning balance of (\$30,998) agrees with the prior winter period filing and audit report. Summary page 2 of the 2022-2023 filing includes a schedule relating to Working Capital:

Working Capital Account 10168-130801-11142004		
Beginning Balance	\$	(30,998)
WC Net Costs 5/1/2022 - 10/31/2022	\$	(30,912)
Interest 5/1/2022 - 10/31/2022	\$	(1,348)
Beginning Balance 10/31/2022 (Over)/Under	\$	(63,258)
Working Capital Costs 11/1/2022 - 4/30/2023	\$	235,253
Working Capital CGA Billed	\$	(355,984)
Adjustment	\$	23,515
Interest	\$	(1,896)
Total (Over)/Under 4/30/2023	\$	(162,369)

The Summary page 2 of the reconciliation indicates that the Working Capital rolling over/under recovery is maintained in general ledger SAP account 10168-130801-11142004-Deferred Working Capital – Peak. Audit tied the April 30, 2023 ending credit balance of (\$162,369) to the general ledger with no exceptions. The balance was also verified to Schedule 3 of the DG 23-076 filing.

Schedule 5 reflects the calculation of the working capital costs totaling \$235,253 as well as customer billings of (\$355,984). The Company is currently using .0705 for the working capital monthly CGA carrying charges approved by the Commission on the Second Revised Tariff Page 96 effective November 1, 2022.

The Company used the monthly prime interest rate rather than the quarter WSJ as a result the Company will have to make an adjustment. **Audit Issue #3**

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Quarterly</u> <u>Interest</u> <u>Rate</u>	<u>Interest Per Filing</u>	<u>Interest Per</u> <u>Quarterly Rate</u>	<u>Difference</u>
Nov-22	\$ (54,767)	6.25%	30	5.50%	\$ (281)	\$ (248)	\$ 34
Dec-22	\$ (27,554)	7.00%	31	5.50%	\$ (164)	\$ (129)	\$ 35
Jan-23	\$ (21,489)	7.50%	31	5.50%	\$ (137)	\$ (137)	\$ (0)
Feb-23	\$ (41,095)	7.75%	28	7.00%	\$ (244)	\$ (244)	\$ 0
Mar-23	\$ (77,273)	7.75%	31	7.00%	\$ (509)	\$ (509)	\$ (0)
Apr-23	\$ (85,251)	8.00%	30	7.00%	\$ (560)	\$ (560)	\$ (0)
					<u>\$ (1,896)</u>	<u>\$ (1,826)</u>	<u>\$ 68</u>

Interest (\$424,323)

The interest expense of (\$424,323) was reviewed by Audit. Audit was not able to verify the interest rates to the quarterly WSJ Prime Rate on the NH DOE Customer Deposits interest rate page. For each month the average balance is divided by 365 days, times the number of days in the month, multiplied by the rate. The Company instead uses the monthly website Federal Reserve Board Statistical Survey of Interest Rates. As a result of the Company using the monthly rate the Company overcharged interest that will require an adjusting entry. The Company will need to make a \$32,023 adjusting entry to reflect the difference in the monthly and quarterly interest rates. **Audit Issue #3**

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Quarterly</u> <u>Interest</u> <u>Rate</u>	<u>Interest Per Filing</u>	<u>Interest Per</u> <u>Quarterly Rate</u>	<u>Difference</u>
Nov-22	\$ (10,347,734)	6.25%	30	5.50%	\$ (53,156)	\$ (46,777)	\$ 6,379
Dec-22	\$ (20,129,920)	7.00%	31	5.50%	\$ (119,677)	\$ (94,032)	\$ 25,645
Jan-23	\$ (14,567,920)	7.50%	31	5.50%	\$ (92,796)	\$ (92,796)	\$ (0)
Feb-23	\$ (10,225,027)	7.75%	28	7.00%	\$ (60,790)	\$ (60,790)	\$ (0)
Mar-23	\$ (6,403,150)	7.75%	31	7.00%	\$ (42,147)	\$ (42,147)	\$ (0)
Apr-23	\$ (8,479,793)	8.00%	30	7.00%	\$ (55,757)	\$ (55,757)	\$ (0)
					<u>\$ (424,323)</u>	<u>\$ (392,299)</u>	<u>\$ 32,023</u>

