STATE OF NEW HAMPSHIRE

Intra-Department Communication
Department of Energy

DATE: January 24, 2024

FROM: Audit Staff, Division of Enforcement
NH Department of Energy

SUBJECT: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
FINAL Audit Report DE 23-081

TO: Tom Frantz, Director, Regulatory
Elizabeth Nixon, Director Electric, Regulatory
Jacqueline Trottier, Analyst, Regulatory
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Introduction

The Enforcement division Audit staff of the Department of Energy (DoE) was requested by the Regulatory and Legal divisions of the DoE to perform an audit of the revenue decoupling adjustment factor (RDAF) year 2, which ran from July 1, 2022 through June 30, 2023. Liberty filed the details of the RDAF Year 2 on September 1, 2023, in compliance with the Settlement Agreement in DE 19-064, approved by Order 26,376 on June 30, 2020.

Included within that Settlement Agreement are:

- *The decoupling mechanism will be implemented as described in the Company's original filing, with the following amendments:*

1) There shall be a 3% cap on the amount refunded or charged to customers. The 3% cap shall be equal to 0.03 times the allowed revenue requirement subject to annual adjustments as shown in the Revenue Subject to Decoupling page of Attachment 9. The decoupling amount will be recovered or refunded during the following year up to the 3% cap. Any amounts in excess of the 3% cap will be deferred and recovered or refunded in future periods, as determined by the Commission. Any amounts deferred will be added to the aggregate decoupling adjustment amount of the following periods until recovered or refunded such that there is a maximum adjustment of 3% refunded or charged each year.
2) Any over- or under-collection shall carry interest at the prime rate.
3) The amounts to be refunded or collected under this decoupling mechanism shall be calculated annually using monthly accruals. These monthly accruals will be summed for each decoupling year and presented in the annual reconciliation filing. Monthly decoupling accruals are calculated as follows:

a) As shown in the Monthly Decoupling Calculation page of Attachment 9, the monthly target revenues per customer ("Monthly Target RPC") amounts will be determined for each of the Company's rate classes by:

i) allocating each years' allowed revenue requirement to each rate class, by month, in proportion to the test year with the following exceptions:

(1) ***Rate classes M, LED-1, and LED-2 will not be included in the decoupling calculations****;*

(2) ***Rate classes D-11 and EV, will not be included in the decoupling calculations*** *as they are new rate classes. The inclusion of those rate classes will be reevaluated in the next rate case; and*

ii) dividing each class monthly target revenue number by the number of monthly customer bills from the test year.

b) Monthly Actual RPC will be calculated as the actual monthly revenues by rate class divided by the actual number of bills for each rate class rendered during that month.

c) The Monthly Actual RPC will be compared to the Monthly Target RPC for each rate class. The difference between the Monthly Actual RPC and the Monthly Target RPC for each rate class will then be multiplied times the actual number of bills rendered for each rate class to determine the monthly revenue shortfall/surplus for each class, the sum of which will constitute the total monthly revenue shortfall/surplus.

d) At the end of the reconciliation period, the monthly amounts will be summed to determine the cumulative annual revenue shortfall/surplus.

e) Subject to the cap described above, the Annual Allowed Adjustment revenue shortfall/surplus, will be allocated to the classes using the Rate Class Allocation identified on the Decoupling Sensitivity Example page of Attachment 9 which corresponds to the class revenue apportionment of the distribution revenue requirement contained in this Agreement, as detailed on Line 115 of Attachment 5, page 4.

f) The amount allocated to each rate class will be allocated to the kWh and kW rate adjustments for each class on the basis of the actual kWh and kW's of the decoupling year. Attachment 9 is an illustration of the above decoupling calculation, using estimated amounts. The Settling Parties agree that the dollar amounts in Attachment 9 do not embody any party's projections or proposals.

<u>Open Dockets in which Revenue Decoupling is a Part</u>

- It is understood that the <u>DE 19-064</u> rate case docket remains open as of January 2024.
- <u>Docket DE 22-035</u>, Request for a Step Adjustment, filed on April 6, 2022 remains open.
- Liberty petitioned for a new rate case, docketed as <u>DE 23-039</u>. That docket remains open. Audit reviewed the docket book and did not see any updated settlement agreement filed relating to RDAF.
- This year 2 RDAF docket <u>DE 23-081</u> was filed on September 1, 2023, with a prehearing conference held October 10, 2023. A hearing was scheduled for November 8, 2023, per the Procedural Order issued September 25, 2023. The Department of Energy requested

postponement of the 11/8/2023, which was approved. The hearing date is scheduled for February 1, 2024.

DoE Position Statement

On October 3, 2023, the DoE filed a Position Statement, summarizing, among other things, concerns relating to:

- Variations in the reported number of customer (equivalent bills)
- Deviations in reported number of customers in this docket compared to the DE 23-039 rate case

Software Change

The reader is advised that the billing system used during the first rate decoupling year was the Cogsdale system, and the general ledger program was Great Plains. Effective October 1, 2022, the Company converted from those systems to the SAP software system. There were billing issues as a result, such as the freezing of the bills in mid-September, in anticipation of the change, mis-mapping of accounts (as noted in the Audit report in the DE 23-039 rate case audit work), and issues brought to the attention of the DoE Consumer Affairs division relating to billing complaints.

Scope of Year 2 Audit

This audit work was done to determine the accuracy of the filing when compared to the books and records of the Company. It does not reflect the accuracy or adequacy of the filing itself, the method used to calculate the revenue per customer, nor does it express an opinion on the Revenue Decoupling overall.

