

Liberty Utilities (Granite State Electric) Corp.  
Final Audit Report  
DE 12-262  
2013 CORE Program

# STATE OF NEW HAMPSHIRE

## Inter-Department Communication

**DATE:** October 17, 2014

**AT (OFFICE):** NHPUC

**FROM:** Karen Moran, Chief Auditor

**SUBJECT:** Liberty Utilities (Granite State Electric) Corp.  
DE 12-262 - 2013 CORE  
**FINAL** Audit Report

**TO:** Tom Frantz, Director NH PUC Electric Division  
Les Stachow, Assistant Director, NH PUC Electric Division  
James Cunningham, NH PUC Analyst III

### **Introduction**

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the CORE Energy Efficiency Program for the calendar year 2013. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire (PSNH), New Hampshire Electric Cooperative (NHEC), and Granite State Electric (GSE) and two gas utilities, Northern Utilities, Inc. (Northern) and Energy North (ENG) filed a joint petition for the program years 2013 through 2014. Each utility was audited individually.

Audit appreciates the assistance of Eric Stanley, Paul Kinch, Tina Poirier, and Jim Riordan from Liberty Utilities.

### **Approved 2013 Programs**

The utilities submitted a joint energy proposal to the Commission on 9/17/2012 for the program years 2013 through 2014. An update to the filing was provided and included in the Settlement Agreement dated 12/14/2012. The Commission approved the Agreement by Order #25,462 on 2/1/2013. Page 3 of the Order summarizes the 2013 energy efficiency programs:

**Residential – income qualified**

Home Energy Assistance Program

**Residential – non-income qualified**

ENERGY STAR® Homes,

NH Home Performance with ENERGY STAR® (HPwES),

ENERGY STAR® Lighting,

ENERGY STAR® Appliance

**Commercial and Industrial**

Large Business Energy Solutions Program,

Small Business Energy Solutions Program,  
Educational Programs

**Program Updates for 2013**

As a result of the SB323-VEIC Independent Study of Energy Policy Issues, the CORE programs have incorporated the following recommendations made by the Energy Efficiency and Sustainable Energy Board (EESB Board) (see 9/17/2012 filing pages 8 – 10):

- Coordinate planning and delivery of training activities for HEA program with the NH Office of Energy and Planning (OEP);
- Develop shared IT resources (among Utilities and OEP and Community Action Agencies) and common reporting standards for HEA program;
- set more aggressive goals by using historical kWh savings trends as a baseline and adjusting the baseline for changing factors such as available funding, measure costs, measure life and energy codes;
- with the passage of SB252, signed into law on 6/7/2012, educate state and local governments regarding energy performance contracts (EPC) for terms up to 20 years;
- coordinate between Electric and Gas Utilities and cross-franchise customers to provide better service and eliminate duplication;
- provide education and training programs to inform the public regarding new home construction techniques supporting the Energy Star 3.0 standard and energy code training;
- include multi-family dwellings in both the HPwES and fuel neutral Energy Star Homes Programs;

**HPwES Update**

PSNH, UES, and NHEC have collaborated with the New Hampshire Community Development Finance Authority (CDFA) and the BetterBuildings Program. GSE did not participate. Homeowners enrolled in the HPwES program are eligible to receive rebates on certain measure, with 50% (up to \$4,000) of the rebate funded by the SBC, and the other 50% of the rebate funded through the BetterBuildings program. Homeowners may also utilize BetterBuildings funds for on-bill financing. The CDFFA grant period ended 4/30/2013.

**Regarding the Regional Greenhouse Gas Initiative (RGGI) funding**

House Bill 1490 passed on 6/23/2012 updating RSA 125-O:23. In October 2012, the Commission, by Order #25,425 in docket DE10-188, approved a budget for use of the RGGI fund pursuant to HB1490 which went into effect January 1, 2013, without the signature of the Governor. The law replaced the Greenhouse Gas Emission Reduction Fund with a new Energy Efficiency Fund. Distribution of funds in excess of \$1 threshold price for carbon allowances were required to be rebated to all default service electric ratepayers. The remaining proceeds “*shall be allocated by the commission as an*

additional source of funding to electric distribution companies for core energy efficiency programs that are funded by SBC funds”.

Order #25,425 instructed the electric utilities regarding the use of the remaining 2012 funds from the Greenhouse Gas Emission Reduction Fund and the allocation of 15% of the money for Low Income Home Energy Assistance (HEA). An incentive was not authorized for the HEA, while a flat 8% was authorized on the remaining programs.

<b>Program</b>	<b>Budget</b>	<b>Incentive</b>	<b>Total Budget</b>
HEA	\$1,490,000	\$ -0-	\$1,490,000
HPwES	\$ 17,749	\$ 1,420	\$ 19,169
Energy Star Appliances	\$ 50,000	\$ 3,999	\$ 53,999
Large Business Retrofit	\$ 764,847	\$ 61,188	\$ 826,035
Large Business New	\$ 442,253	\$ 35,380	\$ 477,633
Small Business Energy Solutions	\$ 274,225	\$ 21,938	\$ 296,163
Education	\$ 25,000	\$ 2,000	\$ 27,000
<b>Grand Total</b>	<b>\$3,064,074</b>	<b>\$125,925</b>	<b>\$3,189,999</b>

Audit reviewed the budgets as well as the actual funds spent, as reported in each utility’s shareholder incentive package for the RGGI 2012 Expansion. Each report was received with the 2013 incentive package in mid-2014. The following summarizes the BUDGET:

<b>2012 Greenhouse Gas Emissions Fund</b>	Reported Budgets per the 2013 Incentive Filing of RGGI 2012				
	<b>Granite State</b>	<b>PSNH</b>	<b>NHEC</b>	<b>UES</b>	<b>TOTAL</b>
HEA	\$ 106,932	\$ 989,642	\$ 135,841	\$ 257,585	\$ 1,490,000
HEA PI - 0%	\$ -	\$ -	\$ -	\$ -	\$ -
HPwES	\$ 17,749	\$ -	\$ -	\$ -	\$ 17,749
HPwES PI - 8%	\$ 1,420	\$ -	\$ -	\$ -	\$ 1,420
Energy Star Appliances	\$ 4,261	\$ 36,517	\$ 3,476	\$ 5,745	\$ 49,999
Energy Star Appliances PI - 8%	\$ 341	\$ 2,921	\$ 278	\$ 460	\$ 4,000
<b>Total Residential Programs</b>	<b>\$ 128,942</b>	<b>\$ 1,026,159</b>	<b>\$ 139,317</b>	<b>\$ 263,330</b>	<b>\$ 1,557,748</b>
<b>Total Residential PI</b>	<b>\$ 1,761</b>	<b>\$ 2,921</b>	<b>\$ 278</b>	<b>\$ 460</b>	<b>\$ 5,420</b>
<b>GRAND TOTAL RESIDENTIAL</b>	<b>\$ 130,703</b>	<b>\$ 1,029,080</b>	<b>\$ 139,595</b>	<b>\$ 263,790</b>	<b>\$ 1,563,168</b>
Large Business Retrofit	\$ 10,000	\$ 651,847	\$ -	\$ 103,000	\$ 764,847
LB Retrofit PI - 8%	\$ 800	\$ 52,148	\$ -	\$ 8,240	\$ 61,188
Large Business New Equip/Const	\$ 90,000	\$ 213,000	\$ 70,000	\$ 69,253	\$ 442,253
LB New PI - 8%	\$ 7,200	\$ 17,040	\$ 5,600	\$ 5,540	\$ 35,380
Small Business Energy Solutions	\$ 10,000	\$ 230,000	\$ 34,225	\$ -	\$ 274,225
SM Energy PI - 8%	\$ 800	\$ 18,400	\$ 2,738	\$ -	\$ 21,938
Education	\$ 2,130	\$ 18,259	\$ 1,738	\$ 2,873	\$ 25,000
Education PI - 8%	\$ 170	\$ 1,461	\$ 139	\$ 230	\$ 2,000
<b>Total C&amp;I Programs</b>	<b>\$ 112,130</b>	<b>\$ 1,113,106</b>	<b>\$ 105,963</b>	<b>\$ 175,126</b>	<b>\$ 1,506,325</b>
<b>Total C&amp;I PI</b>	<b>\$ 8,970</b>	<b>\$ 89,048</b>	<b>\$ 8,477</b>	<b>\$ 14,010</b>	<b>\$ 120,506</b>
<b>GRAND TOTAL C&amp;I</b>	<b>\$ 121,100</b>	<b>\$ 1,202,154</b>	<b>\$ 114,440</b>	<b>\$ 189,136</b>	<b>\$ 1,626,831</b>
<b>Combined Expenses</b>	<b>\$ 241,072</b>	<b>\$ 2,139,265</b>	<b>\$ 245,280</b>	<b>\$ 438,456</b>	<b>\$ 3,064,073</b>
<b>Combined Shareholder Incentives</b>	<b>\$ 10,731</b>	<b>\$ 91,970</b>	<b>\$ 8,755</b>	<b>\$ 14,470</b>	<b>\$ 125,926</b>
<b>COMBINED GRAND TOTAL</b>	<b>\$ 251,803</b>	<b>\$ 2,231,235</b>	<b>\$ 254,035</b>	<b>\$ 452,926</b>	<b>\$ 3,189,999</b>

PSNH, acting as the lead utility, provided an invoice to the NHPUC for \$3,064,072 on 2/4/2013 which was distributed to the utilities based on the Combined Expenses identified in the budget above. GSE received \$241,072.

The following summarizes the reported ACTUALS spent using the 2012 Greenhouse Gas Emissions Fund. Refer to the specific utility audit report for details regarding any over or under spending of the 2012 RGGI Expansion budget.

2012 Greenhouse Gas Emissions Fund	Reported ACTUALS per the 2013 Incentive Filing of RGGI 2012				
	Granite State	PSNH	NHEC	UES	TOTAL
HEA	\$ 105,218	\$ 989,376	\$ 147,761	\$ 258,030	\$ 1,500,385
HEA PI - 0%	\$ -	\$ -	\$ -	\$ -	\$ -
HPwES	\$ 17,749	\$ -	\$ -	\$ -	\$ 17,749
HPwES PI - 8%	\$ 1,420	\$ -	\$ -	\$ -	\$ 1,420
Energy Star Appliances	\$ 5,001	\$ 36,517	\$ 3,960	\$ 873	\$ 46,351
Energy Star Appliances PI - 8%	\$ 400	\$ 2,921	\$ 317	\$ 70	\$ 3,708
Total Residential Programs	\$ 127,968	\$ 1,025,893	\$ 151,721	\$ 258,903	\$ 1,564,485
Total Residential PI	\$ 1,820	\$ 2,921	\$ 317	\$ 70	\$ 5,128
<b>GRAND TOTAL RESIDENTIAL</b>	<b>\$ 129,788</b>	<b>\$ 1,028,814</b>	<b>\$ 152,038</b>	<b>\$ 258,973</b>	<b>\$ 1,569,613</b>
Large Business Retrofit	\$ 7,640	\$ 629,674	\$ -	\$ 118,550	\$ 755,864
LB Retrofit PI - 8%	\$ 611	\$ 50,374	\$ -	\$ 9,484	\$ 60,469
Large Business New Equip/Const	\$ 103,408	\$ 227,899	\$ 41,451	\$ 66,642	\$ 439,400
LB New PI - 8%	\$ 8,273	\$ 18,232	\$ 3,316	\$ 5,331	\$ 35,152
Small Business Energy Solutions	\$ -	\$ 237,810	\$ 50,328	\$ -	\$ 288,138
SM Energy PI - 8%	\$ -	\$ 19,025	\$ 4,026	\$ -	\$ 23,051
Education	\$ 2,056	\$ 18,244	\$ 1,782	\$ 2,839	\$ 24,921
Education PI - 8%	\$ 164	\$ 1,460	\$ 143	\$ 227	\$ 1,994
Total C&I Programs	\$ 113,104	\$ 1,113,627	\$ 93,561	\$ 188,031	\$ 1,508,323
Total C&I PI	\$ 9,048	\$ 89,090	\$ 7,485	\$ 15,042	\$ 120,666
<b>GRAND TOTAL C&amp;I</b>	<b>\$ 122,152</b>	<b>\$ 1,202,717</b>	<b>\$ 101,046</b>	<b>\$ 203,073</b>	<b>\$ 1,628,989</b>
<b>Combined Expenses</b>	<b>\$ 241,072</b>	<b>\$ 2,139,520</b>	<b>\$ 245,282</b>	<b>\$ 446,934</b>	<b>\$ 3,072,808</b>
<b>Combined Shareholder Incentives</b>	<b>\$ 10,868</b>	<b>\$ 92,012</b>	<b>\$ 7,802</b>	<b>\$ 15,112</b>	<b>\$ 125,794</b>
<b>COMBINED GRAND TOTAL</b>	<b>\$ 251,940</b>	<b>\$ 2,231,532</b>	<b>\$ 253,084</b>	<b>\$ 462,046</b>	<b>\$ 3,198,602</b>