ACTUAL SUMMARY

Reported Summary

Winter Period Beginning Balance	\$	(3,286,163)	
Less: Cost of Gas Revenue Billed	\$	(72,771,532)	
Add: Cost of Gas Allowable (11/1/2022 - 4/30/23)	\$	67,480,005	
Winter Period Ending Balance	\$	(8,577,690)	
Winter Deferral Interest Rate Adjustment	\$	32,023	
Bad Debt Interest Rate Adjustment	\$	357	
Working Capital Interest Rate Adjustment	\$	68	
Total Interest Rate Adjustments	\$	32,448	Audit Issue #3
Add: Bad Debt	\$	(389,248)	
Add: Working Capital	\$	(162,369)	
Total Winter Period Over-Collection	\$	(9,096,859)	

Based on the review of the filing to the balance sheet financial records of the Company, billed revenues, gas costs, the sample review of invoices and review of accounting calculations and postings, Audit recommends the cost rest recovery of (\$9,204,300). Expenses could not be verified to the income statement accounts provided by the Company. Refer to the **Audit Issues** that follow.

In **Audit Issue #1** there were two orders issued in November 2022 making it difficult to decipher which cost of gas rates to use for November and December 2022. In **Audit Issue #2** the Company will have to make November and December 2022 for Commercial and Industrial Daily Meters charges that were erroneously booked in the summer period. The Company also needs to make sure the commodity and demand filing schedules are reflected accurately. In **Audit Issue #3** the Company will have to adjust interest charges for the winter deferral account, bad debt, and working capital that should have been charged quarterly rather than monthly for November and December 2022. In **Audit Issue #4** the Company needs to explain and provide the exact GL expense accounts for the deferred gas costs. In **Audit Issue #5** the Company should not be charging interest on unbilled revenue.

Audit Issue #1 Tariff Pages

Background

The Commission issued Order 26,715 on October 31, 2022, for rate effective November 1, 2022. The Commission then issued a subsequent Order on November 30, 2022, for rates effective November 1, 2022.

Audit Issue

The cost of gas rate was set by Commission Order 26,715 on October 31, 2022. The Order approved the cost of gas as follows for non-fixed price option customers:

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.4300	\$1.7875
C&I high winter use	\$1.4296	\$1.7870
C&I low winter use	\$1.4301	\$1.7876

Commission Order 26,737 Issued November 30, 2022 for effect 11/1/2022 approved gas rates. It is unclear what rates were used during the month of November.

	<u>Cost of Gas Rate</u>	<u>Maximum Rate</u>
Residential	\$1.4300	\$1.7875
C&I high winter use	\$1.4301	\$1.7876
C&I low winter use	\$1.4296	\$1.7870

Audit Recommendation

Based on the uncertainty of which Order to follow, this Issue is documented here solely to reflect the different rates in the two Orders that required implementation on the same date, November 1, 2022. A customer level tariff test was not conducted as part of this audit work.

The quantification of the different rates, for the month of November 2022, was provided to DoE Staff following a technical session held on October 12, 2023. The information provided was immaterial, while the erroneous reflection of the rates is noted:

		Order No. 26,715 Rates		Order No. 26,737 Rates		
	Nov. Term Sales*					
G41	317,122	1.4296	\$ 453,357.95	1.4301	\$ 453,516.51	\$ (158.56)
G42	547,054	1.4296	\$ 782,068.01	1.4301	\$ 782,341.54	\$ (273.53)
G43	20,316	1.4296	\$ 29,044.17	1.4301	\$ 29,054.33	\$ (10.16)
G51	62,923	1.4301	\$ 89,986.71	1.4296	\$ 89,955.25	\$ 31.46
G52	153,225	1.4301	\$ 219,127.34	1.4296	\$ 219,050.73	\$ 76.61
G53		1.4301	0	1.4296	0	
G54		1.4301	0	1.4296	0	
					Difference	\$ (334.17)

*Therm Sales for G40's and G50's rates effective 11/1/22, if assumed correction takes place on 12/1/22 the presented values give approximate consumption that would have been billed incorrectly

Company Response

The C&I (High Winter Use) and C&I (Low Winter Use) rates in Order No. 26,715 page 11 were reversed for both the Winter 2022-2023 and Summer 2023. Order No. 26,737 correctly restated the high and low winter use rates. Rates effective for November 1, 2022, were C&I (High Winter Use) \$1.4301 and C&I (Low Winter Use) \$1.4296.

