

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-039

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a LIBERTY

Request for Change in Distribution Rates

Order Approving Proposals by the New Hampshire Department of Energy

ORDER NO. 27,000

April 30, 2024

This order approves certain proposals made by the New Hampshire Department of Energy (DOE), in relation to the instant rate case for Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company), as presented in the DOE's filing made on April 19, 2024. In doing so, the Commission rejects the filings made on scope by Liberty in relation to the Company's PricewaterhouseCoopers LLP (PwC) Report, as updated on April 15, 2024, and directs an independent audit facilitated by the DOE, following a procedural schedule proposal for the next phase of this proceeding to be filed by the DOE, with the concurrence of the other parties to this proceeding, no later than May 20, 2024.

I. BACKGROUND

On April 2, 2024, the Commission issued a procedural order in this docket making a series of rulings, pursuant to the Commission's plenary authority under RSA 365:28, updating the course of this proceeding based on the latest developments associated with the PwC Report process. The April 2 procedural order, earlier Commission Orders and pleadings made in this proceeding, and docket filings made subsequent to April 2 are posted on the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-039.html>

The April 2 procedural order was the Commission's response to "...an ongoing dispute between the Company and the DOE regarding the proper scope for the PwC report." April 2 Procedural Order at Page 3. The Commission therein ordered Liberty "...to cooperate with the DOE and all other parties to develop a mutually-agreeable scope of work for the PwC report, to be filed with the Commission no later than April 15, 2024..." and further ruled that "...the deadlines for submission of the PwC Report and a procedural schedule proposal referenced in Order No. 26,952 [Feb. 2, 2024] are hereby SUSPENDED pending the development and filing of the agreed-upon scope of work for the PwC report." *Id.*

On April 15, 2024, Liberty made a series of filings related to the PwC Report under a single cover letter in this docket, and in the Company's gas-affiliate rate case, in Docket No. DG 23-067 (Liberty April 15 Filing). In the cover letter, the Company stated that "Liberty has made substantial efforts to reach agreement on the scope of PwC's review with the [DOE] and all other parties but unfortunately the parties were not able to reach agreement." The Company's cover letter continued with a statement that "[d]espite the lack of agreement Liberty believes that it would be beneficial to lift the stay in the Granite State docket (DE 23-039) and for the Commission to review the enclosed PwC report which was substantially complete when the Commission issued its order on April 2, 2024, directing the parties to attempt to reach agreement." (Emphasis added). The cover letter continued with a presentation of the Company's proposed procedural schedule. The Liberty April 15 Filing further included a motion for confidential treatment; Liberty's February 9, 2024 Engagement Letter with PwC; a "Detailed Description of Work," undated, for the PwC Report; and also, under the rubric of "Scope of Work," the PwC Report itself, as referenced by the Company above, dated April 5, 2024. These materials were filed by Liberty of its own volition, despite

the Commission's April 2 procedural order suspending the deadlines for the filing of the PwC Report and a procedural schedule proposal by the Company.

On April 19, 2024, the DOE made a filing responding to the Liberty April 15 Filing (DOE April 19 Filing). The DOE April 19 Filing is available for review here:

https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-039/LETTERS-MEMOS-TARIFFS/23-039_2024-04-19_NHDOE_RESPONSE-LIBERTY-PROPOSED-SCOPE-CONSULTING-PROJECT.PDF

The DOE April 19 Filing presented a series of arguments by the DOE regarding alleged inadequacies of the unilaterally-proposed scope of the PwC Report presented by the Company, and shortcomings of the PwC Report itself. The DOE arguments centered on three issues: (1) the PwC Report, as dated April 5, 2024 and appended to the Liberty April 15 Filing, bears a number of technical disclaimers disassociating the PwC Report from PwC as a corporate entity, and disclaiming any status for the PwC Report as an "Audit" under the applicable legal and professional standards, with overall concerns regarding PwC's independence from Liberty; (2) the Scope of Work proffered by Liberty for the PwC Report does not include an examination of the Liberty General Ledger, a key component of concern for the DOE in past pleadings relating to this rate case; and (3) the PwC Report scope, or the PwC Report itself, does not have any Management Audit of Liberty, Information Technology (IT) Audit of the SAP Conversion process for the Company, presentation of a revenue requirement for 2023 based on 2023 financial information, nor a full Audit of 2022 and 2023 books and records for the Company as part of their ambit.