Audit reviewed the pivot table detail which supported the \$241,072 GSE expenses. Below summarizes the GSE budget vs. actual relating to the 2012 RGGI Expansion:

<u>Program</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
HEA	\$106,932	\$105,218	\$ 1,714 under-spent budget
HPwES	\$ 17,749	\$ 17,749	\$ -0- actual matched budget
ES Appliance	\$ 4,261	\$ 5,001	\$ (740) over-spent budget
LB Retrofit	\$ 10,000	\$ 7,640	\$ 2,360 under-spent budget
LB New	\$ 90,000	\$103,408	\$(13,408) over-spent budget
SB Energy	\$ 10,000	\$ -0-	\$ 10,000 under-spent budget
Education	\$ 2,130	\$ 2,056	\$ 74 under-spent budget
TOTAL	\$241,072	\$241,072	\$ -0-

**RGGI Quarterly Auction Proceeds**

Order #25,425 in docket DE12-262 outlined the use of the 2013, and ongoing, quarterly RGGI auction proceeds, as required by the 2012 HB1490. Audit reviewed the PUC Business Office records relating to the 2013 quarterly auction proceeds with the following results:

<b>HB1490 Greenhouse</b>					
<b>Gas Emissions Fund Disbursement</b>	<b>PSNH</b>	<b>NHEC</b>	<b>Liberty</b>	<b>UES</b>	<b>Totals</b>
Per Order #25,425 pd 2/2013	\$ 2,139,265	\$ 245,281	\$ 241,072	\$ 438,456	\$ 3,064,074
Carryover pd in 11/13	\$ 1,886,223	\$ 181,087	\$ 219,660	\$ 288,582	\$ 2,575,552
	\$ 4,025,488	\$ 426,368	\$ 460,732	\$ 727,038	\$ 5,639,626
<b>2013 Quarterly Auction Proceeds</b>					
March	\$ 1,334,256	\$ 128,095	\$ 155,380	\$ 204,133	\$ 1,821,863
June	\$ 1,208,508	\$ 116,023	\$ 140,737	\$ 184,895	\$ 1,650,162
Sep	\$ 975,678	\$ 93,671	\$ 113,628	\$ 149,279	\$ 1,332,257
Dec	\$ 1,208,509	\$ 116,023	\$ 140,737	\$ 184,895	\$ 1,650,164
	\$ 4,726,951	\$ 453,811	\$ 550,481	\$ 723,202	\$ 6,454,446

The adjusted GSE fund balance revenue total \$2,196,652 includes the SBC, the March, June, and September quarterly auction proceeds, as well as the FCM revenue. The adjusted report was provided to Audit in September 2014 as an update to the Fund Balance noted in the SHI calculation provided to the Commission in June 2014.

In November 2013, a second disbursement of the RGGI Expansion took place. The total \$2,575,552 was allocated among the utilities as noted in the grid above. GSE received \$219,660.

The December quarterly auction revenue figure was not available for disbursement to the utilities until 2014.

**GSE Mid-Year Adjustments**

On 12/11/2013, GSE notified the Commission of the following transfers among CORE programs:

<u>Program</u>	<u>Budget</u>	<u>20% Cap</u>	<u>Amount Transferred</u>	<u>% Transferred</u>
HPwES	\$ 165,719	\$ 33,144	\$ (20,000)	12%
ES Appliances	\$ 234,292	\$ 46,858	\$ (35,000)	15%
ES Homes	\$ 68,591	\$ 13,718	\$ 55,000	80%

On 7/26/2013, Commission Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from \$5,000 to \$8,000 (for electric utilities only) to better serve low-income residents. On 11/1/2013 a Secretarial Letter authorized the continuation of the increased spending cap through the end of 2013, as federal funds had not become available as anticipated. On 12/30/2013 the Commission issued Order #25,615 approving the 2014 energy efficiency programs, and extending the increased cap through 2014.

## **2013 CORE Filing Summary**

**Expenses - \$1,428,853**

Expenses for the year ending December 31, 2013 as reported on 6/3/2014 were reported to be \$1,428,853. A spread among the programs and expense types was provided to Audit on 5/13/2014 reflected the following:

GSE 2013	Intern Admin	Rebates	Intern Implemt	Marketing	Evaluation	TOTAL
Resi Appliances	\$ 11,093	\$ 111,599	\$ 6,084	\$ 5,091	\$ 7,295	\$ 141,163
Resi Audit & Weatherization	\$ 20,042	\$ 43,013	\$ 8,748	\$ 12,047	\$ 5,046	\$ 88,895
Resi ES Homes - New Constructior	\$ 7,947	\$ 79,321	\$ 6,781	\$ 1,361	\$ 2,333	\$ 97,743
Resi HEA - Low Income	\$ 12,609	\$ 249,784	\$ 15,467	\$ 3,713	\$ 12,129	\$ 293,702
Resi Lighting	\$ 8,766	\$ 46,632	\$ 4,912	\$ 26,161	\$ 3,513	\$ 89,984
C&I Education		\$ 1,617	\$ 3,227	\$ 785	\$ 2,683	\$ 8,311
C&I Large Business	\$ 52,551	\$ 291,682	\$ 57,197	\$ 15,599	\$ 21,145	\$ 438,174
C&I Small Business	\$ 42,590	\$ 162,902	\$ 35,201	\$ 13,705	\$ 16,482	\$ 270,879
	<b>\$ 155,598</b>	<b>\$ 986,550</b>	<b>\$ 137,618</b>	<b>\$ 78,462</b>	<b>\$ 70,625</b>	<b>\$ 1,428,853</b>

The supporting spreadsheets provided to Audit agree with the reported total expenses identified in the 6/3/2014 shareholder incentive calculation.

Expenses were verified to the summary of expenses provided in the detailed Excel pivot table provide to Audit. Expenses are debited to general ledger account #8830-2-0000-69-5390-9080 and credited to the balance sheet #8830-2-0000-20-2142-2423 Audit selected a sample of the expenses for detailed review.