Audit Response

Audit appreciates the response by the Company and notes this audit issue is for informational purposes only.

Audit Issue #2

Transportation Revenue and Gas Cost Schedule Variance

Background

Audit reviewed the confidential version of filing schedule 2b and noticed there were no transportation charges in November or December, and also noted that certain lines in schedule 2b did not foot across properly.

Audit Issue

On the winter deferral account and filing schedule 1, page 1, the Company did not reflect any transportation charges for November and December 2022. The Company indicated the charges were booked to the summer season in error. The Company did not provide any additional explanations or journal entries, to demonstrate if the transportation entries have since been adjusted. Within the filing the costs are noted as Accrued Transportation-Net, but within the deferral general ledger activity, the charges are identified as Commercial and Industrial Daily Meters.

The confidential version of filing schedule 2b, that breaks out the commodity and demand details, contains some footing variances. The totals on lines 119 Energy Atlantica, line 127 Rev LNG LLC, and line 131 Sprague Energy are not reflected within the Total column. The commodity/demand figures did sum vertically, however, thus the Total Peak Gas Costs figure of \$60,670,205.69 was not impacted. This did not affect the net commodity/demand charges on the other supporting schedules.

Audit Recommendation

The Company should clarify and make any necessary adjustments to the winter deferral account for November and December Commercial and Industrial Daily Meters that were originally charged to the summer deferral account.

The Company should adjust the confidential filing schedule 2b so that lines 119, 127, and 131 so the Total column for all vendor commodity costs are accurately noted.

Company Response

The Company will adjust the November and December transportation charges that were originally booked to summer season. The Company will provide the journal entries upon completion of the adjustment with the October 2023 month end close.

Going forward, the Company will ensure that all lines in Schedule 2B will foot correctly in the total column. As Audit Staff has stated, this footing correction does not affect the Total Peak Gas Cost or other supporting schedules.

Audit Response

Audit recommends that going forward the filing schedule 2B total commodity and demand charges are footed properly. The Company, within 30 days issuance of this Final Audit Report, should provide the adjusting November and December 2022 transportation entries.

Audit Issue # 3 Interest Rates

Background

The Company used the monthly Federal Reserve Statistical Release of Selected Interest Rates for the calculation of interest.

Audit Issue

The Company used the monthly Federal Reserve Board prime interest rate for the calculation of interest when Commission Order 26,737 required the Company to use the quarterly WSJ Customer Deposit rate included on the NH Department of Energy website.

Commission Order 26,760, issued on January 17, 2023, withdrew the Ordering Clause of Commission Order 26,737 requiring the Company to use the quarterly WSJ interest rate. Page 3 of Commission Order 26,760 indicates the *“Third Ordering Clause was withdrawn without prejudice to DOE’s ability to request that the interest rate reported by the Wall Street Journal be ordered to be applied in the future.”* The Order also granted Liberty’s request for rehearing on the interest rate issue. Audit reviewed the DG 22-057 and DG 22-045, and it does not appear that the rehearing has been rescheduled.

Because of the dates of the Orders, the interest calculations for November and December, 2022 were overstated.

Audit Recommendation

The Company should adjust filing schedules Summary Page 1, Summary Page 2, filing schedule 1, filing schedule 1a, filing schedules 5, and filing schedule 6 to accurately reflect the calculation of interest using the Commission approved WSJ Customer Deposit quarterly interest rate for November and December 2022, the two months for which the original Order 26,737 was in effect.

The Company should adjust filing schedules Summary Page 1 and filing schedule 1 to reflect that the \$424,323 interest winter deferral costs booked to account 1308041117400110168 should be reduced by \$32,023 to reflect the quarterly interest rate adjustment.