Filing Schedule Attachment ARMY/TJC-2, Page 5 of 6, Bates Page 023

The filing schedule Bates 023 shows for the 12 month period of July 2022 through June 2023 the target revenue per customer (RPC), the reported actual revenue per customer, the variance, the number of actual bills, and the calculated decoupling ((difference between Target RPC- Actual RPC)*# actual bills). The schedule includes the calculations for rate classes:

DOD2 Domestic (individual private dwelling, individual apartment, or for farm purposes)
D-10 Domestic – Opt Peak
G-01 General TOU
G-02 General Long Hour
G-03 General Service
T-00 Limited All Electric
V-00 Limited Commercial Space Heating

Bates Page 023 reflects a yearly under-collection of $(3,406,450). Per the testimony of Tyler Culbertson and Adam Yusuf, page 5 of 11, that figure, when added to the prior year deferral of $(337,913) sums to $(3,744,363). Of that total, the testimony indicates that the maximum allowed annual recovery of $(1,042,715) represents 3% of base revenues, as reflected on Bates page 024.

DoE Regulatory staff noted that the annual allowed adjustment on Bates page 024 was calculated incorrectly. Using the original filing figures, the DoE Staff calculated an annual allowed adjustment of $(1,380,629) vs. the Bates page 024 $(1,042,715):

	A	B	C	D	E	F	G	H	I	J
			A+B		C/D			(E-F) or (E_G	D*H	C-I
	Current Yr Adjustment	Prior Years' Deferral Balance	Total Adjustment	Total Company Target Revenue	% of Total	Soft Cap		% in excess of Cap %	$ in excess of Cap $	Annual Allowed Adjustment
Bates page 024	$ (3,406,450)	$ (337,913)	$ (3,744,363)	$ 46,020,950	-8.1362%	-3%	3%	-5.1362%	$ (2,363,735)	$ (1,042,715)
DoE Regulatory	$ (3,406,450)	$ (337,913)	$ (3,744,363)	$ 46,020,950	-8.1362%	-3%	3%	-5.1362%	$ (2,363,735)	$ (1,380,629)

Audit reviewed the monthly Bills and Volumes reports which summarize the Cogsdale billing system activity for July through September 2022, then the SAP Revenue reports for the months of October 2022 through June 2023. The rate categories within Cogsdale, then SAP, were:

	Cogsdale	**SAP**
D-05-	Legacy National Grid labels – combine with D-06 = to Rate D in total.	GSER-D
D-06-	Legacy National Grid labels – combine with D-05 = to Rate D in total.	
D-10	Domestic-Optional Peak Load	GSER-D10
D-11	Battery Storage Pilot-**exclude** from RDAF per Settlement Agreement	GSER-D11
		GSER-D12
G-1	General Service Time-of-Use	GSEC-G1
G-2	General Long Hour Service	GSEC-G2
G-3	General Service	GSEC-G3
		GSEC-G1H
		GSEC-G2H
		GSEC-G3H
		L2
M	Street Lighting (governmental entities) **exclude** RDAF per Settlement	GSES-M
T	Limited Total Electrical Living	GSER-T
		GSEC-T
V	Limited Commercial Space Heating	GSEC-V

Other rates per the tariff:

U Unmetered

LED-1 Outdoor Lighting (governmental entities) for streets or highways and other areas in the public domain-**excluded** from the RDAF calculation per the Settlement Agreement

LED-2 Outdoor Lighting (governmental entities converting from high pressure sodium, mercury vapor, or incandescent lighting to Light Emitting Diode-**excluded** from the RDAF calculation per the Settlement Agreement

EV Plug in Electric Vehicle D-12-**excluded** from the RDAF

1. Distribution Revenue

Using the monthly Bills and Volumes reports, Audit reviewed sixteen rate classes, for Distribution Revenue. Audit verified the detailed Bills and Volumes reports to the Accounting division's monthly compilation used in the Company's decoupling calculation. The review has been compiled for the decoupling year 2, as follows. The yellow rate classes are new in the SAP system, year 2:

Rate Class	Distribution TOTAL Yr 2
D-05	$ 23,038,409.30
D-06	$ 6,516.95
D-10	$ 312,479.45
D-11	$ 59,247.58
G-1	$ 10,252,558.78
G-2	$ 5,923,021.60
G-3	$ 5,523,581.95
M	$ 850,697.20
L2	$ 3,710.09
T- residential	$ 591,780.72
T-commercial	$ 111,906.68
V	$ 16,203.51
GSEC-G1H	$ 112,504.58
GSEC-G2H	$ 5,303.46
GSEC-G3H	$ 962.65
GSER D12	$ 40.23
Grand Total by RATE Class	**$ 46,808,924.73**

Rate classes D-11 and M are properly removed from the calculation for revenue decoupling, as described in the Settlement Agreement. Rate class GSER D12 was also excluded from the calculation. Additional revenue types, by rate class as above, were included in the total Distribution Bills and Volumes reports and subsequent general ledger entries. The System Benefit Charge (SBC revenue) and Electric Assistance Program (EAP) customer discount were correctly not included as revenue. The adjusted resulting revenue by rate class, per the monthly revenue reports, was $45,899,020.18. That figure varies from the total on Bates 022, which sums to $45,871,886. There were variances noted for seven of the twelve months reviewed, which net to an overall difference of $27,134.18, the filing being less than the monthly revenue reports. Audit reviewed the reconciliation for September 2022, which resolved $615,970.62 of the noted $(652,115.37) variance between the monthly revenue report and the filing. The September reconciliation resulted in an unknown variance between the Great Plains general ledger details and the "Oakville Revenue report" which includes items such as unbilled revenue accruals and reversals and manual adjustments that would not be included in the Cogsdale or SAP revenue report.

sum of Bills and Volumes reports
columns S and T, lines 7-15 of each which show total *Distribution revenue*