### **Allocated Expenses**

Expenses which are allocated among energy efficiency programs and between EnergyNorth and Granite State Electric are based on budget percentages. The following were reviewed:

*ANB Enterprises, Inc. was paid \$244,156 allocated between GSE and ENG. The total allocation was \$74,527 to GSE and \$169,629 to ENG. The Company informed Audit that “ANB Enterprises, Inc. was selected...via a competitive RFP process to build a replacement tracking and reporting system [for] National Grid’s InDemand tracking and reporting system. Liberty Utilities is leveraging ANB’s eTRACK software to facilitate all program tracking, evaluation, savings computations, PUC and ISO-NE reporting and metric tabulation. Allocation [to] the 16 EE programs is based on the percentage of monies for each program.”*

One invoice selected for testing, in the amount of \$75,000 represented 50% completion of the installation process. The total invoice was allocated among all Energy North as well as Granite State Electric energy efficiency programs in the Wennsoft system, identified primarily as Internal Implementation costs, in the following manner:

<u>Granite State Electric:</u>		
8830-EEE02-C&I Large Business	\$ 7,183	
8830-EEE02-C&I Small Business	\$ 5,490	
8830-EEE02-Residential Appliances	\$ 2,528	
8830-EEE02-Res Audit & Weatherization	\$ 1,793	
8830-EEE02-Residential Lighting	\$ 1,103	
8830-EEE02-Residential Low Income	\$ 3,360	
8830-EEE02-Residential New Construction	\$ 743	
8830-EEE02-C&I Education	\$ 195	\$22,395
<u>EnergyNorth Gas</u>		<u>\$52,605</u>
Total		\$75,000

Balance Professionals was paid a total of \$33,038, allocated between GSE and ENG, \$9,069 and \$23,969 respectively. The costs were noted as Internal Administration across all programs for both utilities.

CADMUS was paid a total of \$21,990, with \$2,626 allocated to GSE and \$19,363 allocated to ENG. The consulting expenses were noted as Evaluation costs within GSE:

8830-EEE02-C&I Large Business	\$850	
8830-EEE02-C&I Small Business	\$649	
8830-EEE02-Residential Appliances	\$299	
8830-EEE02-Res Audit & Weatherization	\$212	
8830-EEE02-Residential Lighting	\$130	
8830-EEE02-Residential Low Income	\$397	
8830-EEE02-Residential New Construction	\$ 88	<u>\$2,626</u>

CDW Direct was paid a total of \$5,025 with \$2,292 allocated to GSE and \$2,733 allocated to ENG. The costs were identified as Marketing expenses.

Consolidated Marketing was paid \$5,006 which was split \$2,502 to GSE and \$2,504 to ENG. Audit requested clarification of the expenses and was told that the funds were used to purchase marketing supplies and materials for use during home show and trade events.

Conservation Services Group (CSG) was paid a total of \$710,278 with GSE allocated \$29,376 and ENG allocated 680,902. The Granite State rebates were noted in the Residential Audit and Weatherization, Residential New Construction, and Small Business rebate programs.

EFI was paid a total of \$1,008,129. GSE was allocated \$145,635 and ENG was allocated \$862,493. EFI processes NHSaves orders received from customers of all utilities. Costs are noted as rebates.

ESource was paid a total of \$35,270. The amount reflects one invoice for a subscription based membership service to which EnergyNorth and Granite State Electric subscribe, which provides research, evaluation, and technical support for energy efficiency programs. Audit reviewed the invoice in the amount of \$35,270 which reflected \$22,520 for a Residential Marketing Service module and \$12,750 for a 14 month DSM Service

spanning the period 11/1/2013 through 12/31/2014. The entire invoice amount was included in the 2013 program year for both ENG and GSE with the allocation of \$24,649 and \$10,621 respectively. Based on a review of the invoice, the allocations for 2013 and 2014, for both utilities should be:

<u>Utility</u>	<u>Total</u>	<u>Allocate to 2013</u>	<u>Allocate to 2014</u>
ENG	\$24,649	\$3,522	\$21,127
GSE	<u>\$10,621</u>	<u>\$1,517</u>	<u>\$ 9,104</u> <b>Audit Issue #1</b>
	\$35,270	\$5,039	\$30,231

Fletcher Media was paid \$3,755 split between GSE \$3,095 and ENG \$660 for updates to the NHSaves.com website and for the design of the Energy Star lighting print catalog.

GDS Associates received a total of \$56,448 which was allocated between GSE \$23,046 and ENG \$33,402 and among Marketing, Rebates, External Administration-Rebates, and Internal Administration. The Marketing for GSE was \$5,046 and for ENG \$4,963. The Marketing costs include energy code workshops at which the Energy Star Homes and C&I New Construction programs were promoted.

Home Builders and Remodelers Association of NH was paid \$1,465 with GSE \$307 and ENG \$1,158. Audit was told that the cost purchased a booth at the NH State Home Show. Audit contacted the Association and was informed that an annual membership of \$475 was paid as was \$7,500 relating to a home show. The Company indicated that a portion of the Liberty marketing costs are also used to promote the Liberty brand in general, and a portion of the home show cost was therefore booked to administrative marketing expense, rather than to the CORE programs completely.

Horizon Residential Energy Services NH, LLC was paid a total of \$188,336 allocated between GSE \$43,368 and ENG \$144,968 and among Marketing and Rebates for both companies. GSE Marketing was allocated \$2,000 and ENG included the Marketing/Rebate combined identifier at \$26,068. The costs were noted in the Residential Audit and Weatherization program, the Tech Demo, the Energy Star New Home Construction, and the Home Energy Assistance programs. Horizon pays HPwES contractors for weatherization work, and they receive funding for scheduling, inspecting, billing and reporting HPwES services. Tech Demo expenses include rebates for the Early Boiler Retirement program and interest rate buy-downs. Liberty is affiliated with two banks which allow the customers to finance energy efficiency measures, with the CORE program paying the interest such that the loan rate for the customer is 2%. The Company is not a co-signer of the loan and is not responsible for the principle if the debt is not paid.

Ideas Agency, Inc. was paid a total of \$99,722 which was split between GSE \$27,728 and ENG \$73,255. The costs were identified as Internal Implementation costs and Marketing Costs. The Company indicated that *“Ideas Agency Inc. is a specialized marketing and communications vendor Liberty Utilities has utilized for the development of marketing support materials, and various advertising communications activities. Examples of their work for Liberty Utilities include program application forms and print collateral, direct mail and email communications and event materials.”* Audit reviewed an invoice related

to giveaways such as screwdrivers, stuffed animals, bags, among other items, with the Liberty logo and energy efficiency website noted on them.