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Quarterly</u>	<u>Interest Per Filing</u>	<u>Interest Per</u>	<u>Difference</u>
				<u>Interest Rate</u>		<u>Quarterly Rate</u>	
Nov-22	\$ (10,347,734)	6.25%	30	5.50%	\$ (53,156)	\$ (46,777)	\$ 6,379
Dec-22	\$ (20,129,920)	7.00%	31	5.50%	\$ (119,677)	\$ (94,032)	\$ 25,645
Jan-23	\$ (14,567,920)	7.50%	31	5.50%	\$ (92,796)	\$ (92,796)	\$ (0)
Feb-23	\$ (10,225,027)	7.75%	28	7.00%	\$ (60,790)	\$ (60,790)	\$ (0)
Mar-23	\$ (6,403,150)	7.75%	31	7.00%	\$ (42,147)	\$ (42,147)	\$ (0)
Apr-23	\$ (8,479,793)	8.00%	30	7.00%	\$ (55,757)	\$ (55,757)	\$ (0)
					<u>\$ (424,323)</u>	<u>\$ (392,299)</u>	<u>\$ 32,023</u>

The Company should reduce the bad debt filing schedules Summary Page 2, 1A and 6 by \$357 because the bad debt winter deferral account 1308041117400310168 should have been calculated using the quarterly rate rather than monthly rate.

Bad Debt

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Quarterly</u>	<u>Interest Per Filing</u>	<u>Interest Per</u>	<u>Difference</u>
				<u>Interest Rate</u>		<u>Quarterly Rate</u>	
Nov-22	\$ (240,235)	6.25%	30	5.50%	\$ (1,234)	\$ (1,086)	\$ 148
Dec-22	\$ (163,554)	7.00%	31	5.50%	\$ (972)	\$ (764)	\$ 208
Jan-23	\$ (126,461)	7.50%	31	5.50%	\$ (806)	\$ (806)	\$ (0)
Feb-23	\$ (155,073)	7.75%	28	7.00%	\$ (922)	\$ (922)	\$ (0)
Mar-23	\$ (220,328)	7.75%	31	7.00%	\$ (1,450)	\$ (1,450)	\$ 0
Apr-23	\$ (299,352)	8.00%	30	7.00%	\$ (1,967)	\$ (1,967)	\$ 0
					<u>\$ (7,353)</u>	<u>\$ (6,995)</u>	<u>\$ 357</u>

The Company should reduce the working capital filing schedules Summary Page 2, 5 and 6 by \$68 because the working capital winter deferral account 1308011114200410168 should have been calculated using the quarterly rate rather than the monthly rate.

Working Capital

<u>Month</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u># Days</u>	<u>Quarterly</u>	<u>Interest Per Filing</u>	<u>Interest Per</u>	<u>Difference</u>
				<u>Interest Rate</u>		<u>Quarterly Rate</u>	
Nov-22	\$ (54,767)	6.25%	30	5.50%	\$ (281)	\$ (248)	\$ 34
Dec-22	\$ (27,554)	7.00%	31	5.50%	\$ (164)	\$ (129)	\$ 35
Jan-23	\$ (21,489)	7.50%	31	5.50%	\$ (137)	\$ (137)	\$ (0)
Feb-23	\$ (41,095)	7.75%	28	7.00%	\$ (244)	\$ (244)	\$ 0
Mar-23	\$ (77,273)	7.75%	31	7.00%	\$ (509)	\$ (509)	\$ (0)
Apr-23	\$ (85,251)	8.00%	30	7.00%	\$ (560)	\$ (560)	\$ (0)
					<u>\$ (1,896)</u>	<u>\$ (1,826)</u>	<u>\$ 68</u>

Company Response

NHPUC Order No. 26,760, issued on January 17, 2023, did not grant relief to begin that date. Rather it explicitly removed language from Order No. 26,737, issued November 30, 2022: “Further Ordered, that the third ordering clause in Order No. 26,737 directing that over- or under-collections accruing pursuant to Liberty’s COG and LDAC rates shall accrue interest at the prime interest rate as reported by the Wall Street Journal on the first date of the month preceding the first month of the quarter is Withdrawn.”

Because the language imposing the use of WSJ interest rate was “withdrawn”, it was never in effect, and the November 30, 2022 order thus did not order a change in the interest calculation.

Audit Response

Audit appreciates the response by the Company and defers to the Department of Energy Legal and Gas divisions to determine the appropriateness of the interest rates used.

Audit Issue #4 80X Expense Account Variances

Background

Audit attempted to verify the winter 2022-2023 deferred gas costs to the general ledger expense accounts 804 Natural Gas Purchases, 804.1 Liquified Natural Gas Purchases, 805 Other Gas Purchases, 808.1 Gas Withdrawn from Storage, and 808.2 Gas Delivered to Storage.