Rate Class	July 22	August 22	September 22	October 22	November 22	December 22	January 23	February 23	March 23	April 23	May 23	June 23	TOTAL Yr 2
D-05	$ 2,204,841.79	$ 2,394,855.04	$ 1,746,273.70	$ 1,875,712.38	$ 1,664,998.11	$ 1,827,359.93	$ 2,163,278.60	$ 2,225,249.87	$ 1,979,497.53	$ 1,757,937.02	$ 1,579,059.75	$ 1,619,345.58	$ 23,038,409.30
D-06	$ 2,487.56	$ 2,318.94	$ 1,710.45	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,516.95
D-10	$ 26,614.69	$ 31,057.00	$ 24,150.02	$ 19,694.07	$ 22,413.39	$ 23,738.10	$ 31,016.06	$ 35,279.43	$ 29,108.43	$ 25,075.49	$ 22,375.31	$ 21,957.46	$ 312,479.45
D-11	$ 4,788.32	$ 5,661.44	$ 4,941.10	$ -	$ 3,800.43	$ 3,467.98	$ 503.39	$ 17,273.05	$ 6,591.26	$ 105.60	$ 6,763.86	$ 5,351.15	$ 59,247.58
G-1	$ 913,134.94	$ 953,770.47	$ 759,196.91	$ 493,309.24	$ 528,119.40	$ 1,214,005.93	$ 861,716.08	$ 1,010,996.23	$ 848,135.64	$ 947,398.33	$ 882,917.80	$ 839,857.81	$ 10,252,558.78
G-2	$ 521,444.27	$ 493,174.95	$ 502,929.23	$ 402,007.70	$ 509,526.92	$ 458,946.25	$ 526,097.49	$ 562,943.75	$ 519,334.01	$ 459,903.02	$ 473,547.97	$ 493,166.04	$ 5,923,021.60
G-3	$ 492,235.07	$ 522,907.00	$ 465,135.87	$ 384,895.07	$ 405,054.58	$ 413,421.44	$ 535,829.33	$ 544,067.74	$ 489,976.10	$ 441,429.93	$ 398,769.97	$ 429,859.85	$ 5,523,581.95
M	$ 81,381.99	$ 87,068.27	$ 77,698.63	$ 121.87	$ 68,828.45	$ 76,948.35	$ 68,022.57	$ 79,925.74	$ 79,626.67	$ 68,299.63	$ 85,568.17	$ 77,206.86	$ 850,697.20
L2					$ 832.38	$ 416.19	$ 416.19	$ 416.19	$ 416.19	$ 404.42	$ 404.42	$ 404.11	$ 3,710.09
T- residential	$ 52,190.08	$ 52,797.12	$ 34,774.13	$ 43,554.10	$ 38,750.76	$ 40,424.21	$ 70,007.61	$ 81,000.34	$ 61,144.88	$ 42,313.29	$ 41,875.78	$ 32,948.42	$ 591,780.72
T-commercial	$ -	$ -	$ -	$ 6,697.87	$ 6,098.54	$ 5,941.13	$ 22,335.11	$ 24,289.12	$ 17,181.79	$ 10,338.94	$ 12,559.74	$ 6,464.44	$ 111,906.68
V	$ 1,490.02	$ 1,720.29	$ 1,424.32	$ 1,070.25	$ 993.83	$ 1,409.60	$ 1,260.85	$ 1,717.93	$ 1,658.64	$ 1,374.59	$ 1,005.34	$ 1,077.85	$ 16,203.51
GSEC-G1H							$ 33,906.82	$ -	$ 44,453.59	$ 24,992.45	$ -	$ 9,151.72	$ 112,504.58
GSEC-G2H							$ 2,805.75	$ -	$ 1,672.10	$ 825.61	$ -	$ -	$ 5,303.46
GSEC-G3H					$ 329.17	$ -	$ 276.34	$ -	$ 254.76	$ 102.38	$ -	$ -	$ 962.65
GSER D12										$ 18.35	$ -	$ 21.88	$ 40.23
Total by RATE Class	**$ 4,300,608.73**	**$ 4,545,330.52**	**$ 3,618,234.36**	**$ 3,227,062.55**	**$ 3,249,745.96**	**$ 4,066,079.11**	**$ 4,317,472.19**	**$ 4,583,159.39**	**$ 4,079,051.59**	**$ 3,780,519.05**	**$ 3,504,848.11**	**$ 3,536,813.17**	**$ 46,808,924.73**
exclude D-11	$ (4,788.32)	$ (5,661.44)	$ (4,941.10)	$ -	$ (3,800.43)	$ (3,467.98)	$ (503.39)	$ (17,273.05)	$ (6,591.26)	$ (105.60)	$ (6,763.86)	$ (5,351.15)	$ (59,247.58)
exclude D-12	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (18.35)	$ -	$ (21.88)	$ (40.23)
exclude M	$ (81,381.99)	$ (87,068.27)	$ (77,698.63)	$ (121.87)	$ (68,828.45)	$ (76,948.35)	$ (68,022.57)	$ (79,925.74)	$ (79,626.67)	$ (68,299.63)	$ (85,568.17)	$ (77,206.86)	$ (850,697.20)
Adjusted total	$ 4,214,438.42	$ 4,452,600.81	$ 3,535,594.63	$ 3,226,940.68	$ 3,177,117.08	$ 3,985,662.78	$ 4,248,946.23	$ 4,485,960.60	$ 3,992,833.66	$ 3,712,132.17	$ 3,412,516.08	$ 3,454,277.04	**$ 45,899,020.18**
Total Bates 022	$ 4,214,438	$ 4,452,601	$ 4,187,710	$ 3,226,941	$ 3,177,117	$ 3,985,663	$ 4,196,466	$ 4,345,379	$ 3,857,694	$ 3,588,106	$ 3,301,939	$ 3,337,832	**$ 45,871,886**
variance B& V -022	$ 0.42	$ (0.19)	**$ (652,115.37)**	$ (0.32)	$ 0.08	$ (0.22)	**$ 52,480.23**	**$ 140,581.60**	**$ 135,139.66**	**$ 124,026.17**	**$ 110,577.08**	**$ 116,445.04**	**$ 27,134.18**

Audit selected the months of October 2022, December 2022, January 2023, and March 2023 as sample months in which to ensure that the reported actual revenue and reported actual customer equivalent bills could be verified from the filing Bates 023 to the billing system and the total revenue to the general ledger. To do so, Audit reviewed the monthly Bills and Volumes reports, the Oakville (Liberty Utilities) general ledger reconciliations, and the detailed general ledger accounts' activity.