In addition, the Company indicated that it *“participated in over 40 days of customer and trade events in 2013 where the focus was promoting the CORE electric and gas energy efficiency programs in the marketplace, including one-on-one interactions with customers. During these events, the Company’s energy efficiency staff members interacted with potential customer program leads and distributed materials including program summary sheets, brochures and promotional items to drive traffic to the Company’s dedicated energy efficiency program microsite, www.libertyutilities.com/efficiency. All promotional items, with the exception of hats, including pens, water bottles, bags, and magnet clips, included a reference link to the Company’s dedicated energy efficiency program microsite, www.libertyutilities.com/efficiency. The Company manually counted over 4,000 customer interactions during these events and saw an increase in website traffic and program leads to both its residential and commercial programs after these events.”*

Manchester Chamber of Commerce was paid a total of \$1,000. The GSE Marketing portion was \$310 and the ENG Marketing total was \$570 with \$120 noted as Rebate. The entire invoice should have been coded as Marketing, as it was for booth placement at the 2013 Tri-City Expo at which both electric and gas efficiency programs were promoted.

New England Grass Roots Environmental was paid a total of \$5,000. GSE was allocated \$1,650 which was reflected as an Evaluation cost, while ENG was allocated \$3,350 which was reflected as a Marketing expense. The Company indicated that the \$5,000 was incurred for sponsorship of the Local Energy Solutions conference. The Company also noted that the GSE allocation as an Evaluation cost should have been coded as a Marketing expense.

New Horizons was paid a total of \$1,730. GSE was allocated \$760 and ENG \$970.

New Hampshire Public Radio was paid a total of \$4,950 for air time advertising the energy efficiency programs of both GSE, which was allocated \$2,000 and ENG which was allocated \$2,950.

Northern Show Management was paid \$7,320 split between GSE \$2,697 and ENG \$4,623 and among all programs, noted as Marketing expenses. One invoice dated 9/6/2013 in the amount of \$995 reserved a booth for the Nashua home show for January 25-26, 2014. GSE’s portion of that invoice was \$298, ENG’s portion was \$697. **Audit Issue #1**

Plymouth Area Renewable Energy Initiative (PAREI) \$18,540

Liberty is a member of the PAREI with membership costs spread among programs and between EnergyNorth and Granite State Electric. Neither GSE nor ENG has service territory in Plymouth. Audit questioned the reasoning for the membership in the Plymouth Area Renewable Energy Initiative, as opposed to the Berlin Area Renewable Energy Initiative or the Hillsboro Area Renewable Energy Initiative, and was informed

that the PAREI provides a valuable service around the state, most specifically, Button Up NH workshops. Audit reviewed the PAREI website and calendar for 2013 and noted several workshops throughout the state and throughout the year.

Audit noted that the Button Up NH workshops held around the state were in a variety of locations such as libraries, churches, town halls, and non-profit organizations. Audit noted on the PAREI calendar that for those workshops sponsored by Liberty allowed for a portion of the Button Up NH fee paid by Liberty to be donated to the entity hosting the event. Specifically, \$10 per Liberty customer could be paid to the entity hosting the workshop. Of the eight workshops noted, six were in 2013 and two in 2014. A total of \$320 (thus representing 32 Liberty customers) was donated by PAREI to the six hosts for 2013. For 2014, \$500 was donated to the two hosts.

Costs were recommended for approval by a Liberty representative who is affiliated with PAREI and was formerly a director (prior to 2008). Invoices recommended for approval are reviewed and approved for payment by Liberty’s manager of energy efficiency.

Invoices paid in 2013 for workshops and home shows in 2014 were included in program year 2013 expenses. Specifically, invoice dated 11/13/2013 **\$2,810** for GSE and \$6,041 for ENG. The \$8,851 for Liberty represents 21.7% of the overall costs of \$26,962 with the remainder spread among the other utilities, all of which booked the costs to the 2014 program year.

2013 Membership in the amount of \$500 exceeds the amount noted on the sponsorship form which lists \$150 as the Local Community Partner sponsorship level. An additional \$350 was noted as an additional contribution, with a handwritten note that the \$500 is a corporate sponsorship rate. Further, there is included \$500 for 2014 in the 2013 program year.

Audit recommends adjusting the 2013 PAREI totals by:

	EnergyNorth	Granite State Electric
	\$12,041	\$ 6,500
2014	\$ (6,041)	2014 \$(2,810)
2013 addtl contrbt	\$ (350)	n/a
2014 membership	<u>\$ (500)</u>	<u>n/a</u>
Adjustment Total	<u>\$ (6,891)</u>	<u>\$(2,810) <b>Audit Issue #1</b></u>
2013 PAREI ENG	\$ 5,150	GSE \$ 3,690

Residential Energy Performance Association (REPA) was paid a total of \$425 with GSE allocated \$125, and ENG \$300. Audit review the membership fees for the REPA and noted that the fee for one person for one year was \$125 in 2013. The \$125 was posted to GSE in 2013. The \$300 posted to ENG represented membership for two people for 2014, and should thus not have been included in the 2013 program year. Refer to the ENG CORE audit report for program year 2013.

Rise Engineering was paid a total of \$230,755. The allocation to GSE was \$10,238 and to ENG \$220,517.

Sustainable Energy Resource Group (SERG) was paid a total of \$3,400 with GSE allocated \$2,200 and ENG \$1,200. Payments to the SERG were comprised of sponsorship at the “Zero Energy Zealot” level of \$1,000 and \$1,200 for sponsoring an electric C&I Education class entitled “Energy Issues in Existing Homes and Business: What Real Estate Professionals Need to Know”. The total of \$2,200 was posted to GSE. The \$1,000 was noted in the HPwES Marketing expense category, while the \$1,200 was noted in the C&I Education Rebates and Services expense category.

Southern New Hampshire Services was paid a total of \$747,491. GSE was allocated \$107,715 and ENG \$639,776. While the service territories of GSE and ENG do not cross, the service territory of Southern NH Services does cover both territories. The expenses incurred for GSE relate to the HEA program.

Southern NH Home Builders and Remodelers Association of NH is an affiliate of the HBRANH above. This company was paid \$625 for participation in the southern chapter’s regional event at which the Energy Star Homes program was promoted. ENG was allocated \$455 and GSE \$170.

Synapse was paid a total of \$8,658 allocated \$2,677 to GSE and \$5,981 to ENG. The expense represents Liberty’s percentage of the cost of the 2013 Avoided Energy Supply Cost Study for the New England Utilities.

### **C&I Education \$8,311**

The 9/17/2012 filing summarized the educational programs for residential and commercial customers as an integral part of raising awareness of energy efficiency. Specifically identified were Energy Code Training for all stakeholders; Commercial Energy Auditing classes which provide training to facility managers; C&I Customer Education includes training sessions for C&I customers and professionals; Energy Education for Students provides support for programs available to students from kindergarten through high school.