Audit Issue

Audit was able to verify only one month of Capacity Release credits of the overall \$64,893,958 expenses in deferred winter gas charges that were booked to the 804, 805, and 808 expense accounts based on the accounts provided to Audit. Only the November 2022 Capacity Release Credit of \$(312,423.53), noted below in yellow, could be tied to the filing schedule 4. The total Capacity Release figure of \$(338,620.91) was noted in the filing to be the April 2023 figure. None of the other SAP accounts could be tied to the filing.

SAP #	SAP Title Reference	November 22	December 22	January 23	February 23	March 23	April 23	TOTAL
521020-11804000-10168	City Gate Purchase-AMA Credits	\$ 5,608,666.27	\$ 10,448,166.75	\$ (3,719,153.83)	\$ 3,420,612.06	\$ (9,096,519.04)	\$ (192,140.47)	\$ 6,469,631.74
521020-11804001-10168	Natural Gas City Gate	\$ 397,816.02	\$ 5,012,325.74	\$ 14,434,481.88	\$ 10,123,724.13	\$ 12,047,282.73	\$ 1,680,489.16	\$ 43,696,119.66
521020-11804000-10168	Clearing ICE Exchange	\$ -	\$ 915.45	\$ 915.45	\$ 915.45	\$ 915.45	\$ 915.45	\$ 4,577.25
521030-11804100-10168	LNG Purchases	\$ 1,701,618.95	\$ 126,804.62	\$ (110,091.91)	\$ (3,584.60)	\$ 18,891.63	\$ (37,569.13)	\$ 1,696,069.56
521030-11804001-10168	Natural Gas City Gate Purc.	\$ 402,133.11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,133.11
521030-11804101-10168	Demand Charges Trans.	\$ (388,777.54)	\$ 1,709,205.02	\$ 1,745,434.74	\$ 1,693,462.54	\$ 1,716,030.33	\$ 1,723,065.31	\$ 8,198,420.40
521040-11804000-10168	Natural Gas Deferral	\$ (6,592,997.41)	\$ (17,954,890.07)	\$ (13,465,123.83)	\$ (16,587,143.18)	\$ (5,326,361.28)	\$ (1,101,115.48)	\$ (61,027,631.25)
521050-11804002-10168	Nat Gas Purchases-Cashout	\$ -	\$ 47,117.65	\$ -	\$ (198,391.62)	\$ (97,108.64)	\$ (30,993.20)	\$ (279,375.81)
521060-11804000-10168	Nat Gas Purchases Accruals	\$ (312,423.53)	\$ (60,526.11)	\$ 10,765.15	\$ 11,501.30	\$ 21,724.41	\$ (9,662.13)	\$ (338,620.91)
521060-11804000-10168	Nat Gas Pur Capacity Release	\$ 400,958.18	\$ (312,443.95)	\$ (372,949.64)	\$ (361,943.78)	\$ (350,683.19)	\$ (328,958.78)	\$ (1,326,021.16)
521060-11804001-10168	Nat Gas City Gate Purchases	\$ (399,724.03)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (399,724.03)
521180-11805000-10168	Other Gas Purchases	\$ -	\$ 2,136.93	\$ -	\$ 8,407.11	\$ 7,684.96	\$ 7,033.91	\$ 25,262.91
521180-11808100-10168	Gas Withdrawn from Storage	\$ 638,214.04	\$ 2,077,634.93	\$ 2,928,859.90	\$ 2,950,949.98	\$ 2,563,342.32	\$ 6,230.54	\$ 11,165,231.71
521190-11804000-10168	Clearing	\$ -	\$ -	\$ -	\$ -	\$ 54,549.90	\$ -	\$ 54,549.90
521190-11804001-10168	Nat Gas City Gate Purchases	\$ 4,354.79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,354.79
521190-11805000-10168	Other Gas Supply	\$ (4,354.76)	\$ 435.20	\$ 63,974.30	\$ 160,722.13	\$ 76,709.85	\$ 416.66	\$ 297,903.38
521190-11808200-10168	Gas Delivered to Storage	\$ (422,500.64)	\$ 17,839.66	\$ 126,484.59	\$ 92.75	\$ (115,788.66)	\$ (516,487.14)	\$ (910,359.44)

Audit Recommendation

The Company should provide the actual GL expense accounts and amounts that were used to compile the filing, identified specifically by those filing schedule pages and line items.