As noted in the Audit report of the first RDAF year, in general, the monthly revenue reconciliation process begins with a review of the Revenue data file, which is adjusted by the Power Purchase expense, the low income electric assistance customers who use a competitive supplier, unbilled revenue, and any other adjustments necessary to ensure that the billing system revenue agrees with the general ledger financial system.

An accountant then downloads an accounts receivable comparison of the Great Plains/SAP general ledger revenue accounts to the Oakville Revenue Data file.

Audit then selected rate class G1 to review specific customer level invoice details to ensure the accuracy of the reported information within the Bills and Volumes and Revenue reports for October 2022 and March 2023. Rate class V was chosen for the months of January 2023 and February 2023.

A comparison of the reported October 2022 to the reported March 2023 equivalent bill count for rate class G1 resulted in the following:

	October	March
Customer Charge	104	179

Audit reviewed the specifics of each month's billing system details, in an effort to understand the significant change in Equivalent Bill figures. Audit can conclude that the reported figures represent specific customer charges, but the reason for the swing in the count cannot be determined through use of the revenue report details.

Audit also requested clarification of the various Customer Charges noted throughout the detail of each month's data. Liberty provided:

Effective Date	Customer Charge	Order	Docket
09/01/2022 – 02/28/2023	$435.18	26,661	DE 22-035
03/01/2023 – 05/31/2023	$422.90	26,781	DE 22-035
06/01/2023 – 06/30/2023	$434.81	26,836	DE 22-035
07/01/2023 – 07/31/2023	$493.50	26,855	DE 23-039
08/01/2023 – 09/30/2023	$502.08	26,781	DE 22-035

2. Total Number of Customers, also known as Equivalent Bills 552,619

The *reported* actual equivalent bills for each rate class in each month of the July 2022 through June 2023 RDAF year summed to 552,619, as noted on Attachment ARMY/TJC-2 Page 4 of 6, Bates page 022.

MONTH	Domestic D-2	Domestic Opt. Peak D-10	General ToU G-1	General Long Hour G-2	General Service G-3	Limited All Electric T	Ltd Comm. Space Heating V	TOTAL Bates 023 Equivalent Bills
July 2022	37,035	437	148	953	5,835	859	16	44,515
August 2022	36,819	438	155	938	5,832	842	16	44,029
September 2022	38,099	446	165	1,006	5,938	853	16	46,995
October 2022	39,550	412	104	851	5,735	967	16	49,219
November 2022	38,229	457	137	1,022	6,101	830	16	47,533
December 2022	37,442	409	147	1,015	5,905	732	17	45,282
January 2023	38,705	461	182	992	6,169	927	15	48,852
February 2023	39,051	486	162	1,071	6,171	982	17	49,828
March 2023	37,381	440	179	1,015	5,940	838	16	45,567
April 2023	36,729	429	168	970	5,774	757	16	43,635
May 2023	37,730	462	147	994	5,958	869	16	46,301
June 2023	35,257	444	141	1,008	5,862	732	16	40,869
Total	**452,027**	**5,321**	**1,835**	**11,835**	**71,220**	**10,188**	**193**	**552,619**

Using the monthly Bills and Volumes reports, Audit summed the monthly customer equivalent bills by rate class, and verified that those figures agree with the reported actual customer counts on the filing page Bates 023 for all months, with the exception of September 2022:

Colums K and L, beginning on Line 41 shows Equivalent Bill count

Rate Class	**July 2022**	**August 2022**	**September 22**	**October 22**	**November 22**	**December 22**	**January 23**	**February 23**	**March 23**	**April 23**	**May 23**	**June 23**	**TOTAL Yr 2**
D-05	37,035	36,819	***33,235***	39,550	38,229	37,442	38,705	39,051	37,381	36,729	37,730	35,257	447,163
D-06, combined w D-05		-	-	-	-	-	-	-	-	-	-	-	-
D-10	437	438	***418***	412	457	409	461	486	440	429	462	444	5,293
D-11	94	94	***92***	0	99	80	13	290	107	5	144	143	1,161
G-1	148	155	***162***	104	137	147	168	162	169	160	147	138	1,797
G-2	953	938	***958***	851	1,022	1,015	988	1,071	1,013	969	994	1,008	11,780
G-3	5,835	5,832	***5,408***	5,735	6,099	5,905	6,167	6,171	5,938	5,773	5,958	5,862	70,683
M	-	-	-	-	-	-	0	-	-	-	-	-	-
GSER-T	859	842	***613***	937	801	707	888	943	806	729	834	703	9,662
GSEC-T				30	29	25	39	39	32	28	35	29	286
V	16	16	***16***	16	16	17	15	17	16	16	16	16	193
GSEC-G1H							14	-	10	8	-	3	35
GSEC-G2H							4	-	2	1	-	-	7
GSEC-G3H					2	-	2	-	2	1	-	-	7
GSER-D12										1	-	1	2
Grand Total	**45,377**	**45,134**	**40,902**	**47,635**	**46,891**	**45,747**	**47,464**	**48,230**	**45,916**	**44,849**	**46,320**	**43,604**	**548,069**
exclude D-11	(94)	(94)	(92)	-	(99)	(80)	(13)	(290)	(107)	(5)	(144)	(143)	(1,161)
exclude D-12	-	-	-	-	-	-	-	-	-	(1)	-	(1)	(2)
exclude M	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted total	45,283	45,040	40,810	47,635	46,792	45,667	47,451	47,940	45,809	44,843	46,176	43,460	546,906
Total Bates 022	45,283	45,040	***46,523***	47,635	46,792	45,667	47,451	47,940	45,809	44,843	46,176	43,460	552,619
Total Bates 023	45,283	45,040	***46,523***	47,635	46,792	45,667	47,451	47,940	45,809	44,843	46,176	43,460	552,619
variance	-	-	***(5,713)***	-	-	-	-	-	-	-	-	-	(5,713)
Adjusted Total -	-	-	(5,713) ESTIMATES	-	-	-	-	-	-	-	-	-	(5,713)