The DOE April 19 Filing also included the DOE's standing proposal for the scope of the PwC review as an appendix, which included five elements¹ proposed by the DOE: (1) review and assess whether Liberty addressed all Audit Issues in the DOE Final Audit Report; (2) a financial audit of actual 2022 accounting data and Liberty's use of that data to establish the 2022 test year. PwC should assess the suitability of that 2022 test year data for developing the 2022 based revenue requirement presented in this case; (3) a financial audit of actual 2023 accounting data, with Liberty to calculate a 2023 test year and revenue requirement and PwC to review and assess Liberty's use of that data to establish the 2023 test year. PwC should assess the suitability of that 2023 data for developing a 2023 based revenue requirement; (4) a management/compliance audit to examine Liberty's decision to submit a rate increase request based on a 2022 Test Year knowing that SAP implementation occurred during the test year, including an analysis of how that decision impacted ratepayers and Liberty from a financial perspective; and (5) an IT audit to determine the sufficiency and thoroughness of Liberty's preparations for conversion to the SAP system including a review of Liberty's pre-conversion and post-conversion testing efforts. The DOE advocates that PwC should review how long Liberty predicted it would require for the SAP system to stabilize, that is the length of timeframe - six months, three months, etc. - needed to observe the quality of SAP system generated data to ensure SAP system stability and reliability. PwC, DOE argues, should further assess how Liberty's predictions compared to actual experience, including whether mapping issues from SAP conversion have all been identified and corrected.

¹ This material bears the caption for Liberty's gas affiliate rate case, docketed in DG 23-067, but it is understood that the proposal also applies to this instant electric rate case for the Company. The Final Audit Report for the Company was filed with a date of October 25, 2023, and was appended to the DOE's December 13, 2023 Motion to Dismiss filing.

The DOE April 19 Filing concluded, "[a]s noted above the Liberty/PwC Final Scope states that the proposed expert witness report is not an audit, nor will it be branded as a PwC work product. Therefore, the [DOE] strongly urges the Commission to reject the Liberty/PwC Final Scope as inadequate, approve the DOE Proposed Scope, and follow the process the Commission employed in Docket No. DG 14-180 (Liberty's first gas rate case in New Hampshire), which was to retain its own independent auditor."

On April 22, 2024, Liberty made a filing objecting to the DOE's recommendations in summary form, relying on the distinctions and criteria presented in the Company's own unilaterally-filed PwC Report Scope of Work included in the Liberty April 15 Filing. Also, the Company argued that the disassociation of the PwC Report from PwC corporate branding or affiliation was driven by a desire to make the primary author of the report, Mr. Sean Riley of PwC, available for testimony at the Commission. Then, on April 24, 2024, Liberty made, without Commission authorization of any such procedural schedule feature, a filing styled as the "Supplemental Testimony of Erica L. Menard and Daniel S. Dane, with attachments," "which provides an updated revenue requirement that reflects the adjustments that have been identified since the Company's initial filing on May 5, 2023."

No other responses to the Liberty April 15 filing and subsequent filings have been made by any party in this proceeding.

II. COMMISSION ANALYSIS

Pursuant to RSA 365:28, "[a]t any time after the making and entry thereof, the [C]ommission may, after notice and hearing, alter, amend, suspend, annul, set aside, or otherwise modify any order made by it. This hearing shall not be required when any

prior order made by the [C]ommission was made under a provision of law that did not require a hearing and a hearing was, in fact, not held.” RSA 365:28.

Pursuant to RSA 541-A:31 and N.H. Code Admin. Rules Puc 203.13 and 203:15, the Commission has the authority to direct the timing and process of an adjudicatory proceeding. That authority includes the power to stay or suspend activity in an adjudication when doing so would promote the efficient resolution of issues before the Commission. *See, e.g., Residents of Colonial Drive, Moultonborough*, Order No. 26,841 (June 8, 2023) at 7.