Company Response

The Company provided monthly information for November 2022-April 2023 that reflect the detailed general ledger accounts' activity, summaries of demand activity, capacity release activity, and commodity activity. The net expense reflected in the deferral account for each month as shown on Schedule 1 is the sum of lines 3, 18, and 20. This amount is supported by the information provided in response to this Audit Issue.

Audit Response

Audit appreciates the response provided by the Company and has reviewed the commodity and demand GL details that support the totals on filing schedule 1. Audit was able to verify the 804, 805, and 808 expense account monthly totals to the commodity and demand summaries provided by the Company. The detailed general ledgers for those accounts for November 2022-April 2023, however, could not be verified to the summaries because SAP did not show the specific detail needed to determine the individual components of the winter cost of gas expense accounts. Each month for the detailed accounts did reflect the overall total.

Account	Account Title	November 2022 Winter	December 2022 Winter	January 2023 Winter	February 2023 Winter	March 2023 Winter	April 2023 Winter	TOTAL Winter
8040	Supply Purchased	\$ 385,342.75	\$ 314,664.12	\$ 388,516.76	\$ 648,415.36	\$ 342,286.21	\$ (362,721.46)	\$ 1,716,503.74
8041	Demand Charges-Transportation	\$ 1,637,948.28	\$ 3,488,842.41	\$ 2,629,156.20	\$ 1,572,710.69	\$ 1,607,930.69	\$ 1,580,621.89	\$ 12,517,210.16
8044	Capacity Release	\$ (312,423.53)	\$ (372,970.06)	\$ (362,184.49)	\$ (350,442.48)	\$ (328,958.78)	\$ (338,620.91)	\$ (2,065,600.25)
8045	Cashout	\$ 47,117.65	\$ 30,498.30	\$ (202,923.59)	\$ 85,485.25	\$ 55,639.64	\$ 69,680.24	\$ 85,497.49
8081	Gas Withdrawn from Storage	\$ 2,232.10	\$ 6,655.34	\$ 8,407.11	\$ 7,681.10	\$ 7,442.85	\$ 7.72	\$ 32,426.22
8082	Storage Injection/Delivery to Storage	\$ 495.87	\$ 229,537.77	\$ 394,241.72	\$ 162,970.73	\$ (84,389.40)	\$ (5,602.56)	\$ 697,254.13
	Demand	\$ 1,760,713.12	\$ 3,697,227.88	\$ 2,855,213.71	\$ 2,126,820.65	\$ 1,599,951.21	\$ 943,364.92	\$ 12,983,291.49
8040	Supply Purchased	\$ 4,188,441.98	\$ 11,837,952.66	\$ 7,492,626.66	\$ 11,459,466.57	\$ 1,760,196.77	\$ 870,815.46	\$ 37,609,500.10
8041	Demand Charges-Transportation	\$ 117,675.87	\$ 795,354.96	\$ 655,713.43	\$ 388,000.63	\$ 123,371.26	\$ 115,406.22	\$ 2,195,522.37
	Commodity	\$ 4,306,117.85	\$ 12,633,307.62	\$ 8,148,340.09	\$ 11,847,467.20	\$ 1,883,568.03	\$ 986,221.68	\$ 39,805,022.47
	Adjustments							
unknown	West Virginia Taxes	\$ 236.72	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236.72
unknown	Change in Inventory	\$ 212,985.43	\$ 2,014,541.59	\$ 2,920,452.79	\$ 2,951,672.13	\$ 2,447,897.80	\$ (507,743.12)	\$ 10,039,806.62
8040	Broker Invoices (BMS)-Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8041	Broker Invoices (BMS)-Demand	\$ (52,108.45)	\$ (406,806.37)	\$ (687,772.68)	\$ (237,533.82)	\$ (538,880.32)	\$ (235,049.96)	\$ (2,158,151.60)
	Adjustments	\$ 161,113.70	\$ 1,607,735.22	\$ 2,232,680.11	\$ 2,714,138.31	\$ 1,909,017.48	\$ (742,793.08)	\$ 7,881,891.74
	Total	\$ 6,227,944.67	\$ 17,938,270.72	\$ 13,236,233.91	\$ 16,688,426.16	\$ 5,392,536.72	\$ 1,186,793.52	\$ 60,670,205.70
Filing Schedule 1 Lines 3-18+20		\$ 6,227,945	\$ 17,938,271	\$ 13,236,234	\$ 16,688,426	\$ 5,392,537	\$ 1,186,794	\$ 60,670,206