The reported September 2022 equivalent bills, as noted above, were compared to the Bills and Volumes September 2022 report, with the following differences between equivalent bill totals by rate class:

	Per Filing pg. 023	per Bills & Volumes	Filing – B&V Variance
D	38,099	33,235	4,864
D-10	446	418	28
G-1	165	162	3
G-2	1,006	958	48
G-3	5,938	5,408	530
T	853	613	240
V	16	16	-0-
			5,713

The Company indicated that the "*filing Bates page 023 included estimates made in September to account for Cycle 19 and MV-90 customers. In preparation for the conversion to SAP, the billing system was frozen prior to those cycles being run. As a result, those customers were not billed in September and the estimates were required to more accurately estimate revenue for the month. These estimates need to be removed because the equivalent bills and revenues reported in the Company's RDAF are reported based on the actual bill month. Once the estimates are removed, the bill counts and distribution revenue will equal the Bills and Volumes report.*" Audit requested clarification of the "estimates" as far as the equivalent bills, revenues, and how, if at all, those customers who did not receive bills in September (or thereafter) impact the revenue per customer, which is so specific to each month. The Company indicated that the estimated equivalent bills and revenues were actuals for September 2021.

However, how that inclusion of the estimates impacted the revenue per customer was not addressed.

Audit verified the reported adjusted equivalent bill count for September 2022 to a response to DOE data request set 1, supplemental 1-3, which was received by the DOE 11/6/2023. Within that response the Company explained that "*during the RDAF audit, it was determined that the optional demand revenues were omitted from the G-1 and G-2 rate classes for October 2022 through January 2023…*" This audit report was in process when the data response was provided. Within the data request response were updated RDAF schedules and SAP revenue reports (formerly known as the Bills and Volumes reports). Audit is unclear how the Cogsdale September 2022 then SAP October through January 2023 revenue reports could have been updated. Audit has relied on the integrity of the revenue reports for audits in which verification of revenue figures is a critical component. Because of the updates, the integrity is not as certain as it was once understood to be. Audit reviewed the "noted changes" only within the updated schedules. A full audit of the entire revision was not done.

The impact on the Distribution revenue is summarized below. The details were taken from the original revenue reports provided to Audit, then the adjusted revenue reports provided in the DoE data response:

Rate Class	Original	Revised	Revised minus Original
D-05	$ 1,746,273.70	$ 1,747,984.15	$ 1,710.45
D-06	$ 1,710.45		$ (1,710.45)
D-10	$ 24,150.02	$ 24,150.02	$ -
D-11	$ 4,941.10	$ 4,941.10	$ -
G-1	$ 759,196.91	$ 759,196.91	$ -
G-2	$ 502,929.23	$ 502,929.23	$ -
G-3	$ 465,135.87	$ 465,135.87	$ -
M	$ 77,698.63	$ 77,698.63	$ -
T	$ 34,774.13	$ 34,774.13	$ -
V	$ 1,424.32	$ 1,424.32	$ -
9/30/2022	$ 3,618,234.36	$ 3,618,234.36	$ -

Rate Class	Original	Revised	Revised minus Original
GSER_D	$ 1,875,712.38	$ 1,875,712.38	$ -
GSER_D10	$ 19,694.07	$ 19,694.07	$ -
GSEC_G1	$ 493,309.24	$ 501,424.43	$ 8,115.19
GSEC_G2	$ 402,007.70	$ 402,814.92	$ 807.22
GSEC_G3	$ 384,895.07	$ 384,895.07	$ -
GSES_M	$ 121.87	$ 121.87	$ -
GSER_T	$ 43,554.10	$ 43,554.10	$ -
GSEC_T	$ 6,697.87	$ 6,697.87	$ -
GSEC_V	$ 1,070.25	$ 1,070.25	$ -
10/31/2022	$ 3,227,062.55	$ 3,235,984.96	$ 8,922.41

Rate Class	Original	Revised	Revised minus Original
GSER_D	$ 1,664,998.11	$ 1,664,998.11	$ -
GSER_D10	$ 22,413.39	$ 22,413.39	$ -
GSER_D11	$ 3,800.43	$ 3,800.43	$ -
GSEC_G1	$ 528,119.40	$ 528,119.40	$ -
GSEC_G2	$ 509,526.92	$ 513,267.82	$ 3,740.90
GSEC_G3	$ 405,054.58	$ 405,054.58	$ -
GSEC_G3H	$ 329.17	$ 329.17	$ -
GSES_M	$ 68,828.45	$ 81,500.34	$ 12,671.89
GSES_L2	$ 832.38	$ 832.38	$ -
GSER_T	$ 38,750.76	$ 38,750.76	$ -
GSEC_T	$ 6,098.54	$ 6,098.54	$ -
GSEC_V	$ 993.83	$ 993.83	$ -
11/30/2022	$ 3,249,745.96	$ 3,266,158.75	$ 16,412.79