During 2013, GSE reported \$8,311 of expenses associated with the C&I Education program. The allocation among expense categories was:

Evaluation	\$2,683
Internal Implementation	\$3,226
Marketing	\$ 785
Rebates and Services	<u>\$1,617</u>
	\$8,311

\$1,200 of the \$1,617 Rebates and Services was paid to SERG, as outlined in the Allocated Expenses portion of this report.

### **Large Business Energy Solutions Program \$438,174**

Noted in the 9/17/2012 filing (page 38) and the 12/4/2012 update, this program is designed for natural gas customers with an average annual energy usage of 40,000 therms

or more, or a twelve month average demand of 200kW for electric customers. Program customers will receive rebates for new construction, major renovations, failed equipment replacement, replacement of inefficient equipment, and gas customers who use natural gas to heat the facility or have food service operations. Rebate amounts for new construction are the lesser of 75% of incremental costs or a one year payback, and for retrofit projects, the lesser of 35% or a one year payback. The filing also indicates that an initiative called Energy Efficient Schools will offer rebates up to 100% of incremental costs, with 5% of the Large Business Energy Solutions budget set aside for this portion of the program. Actual spending may be higher or lower depending on school building opportunities. Audit was informed that for 2013, there were no Energy Efficient School initiatives done due to lack of demand.

During 2013, GSE reported expenses associated with the Large Business Energy Solutions Program:

Evaluation	\$ 21,145
Internal Administration	\$ 52,551
Internal Implementation	\$ 57,197
Marketing	\$ 15,599
Rebates and Services	<u>\$291,682</u>
	\$438,174

Audit selected one Evaluation item in the amount of \$7,185 for review. A \$75,000 invoice, representing 50% completion of the installation process, was provided in support of the request for \$7,185. The total invoice was allocated among all Energy North as well as Granite State Electric energy efficiency programs. Refer to the Allocated Expenses portion of this report for additional information regarding ANB Enterprises.

C&I Large Business Rebates - \$291,682

The Large Business Energy Solutions Program, as noted in the 9/2012 filing and 12/2012 revision targets electric customers with an average twelve-month demand of 200 kW or more. Rebate amounts for retrofit projects are authorized to be the lesser of a one year payback or up to 35% of the equipment and installation costs. For new projects, the rebate can be the lesser of one year payback or up to 75% of incremental costs. Funds from the Regional Greenhouse Gas Initiative auctions have increased funding for the CORE programs and allowed for fuel neutral incentives for new construction projects including high efficiency heating, cooling, hot water systems and controls.

Eight entries summing to \$198,592 were paid to the Trustees of Dartmouth College, and represent 68% of all Large Business rebate dollars. Audit requested clarification of the rebates paid and project totals and was provided with information summarized as follows:

Project Code	Project Description	Annual kWh	Lifetime kWh	Incentive \$	Project Cost	Incentive % of Cost
E-C&ILB-18	Dartmouth College Berry Library library-new	134,520	1,389,060	\$ 33,810	\$ 200,976	17%
E-C&ILB-24	Dartmouth College VAC Lighting-new	141,765	2,126,475	\$ 19,280	\$ 99,335	19%
E-C&ILB-26	Dartmouth College VAC Variable Frequency Drives-new	540,042	7,020,547	\$ 18,650	\$ 144,296	13%
E-C&ILB-27	Dartmouth College Berry Library Lighting and Controls-new	394,674	3,946,740	\$ 100,722	\$ 148,000	68%
E-C&ILB-28	Dartmouth College Berry Lighting - retrofit	6,701	87,118	\$ 400	\$ 916	44%
E-C&ILB-29	Dartmouth College Burke Hall Variable Frequency Drives-retrofit	301,516	3,919,705	\$ 19,700	\$ 426,482	5%
E-C&ILB-39	Dartmouth College Moore Hall Lighting -retrofit	23,476	305,186	\$ 6,030	\$ 38,020	16%
				\$ 198,592	\$ 1,058,025	

Rebate dollars comply with the 2013 approved programs.

### **Small Business Energy Solutions Program \$270,879**

Noted within the 9/17/2012 filing (pages 40-41) this program is designed for business customers using less than a twelve month average of 200kW or 40,000 therms. Similar to the Large Business Energy Solutions program, this program is intended for new or retrofit projects. The rebate amount for new projects is the lesser of 75% or a one year payback, and for retrofit projects is the lesser of 50% for gas customers and 35% for electric customers, or a one year payback.

Evaluation	\$ 16,482
Internal Administration	\$ 42,590
Internal Implementation	\$ 35,201
Marketing	\$ 13,705
Rebates and Services	<u>\$162,902</u>
	\$270,879

Refer to the Allocated Expenses portion of this report for additional information.

### **Residential Energy Star Homes Program - \$97,743**

As noted on page 24 of the 9/17/2012 filing, this program is fuel neutral designed to encourage homeowners and builders to build homes that are at least 15% more efficient than homes built to the 2009 International Energy Conservation Code (IECC). The program provides home builders with technical assistance, financial incentives, and instruction relating to compliance with Energy Star standards. New single family and multi-family projects are eligible, as are complete rehabilitations of existing structures. Project rebates are based on a sliding scale of Home Energy Rating System (HERS) results. The electric and gas utilities will coordinate to provide rebates for high efficiency gas HVAC equipment.

Evaluation	\$ 2,333
Internal Administration	\$ 7,947
Internal Implementation	\$ 6,781
Marketing	\$ 1,361
Rebates and Services	<u>\$79,321</u>
	\$97,743

Refer to the Allocated Expenses portion of this report for additional information.

**Residential Home Performance with Energy Star (HPwES) - \$88,895**

Noted on page 27 of the 9/17/2012 filing, regarding the HPwES program, the electric utilities will continue to provide fuel neutral weatherization services, and “the gas utilities will continue to serve their customers. Gas customers participating in the HPwES program can receive an incentive of 50% up to \$4,000 from their electric company in addition to the \$4,000 incentive from their gas company. This would apply after they reach their \$4,000 maximum from their gas company. The goal is to provide gas customers with an opportunity for deeper savings and to allow gas customers to take advantage of their paying into the electric SBC fund. This would also allow the gas and electric utilities to determine customer interest in doing “deep retrofits”.”

Evaluation	\$ 5,046
Internal Administration	\$20,042
Internal Implementation	\$ 8,748
Marketing	\$12,047
Rebates and Services	<u>\$43,013</u>
	\$88,895

Refer to the Allocated Expenses portion of this report for additional information.