Through this process, which arose from the DOE's filing of a Motion to Dismiss the Company's rate case due to the alleged inadequacy of the Company's supporting books and records, on December 13, 2023, and subsequent litigation, the Commission has grown to be confused and disappointed by the Company's judgements in developing the PwC Report, including the Scope of the PwC Report. The Commission plainly indicated in its April 2 procedural order that any requirement to file the PwC Report in mid-April was suspended, pending an agreement on the Scope of the PwC Report between the Company, the DOE, and the other parties being developed. Instead, Liberty chose to unilaterally finalize the PwC Report as of April 5 (three days after the Commission clearly indicated, pursuant to its RSA 365:28 and allied authority, that it was adjusting the PwC Report process), provide the PwC Report through an allegedly responsive filing on scope (the Liberty April 15 Filing) that flatly stated that no agreement on scope had been reached with the DOE, and then proceed with an additional and unexpected "updated revenue requirement" filing made on April 24.

First, we address what we observe in the PwC Report, and the related scoping materials, as unilaterally filed by the Company. We note the large number of disclaimers woven throughout the Report. We express our concern about disclaimers such as these: "[o]ur engagement cannot be relied upon to disclose errors, irregularities, or illegal acts including fraud or falsifications that may exist. We [PwC, and/or Riley] are not providing an audit, accounting, tax or attest opinion or other form of assurance." PwC Report at Section 1.4.

While we will give the PwC Report as prepared by Mr. Riley the weight that it is due in this proceeding, we REJECT the PwC Report Scope filed by the Company on April 15 as non-responsive to the Commission's April 2 procedural order. Instead, we hereby adopt the DOE requests for relief presented in the DOE April 19 Filing as likely to provide necessary information regarding the suitability of the Company's books and records for its rate case considered here, in overall substance. Given that the Audit Division now resides at the DOE, we modify the DOE's request insofar as we hereby ORDER that the DOE direct an Independent Audit process pursuant to the scope specified in the DOE April 19 Filing, by hiring Independent Auditor(s) for all of the specified phases of its requested Audit Scope: (1) Rate Case Accounting Audit; (2) Management Audit; (3) IT Audit.² Furthermore, we hereby ORDER that the DOE prepare a procedural schedule proposal for the next phase of this proceeding, to be made with the concurrence of the Company and other parties, for filing with the Commission no later than May 20, 2024, with the proviso that the Commission's ruling on the DOE's December 13, 2023 Motion to Dismiss remains DEFERRED.

² We urge the DOE to clarify that the Financial Audit for the 2023 accounting data referenced in its proposed Audit Scope, presented on Page 6 of the DOE April 19 Filing, will be focused on the examination of the 2023 accounting data to ensure that the General Ledger accounting ties into the FERC Form 1 accounting, which, in turn, could be appropriately applied for the derivation of any proposed 2023 revenue requirement calculation by the Company, with the understanding that no such derivation has yet been presented for review.

Based upon the foregoing, it is hereby

ORDERED, that the Liberty PwC Report Scope filed on April 15, 2024 is hereby REJECTED as non-responsive to the Commission's April 2, 2024 Procedural Order; and it is

FURTHER ORDERED, that the New Hampshire Department of Energy shall retain Independent Auditor(s) to complete the Audit Work made pursuant to the DOE Audit Scope presented in the DOE April 19, 2024 Filing; and it is

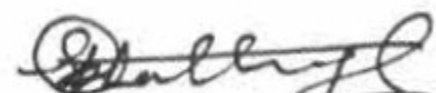
FURTHER ORDERED, that the New Hampshire Department of Energy shall file a procedural schedule proposal for the next phase of this proceeding with the concurrence of the Company and the other parties to this proceeding no later than May 20, 2024; and it is

FURTHER ORDERED, that the Commission's final ruling on the New Hampshire Department of Energy's Motion to Dismiss this instant rate case remains DEFERRED pending further case developments.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 23-039

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