Rate Class	Original	Revised	Revised minus Original
GSER_D	$ 1,827,359.93	$ 1,827,359.93	$ -
GSER_D10	$ 23,738.10	$ 23,738.10	$ -
GSER_D11	$ 3,467.98	$ 3,467.98	$ -
GSEC_G1	$ 1,214,005.93	$ 1,214,005.93	$ -
GSEC_G2	$ 458,946.25	$ 461,517.36	$ 2,571.11
GSEC_G3	$ 413,421.44	$ 413,421.44	$ -
GSES_M	$ 76,948.35	$ 88,846.84	$ 11,898.49
GSES_L2	$ 416.19	$ 416.19	$ -
GSER_T	$ 40,424.21	$ 40,424.21	$ -
GSEC_T	$ 5,941.13	$ 5,941.13	$ -
GSEC_V	$ 1,409.60	$ 1,409.60	$ -
12/31/2022	$ 4,066,079.11	$ 4,080,548.71	$ 14,469.60

Rate Class	Original	Revised	Revised minus Original
GSER_D	$ 2,163,278.60	$ 2,163,278.60	$ -
GSER_D10	$ 31,016.06	$ 31,016.06	$ -
GSER_D11	$ 503.39	$ 503.39	$ -
GSEC_G1	$ 861,716.08	$ 882,546.35	$ 20,830.27
GSEC_G2	$ 526,097.49	$ 528,589.15	$ 2,491.66
GSEC_G3	$ 535,829.33	$ 535,829.33	$ -
GSES_M	$ 68,022.57	$ 79,584.44	$ 11,561.87
GSES_L2	$ 416.19	$ 416.19	$ -
GSER_T	$ 70,007.61	$ 70,007.61	$ -
GSEC_T	$ 22,335.11	$ 22,335.11	$ -
GSEC_V	$ 1,260.85	$ 1,260.85	$ -
GSEC-G1H	$ 33,906.82	$ 33,906.82	$ -
GSEC-G2H	$ 2,805.75	$ 2,805.75	$ -
GSEC-G3H	$ 276.34	$ 276.34	$ -
1/31/2023	$ 4,317,472.19	$ 4,352,355.99	$ 34,883.80

Audit Issue #1

As noted in the first year RDAF audit report, when questioned about equivalent bill counts that go out to several decimal places, the Company noted that:

"*Although about 98% of billing transactions for Granite State will result in the sum of the equivalent bills for a given transaction equal to one, this is not always the case due to initial and final bills. Initial and final bills are pro-rated. For an initial bill, the billing period for the first bill is from the move-in date until the next cycle read for that customer, or if that period is less than 10 days, the following cycle read date. Thus, an initial bill may be either short or long, although the majority are short. For final bills, the billing period is from the last cycle read date until the move-out date. Thus, final bills are almost always short. In addition to initial and final bills, there can be unusual circumstances that might result in a pro-rated bill. These types of pro-rated bills are rare*."

The Company informed Audit that within both the Cogsdale system and the SAP system, proration of bills is done if the billing period for a customer was too short or too long, such as shorter than 27 days or longer than 34 days, or if there is a price change within the customer's billing cycle. Because in NH all price changes are effective on the first of a month, there are typically customers who will have bills prorated. Those prorations mean that part of the billing is on one rate and part is on a different rate. It does not indicate that the customer was counted twice or received two bills. Audit verified that specific customers tested as part of the October 2022 and March 2023 "drill-down" review for rate class G-1 and January 2023 and February 2023 for rate class V, did not receive 2 invoices for the same service location for the same period.

The revenue included in the calculation of the reported RPC Actual included the Customer Charge, Distribution Charges, and any High Voltage revenue and discount. According to the Tariff page 127, the net Distribution Charge is the sum of the Distribution charge and the REP/VMP charge. The DoE issued the following data request:

"*Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty*
DE 23-081
2022-2023 Revenue Decoupling Adjustment Factor- Decoupling Year 2
Department of Energy Technical Session Data Requests - Set 1
Date Request Received: 12/5/23 Date of Response: 12/19/23
Request No: DOE TS 1-13 Respondent: Adam Yusuf, Erin O'Brien, Pamela Moriarty
REQUEST:
Please explain how the Company ensures there is no double-recovery of vegetation management costs through the revenue decoupling adjustments and the annual vegetation management cost reconciliation.
RESPONSE:
The revenue decoupling adjustment reconciles the Company's allowed revenue with actual billed revenue. The vegetation management cost reconciliation reconciles actual vegetation management expense to the amount allowed in base distribution rates ($2.2 M) and returns any underspending or any approved amount over the $2.2M through the VMP rate. In preparing this response, the Company identified that the revenues collected from the VMP rate are not being excluded from the actual revenues as part of the revenue decoupling adjustment reconciliation, therefore resulting in a double-recovery of vegetation management revenue through revenue decoupling.
The Company will be reviewing the VMP rates as they are included in the net distribution rate which is also comprised of the RDAF rate charge, as well as the base distribution rate charges. The Company has identified approximately $6,258 of vegetation management revenues that was incorrectly included in the actual revenues and will adjust the calculation accordingly and provide the DOE with the supporting workpapers to verify the adjustment."

Revenue types that are excluded from the calculation of the RPC were noted to be Energy charges, System Benefits charges, and Transmission charges.

3. Mathematical Calculation of Revenues per Customer

The filing schedule 023 shows for the 12 month period of July 2022 through June 2023 the target revenue per customer (RPC), the reported actual revenue per customer, the variance, the number of "actual bills", and the calculated decoupling ((difference between Target RPC-Actual RPC)*# actual bills). The schedule includes those calculations for rate classes:

D	Domestic
D-10	Domestic – Opt Peak
G-1	General TOU
G-2	General Long Hour
G-3	General Service
T	Limited All Electric
V	Limited Commercial Space Heating

The DE 19-064 settlement agreement, Attachment 9 pages 1 through 6, demonstrate how the revenue decoupling was proposed, and the resulting target revenue per customer. The Agreement was approved by Order 26,376 on June 30, 2020. Audit did not verify the accuracy of this key component of the filing, based on the understanding that the Regulatory division is reviewing the accuracy of those figures.