**Residential Energy Star Lighting Program - \$89,984**

Evaluation	\$ 3,513
Internal Administration	\$ 8,766
Internal Implementation	\$ 4,912
Marketing	\$26,161
Rebates and Services	<u>\$46,632</u>
	\$89,984

Refer to the Allocated Expenses portion of this report for additional information regarding a review of EFI expenses. EFI was noted in the Rebates and Services line, \$46,632.

**Residential Energy Star Appliance Program - \$141,163**

Noted on page 30 of the 9/17/2012 filing is a description of the specific electric and gas rebates for itemized appliances. Rebates range from \$10 through \$1,500.

Evaluation	\$ 7,295
Internal Administration	\$ 11,093
Internal Implementation	\$ 6,084
Marketing	\$ 5,091
Rebates and Services	<u>\$111,599</u>
	\$141,163

Audit noted rebates paid to Jayco, Applied Proactive Technologies, and Energy Federation, representing the majority of the \$111,599 total. Immaterial dollars were noted in the Rebates portion as paid to Northeast Energy Efficiency Partnership and ANB Enterprises. Refer to the Allocated Expenses portion of this report for additional information.

**Residential Home Energy Assistance Program - \$293,702**

The original filing and Order stated that *“income qualified customers are eligible to receive up to \$5,000 for insulation, weatherization, cost effective appliance and lighting upgrades, and appropriate health and safety measures.”* (see 9/17/2012 filing page 33).

On 7/26/2013, Commission Order #25,554 approved, on a temporary basis, amendments to the HEA Program due to a delay in Federal Funding. The changes include among other things, increasing the per-customer spending cap from \$5,000 to \$8,000 (for electric utilities only) to better serve low-income residents. On 11/1/2013 a Secretarial Letter authorized the continuation of the increased spending cap through the end of 2013, as federal funds had not become available as anticipated.

The filing and Order indicate that 15% of the total budget, regardless of funding source, should be allocated to the HEA. Based on the budget in the 9/17/2012 filing (page 84 - 86), the calculated HEA budget was:

Commercial and Industrial Expenses	\$1,191,407
Residential Expenses	<u>\$ 881,589</u>
Total Budget	\$2,072,996 excluding incentives
15% of Budget	\$ 310,949 Budget noted in the filing

Audit reviewed the reported actuals expenses for the HEA:

Internal Administration	\$ 12,609
Rebates and Services	\$249,784
Internal Implementation	\$ 15,467
Marketing	\$ 3,713
Evaluation	<u>\$ 12,129</u>
Total Actual Reported	\$293,702

Actual reported expenses for 2013 represent 20.5% of the total reported actual expenses of \$1,428,853, but only 94% of the budgeted figure of \$310,949.

Audit requested supporting documentation for three entries. One in the amount of \$50,600 posted 4/30/2013 was paid to Tri-County Community Action. The OTTER invoice provided reflected 40 specific entries for the Maple Manor. Each line item was below the \$5,000 limit established prior to the issuance of Order #25,554 on 7/26/2013 which increased the cap to \$8,000. The invoice, dated 4/10/2013 reflected administrative costs of \$5,200 and rebate costs of \$50,600. Wennsoft identified the \$5,200 as External

Administration/Rebate and the \$50,600 as Rebate/Rebate. For reporting purposes, the entire invoice is included in Rebates. No exception.

The second entry, posted 5/22/2013 in the amount of \$30,956 was paid to Southern New Hampshire Services. The OTTER invoice reflected six individuals for whom administrative and rebate costs were incurred. Four of the six exceeded the \$5,000 cap, but all were below the \$8,000 cap. Specific customer OTTER work tracking sheets were provided which showed air sealing, wall insulation, CFL bulbs, electronic thermostats and set-backs, fan venting, attic insulation, replacement refrigerator, CO detector, basement insulation, and water flow devices. Not all customers received all of the items noted. While the invoice reflected the costs in excess of \$5,000 prior to the issuance of the Order approving the increased cap, Audit understands that the quarterly meetings contemplated the lack of federal funding, and that a formal proposal to increase the cap was presented to the Commission on 6/24/2013. The intent of the process was to ensure that safety measures identified by the field audits as required were in fact accomplished. Audit will therefore not consider the timing an issue.

Finally, one adjusting entry in the amount of \$19,192 posted 10/9/2013 and was a reclassification of an entry posted to the RGGI Expansion in error. Audit was provided with the OTTER invoice dated 4/3/2013. The total invoice of \$22,391.72 was split with \$19,192.34 rebates and \$3,199.38 administrative costs. There were no exceptions noted.

## Revenue

Total Funding Sources for the calendar year 12/31/2013 were reported to be:

System Benefits Charge (SBC)	\$1,679,301
2013 RGGI Quarterly Auction Proceeds	
Received 5/2013 1 <sup>st</sup> Quarter	\$ 155,380
Received 8/2013 2 <sup>nd</sup> Quarter	\$ 140,737
Received 11/2013 3 <sup>rd</sup> Quarter	\$ 113,628
Final RGGI Expansion received 11/2013	\$ 219,366
FCM Revenue	<u>\$ 107,610</u>
Revenue	\$2,416,022 See Reported vs. Booked
Interest	<u>\$ 25,398</u>
Total 2013 Funding	\$2,441,420
FCM Expenses	<u>\$ (3,046)</u>
NET 2013 Funding	\$2,438,374

On 9/26/2014 the Company provided a reconciliation of the collections reported vs. the collections booked to the general ledger account 8830-2-0000-20-2142-2423.

Reported Revenues	\$2,416,312 within \$290 of the detail above.
Booked Revenues	\$2,416,332 within \$310 of the detail above

### System Benefits Charge

The kWh was verified to quarterly customer migration reports filed per Order 24,715. The total kWh sales of 932,944,930 represented all customer classes and street lights, with the exception of Unmetered Customers. Audit requested clarification of the 5 unmetered customers on rate “U”, as it appears they are assessed monthly charges based on estimated kWh sales, but not assessed the SBC. Audit was provided with updated invoices which indicate each of the five is assessed at the General Service G-3 rate structure, including the SBC.

As part of the Low Income Energy Assistance Program (EAP) audit of program year October 2012 – September 2013, kWh sales were verified to the “Total Monthly Revenue” report number CR97992A without exception. The SBC was also verified to “Split of System Benefits Charge” report. Of the total SBC \$.0033 per kWh, the EAP uses \$.0015 while the CORE uses \$.0018.