<u>Filing Bates page 024</u>

Within the Settlement Agreement in DE 19-064 is: "*There shall be a 3% cap on the amount refunded or charged to customers. The 3% cap shall be equal to 0.03 times the allowed revenue requirement subject to annual adjustments as shown in the Revenue Subject to Decoupling page of Attachment 9. The decoupling amount will be recovered or refunded during the following year up to the 3% cap. Any amounts in excess of the 3% cap will be deferred and recovered or refunded in future periods, as determined by the Commission. Any amounts deferred will be added to the aggregate decoupling adjustment amount of the following periods until recovered or refunded such that there is a maximum adjustment of 3% refunded or charged each year.*"

DoE Regulatory staff noted that the annual allowed adjustment on Bates page 024 was calculated incorrectly. Using the ORIGINAL filing figures, the DoE Staff calculated an annual allowed adjustment of $(1,380,629) vs. the Bates page 024 $(1,042,715):

	A	B	C	D	E	F	G	H	I	J
			A+B		C/D			(E-F) or (E_G	D*H	C-I
	Current Yr Adjustment	Prior Years' Deferral Balance	Total Adjustment	Total Company Target Revenue	% of Total	Soft Cap		% in excess of Cap %	$ in excess of Cap $	Annual Allowed Adjustment
Bates page 024	$ (3,406,450)	$ (337,913)	$ (3,744,363)	$ 46,020,950	-8.1362%	-3%	3%	-5.1362%	$ (2,363,735)	$ (1,042,715)
DoE Regulatory	$ (3,406,450)	$ (337,913)	$ (3,744,363)	$ 46,020,950	-8.1362%	-3%	3%	-5.1362%	$ (2,363,735)	$ (1,380,629)

The allowed adjustment figure will vary based on any revised filing. The $(3,406,450) was noted to be the year 2 calculated charge on Bates 023 of the original filing.

The $(337,913) was noted to be the Amount in Excess of Cap, column I, in the 9/13/2022 updated filing for the year 1 RDAF in docket DE 22-052, and does not include interest, which is authorized to be calculated.

$46,020,950 was noted as Distribution Revenues for July 2022 through June 2023, by rate class, on Attachment ARMY/TJC-2 Page 3 of 6, Bates 021. That figure is the average over the RDAF year, due to the multiple changes to the total Target Revenues reflected on Bates page 20.

<u>Filing Bates page 023</u>

Audit compared 100% of the reported equivalent bills to the originally provided Bills and Volumes monthly Revenue reports, then divided the distribution revenue and customer charge, also summarized using the monthly Revenue reports, by the equivalent bills, in order to verify the calculated revenue per customer. Overall, the mathematical accuracy of the original Bates 023 varied by net $1,529.98, demonstrated below:

Audit calculated annual total	$ (797,322.60)	$ (29,268.28)	$ (1,405,886.52)	$ (524,743.42)	$ (555,391.07)	$ (88,904.08)	$ (3,404.05)	$ (3,404,920.02)
Bates 023 REPORTED Annual Total	$ (798,876.00)	$ (29,273.00)	$ (1,405,889.00)	$ (524,695.00)	$ (555,344.00)	$ (88,896.00)	$ (3,477.00)	**$ (3,406,450.00)**
Calculatuion vs. Reported by Rate Class	$ 1,553.40	$ 4.72	$ 2.48	$ (48.42)	$ (47.07)	$ (8.08)	$ 72.95	**$ 1,529.98**

The monthly total revenue detail did vary within each rate class, as summarized:

MONTH	Domestic D-2	Domestic Opt. Peak D-10	General ToU G-1	General Long Hour G-2	General Service G-3	Limited All Electric T	Ltd Comm Space Heating V
7/2022 Calculated Refund/(Charge) vs Bates 023	**$ 97.25**	**$ (2.25)**	**$ 0.64**	**$ (5.34)**	**$ 13.05**	**$ (0.42)**	**$ 79.64**
8/2022 Calculated Refund/(Charge) vs Bates 023	**$ 40.67**	**$ 0.76**	**$ 0.35**	**$ (6.40)**	**$ 2.72**	**$ (0.16)**	**$ 0.44**
9/2022 Calculated Refund/(Charge) vs Bates 023	**$ 105.78**	**$ 3.24**	**$ (0.10)**	**$ (3.60)**	**$ 18.74**	**$ (2.33)**	**$ 0.24**
10/2022 Calculated Refund/(Charge) vs Bates 023	**$ 252.50**	**$ 1.20**	**$ (0.24)**	**$ (5.10)**	**$ (41.80)**	**$ (1.79)**	**$ 0.52**
11/2022 Calculated Refund/(Charge) vs Bates 023	**$ 391.88**	**$ (3.33)**	**$ (0.14)**	**$ 0.38**	**$ 4.80**	**$ 1.00**	**$ (0.44)**
12/2022 Calculated Refund/(Charge) vs Bates 023	**$ 158.76**	**$ 0.80**	**$ (0.16)**	**$ (8.15)**	**$ 0.30**	**$ (0.52)**	**$ 0.51**
1/2023 Calculated Refund/(Charge) vs Bates 023	**$ 69.10**	**$ 2.45**	**$ (1.16)**	**$ (5.60)**	**$ (27.40)**	**$ (2.31)**	**$ (7.70)**
2/2023 Calculated Refund/(Charge) vs Bates 023	**$ (28.62)**	**$ (0.58)**	**$ 0.74**	**$ (4.68)**	**$ (19.70)**	**$ (3.38)**	**$ (0.06)**
3/2023 Calculated Refund/(Charge) vs Bates 023	**$ 193.37**	**$ (1.60)**	**$ 1.32**	**$ (2.35)**	**$ 7.60**	**$ (2.64)**	**$ (0.12)**
4/2023 Calculated Refund/(Charge) vs Bates 023	**$ 287.98**	**$ 2.11**	**$ 0.04**	**$ (0.40)**	**$ 23.08**	**$ 5.91**	**$ 0.28**
5/2023 Calculated Refund/(Charge) vs Bates 023	**$ (44.90)**	**$ 4.56**	**$ 0.64**	**$ (5.46)**	**$ (39.72)**	**$ 0.60**	**$ (0.48)**
6/2023 Calculated Refund/(Charge) vs Bates 023	**$ 29.63**	**$ (2.64)**	**$ 0.55**	**$ (1.72)**	**$ 11.26**	**$ (2.04)**	**$ 0.12**

Reconciling General Ledger Account

As noted in the year-1 audit report, the general ledger process is:

"*Using the settlement agreement template of the revenue decoupling year 1, the Company verifies the monthly settled revenue target per customer, then using the…billing system reports, inputs the revenue detail into an "actual" revenue per customer template to calculate the monthly revenue per customer based on actual revenues and equivalent bills. The difference between the settlement agreement revenue per customer and the calculated actual revenue per customer is the monthly journal entry.*

- *A debit to the deferred account 182 indicates that the calculated actual total revenue per customer for the month is less than the target revenue per customer for that month.*
- *A credit to the deferred account 182 indicates that the calculated actual total revenue per customer for the month is higher than the target revenue per customer for that month.*"

Audit requested the general ledger account in which any reconciling balance related to the RDAF over or under collection is reflected. For Great Plains, the general ledger system in place throughout the first RDAF year, and part of the second year, the account is 8830-2-0000-10-1169-1828. When the Company converted to the SAP system in October 2022, the account is 3071-10167-131100-10182300. The consistent FERC related account in both general ledger systems is 182, Other Regulatory Assets.

As of June 30, 2023, the balance in the 3071-10167-131100-10182300 Deferred Decoupling Asset account was **$5,159,377**. Monthly activity in that balance sheet account was offset with monthly entries to revenue account 8830-2-0000-40-4210-4561, Decoupling Revenue from July 2022 through September 2022. Effective October 2022, with implementation of the SAP system, the revenue account used for the monthly decoupling entries is 3071-10161-04561007-1016795000-400300-10456100.

The July 2022 through June 2023 reported revenue shortfall was verified to:

6/30/2022 under-collection	$1,695,090 in the Deferred account
Required adjustment yr 1	$ 57,837 yr 1 posted 10/2022
Reported yr 2 under-collection	$3,406,450
Balance in GL -182 at 6/30/2023	$5,159,377

Based on the billing system conversion issues, and the associated customer invoicing issues, it is unclear if the reported under-collected decoupling revenue is accurate.

	Original Bates 023	GP/SAP Entries to -182	Filing vs General Ledger
Deferral-year 1		**$ 1,695,090**	
Deferral activity-Year 2			
7/22	$ (174,592)	$ 210,987	$ 36,395
8/22	$ (11,280)	$ 139,673	$ 128,393
9/22	$ (435,048)	$ 568,012	$ 132,964
10/22	$ (218,912)	$ 318,023	$ 99,111
11/22	$ (502,871)	$ 608,720	$ 105,849
12/22	$ (178,040)	$ 178,036	$ (4)
1/23	$ (651,679)	$ 651,680	$ 1
2/23	$ (10,841)	$ 10,842	$ 1
3/23	$ (193,821)	$ 315,407	$ 121,586
4/23	$ (271,760)	$ 387,594	$ 115,834
5/23	$ (268,356)	$ 375,501	$ 107,145
6/23	$ (489,250)	$ 489,249	$ (1)
Total Yr 2	**$ (3,406,450)**	**$ 4,253,724**	**$ 847,274**
10/22		$ 57,836	true up of year 1
12/22		$ (502,710)	true-up Jul 22 - Nov 22
GL true-up 6/30/2023		$ (344,563)	true-up Mar 23 - May 23
		$ (847,273)	
Deferral account 6/30/23		**$ 5,159,377**	

The immaterial variances were not reviewed. The large monthly variances were traced to subsequent “true-up” entries in the deferred account. Audit cannot conclude if the “true-up” entries are accurate, as the Company subsequently provided different Revenue Reports for the months of October 2022 through January 2023.

Audit Issue #1
Monthly Revenue Reports

Background

Monthly Revenue reports from the Cogsdale and SAP systems are regularly used by Audit to ensure that billed revenues are accurate.

Issue

Revenue reports for the months of September 2022 through January 2023, originally provided to document the accuracy of the filing, were subsequently updated, in response to a data request from the Department of Energy Regulatory staff.

The updated reports reflected different revenues for a variety of rate classes, resulting in changes to the filed "actual revenue per customer" and thus changes to the difference between the reported target revenue per customer and the "actual" revenue per customer.

The integrity of the data as filed, and the supporting Revenue reports, as a result of the supplemental information provided to the DoE, resulted in Audit being unable to conclude if the calculated monthly variances are accurate.

Recommendation

The Company must ensure that the substantive reports on which their filings to the PUC and the DoE are based, are accurate.

Company Comment

The Company agrees and appreciates the efforts of the Audit team. While responding to the concurrent audit and discovery requests, the Company identified several pivot table corrections it needed to make in the Bills and Volumes reports after the SAP conversion.

The Company is submitting an updated filing and technical statement with the PUC to replace estimated collections with actuals, and it will ensure the variances identified herein are corrected.

Audit Conclusion

Audit thanks the Company for providing an explanation regarding the reason for the monthly revenue reports' changes. Audit did verify that an updated filing and technical statement were provided to the PUC in the instant docket. Audit did not review the updated filing.