### RGGI Quarterly Auction

Funding from the RGGI Quarterly was verified to documentation on file with the NHPUC Business Office, provided to them by the Electric Division of the NHPUC in coordination with the Sustainable Energy Division of the NHPUC.

### Forward Capacity Market

The Forward capacity detail, as reported in the final quarterly report in docket DE12-262 reflected revenue of \$107,610 and expenses of \$3,046 for a net funding source of \$104,564. The Company included the revenue in the overall revenue stream and the expenses in the overall expense totals noted in the fund balance. The Company noted that the FCM expenses were not included in the reported expenses and thus not included in the shareholder expense calculation.

### Interest

Interest of \$25,398 as reported to the Commission was properly calculated at 3.25% on the average monthly balance, including interest from the previous month. The rate was verified to the quarterly interest rate letters issued to all utilities by the Director of the NH PUC Gas/Water division.

The amount noted represents the calculation using the revised fund balance which includes the RGGI auction proceeds. The amount noted in the general ledger was \$18,496 as a funding source. Refer to the General Ledger Detail and Fund Balance Reconciliation portion of this report. No exception.

## Incentive

Audit requested a revised 2012 shareholder incentive calculation as part of the 2012 audit report issued on May 27, 2014. The Company submitted a revised incentive on June 10, 2014, filed in docket DE10-188. The adjusted calculation demonstrated actual incentives earned of:

Residential	\$29,836
Commercial & Industrial	<u>\$56,997</u>
Total 2012 Incentive	\$86,833
Amount booked in 2012 NGrid	\$10,507
Amount booked in 2012 Liberty	<u>\$57,036</u>
True-up of total 2012	\$19,290

Due to the timing of the revised incentive, the true-up for 2012 has not been booked as of the date of this report.

GSE calculated the 2013 incentive to be \$187,203. During the calendar year 2013, \$116,400 was booked to the accrued revenue account. GSE identified the incentive figure to be a reconciling item at year end, to be booked to the GL during 2014. The incentive was based on:

Commercial & Industrial Expenses	\$ 717,365	SHI = \$110,418
Residential	\$ 711,488	
Less HPwES Fuel Neutral	<u>\$ (20,244)</u>	SHI = \$76,785
Net Expenses 2013	\$1,408,609	SHI = \$187,203

The true-up of the booked \$116,400 and calculated \$187,203, \$70,803 will be booked after the final audit report is issued, in 2014. Refer to the recommended adjustments to 2013 expenses in Audit Issue #1.

## General Ledger Detail and Fund Balance Reconciliation

The Wennsoft Financial Reporting system is a system report by code. Wennsoft is the basis for the expenses reported. If manual journal entries are made to the Great Plains general ledger (now known as Microsoft Dynamic), there may not be the necessary system code associated with it. As a result, the monthly reports provided to the Commission may not reflect all of the actual adjusted costs. Audit was provided with the Granite State Electric Account Reconciliation for account 8830-2-0000-20-2142-2423 which reflects the following:

<u>Year End</u>	<u>per GL</u>	<u>Per Adjusted Fund Balance</u>
12/31/2013	\$(1,475,424)	\$(1,143,815)
Remove '12 interest true-up	\$ 936	-0-
Remove '12 revenue true-up	\$ (58)	-0-
Add '12 Incentive true-up	\$ 86,883	-0-
Remove '12 Water heater	\$ (13,146)	-0-
Add '13 Incentive true-up	\$ 187,203	-0-
Add understated '13 revenue	\$ (450)	-0-
Add '13 interest true-up	\$ (6,883)	-0-
Add '13 expenses in '14	\$ 37,591	-0-
Remove ENG expense	\$ (4,306)	-0-
Remove 12/13 Payroll accrual	\$ (7,687)	-0-
Add too much loan activity	\$ 52,789	-0-
Remove '13 bonus accrual	\$ (1,263)	-0-
Reconciled balance	\$(1,143,815)	\$(1,143,815)

The noted 2012 incentive true up of \$86,883 varies from the June 2014 report actually filed with the Commission which reflects \$86,833, a \$50 variance.

The reported fund balance and activity for 2013 reflects:

	<u>Per Table 5 of 6/2/2014 SHI</u>	<u>Per 9/26/2014 information to Audit</u>	<u>Net Change</u>
Beginning Over-collection	\$ (318,162)	\$ (318,162)	\$ -0-
Revenues Collected	\$(1,679,301)	\$(2,416,312)	\$(737,011)
Expenses	\$ 1,428,853	\$ 1,428,853	\$ -0-
Interest	\$ (17,486)	\$ (25,398)	\$ (7,912)
Incentive	\$ 187,203	\$ 187,203	\$ -0-
Net Ending Over-collection	\$ (398,893)	\$(1,143,815)	\$(744,923)

The filing Table 5, provided in June 2014, did not reflect any of the quarterly RGGI auction proceeds received during 2013, nor the Forward Capacity Market revenue for the year in the Revenues Collected line. The revised information provided to Audit in September does include those items, thus reflecting a net over-collection of \$1,143,815 at year-end 2013. The interest changed as a result of the increased funding.

**RGGI Revolving Loan Fund (RLF)**

On August 19, 2009, a \$7,646,020 grant identified as Re-CORE was approved by the Governor and Council which among other things established the Revolving Loan Funds administered by the Core Electric Utilities.

GSE received \$303,000 from the Re-CORE grant to establish a revolving loan fund. Audit reviewed the activity and balances at 12/31/2013, summarized as:

Original Re-CORE RLF funding	\$303,000
Loans issued as of 12/31/2013	(139,054)
Repayments of Loans 12/31/2013	<u>44,025</u>
Available to lend 12/31/2013	\$207,971

At 12/31/2013, 32% of the revolving loan fund was utilized by customers, leaving 68% on hand at GSE, available to lend.

**Audit Issue #1**  
**Marketing Expenses**

**Background**

Marketing expenses outlined in the filing and approved by the Commission are designed to promote the energy efficiency programs, through efficient and effective programs using ratepayer funds.

**Issue**

Audit reviewed several entries noted throughout the CORE programs as marketing expenses. Some included costs more appropriately reflected in the 2014 program year. The following summarizes the marketing expense adjustments recommended by PUC Audit:

PAREI	(\$ 2,810)
Northern Show Management	(\$ 298)
ESource	<u>(\$ 9,104)</u>
	(\$12,212)

**Recommendation**

The 2013 shareholder incentive calculation should be recalculated to exclude the adjustments noted.

**Company Comment**

The Company agrees with the Audit Staff's recommendation in assigning the expenses noted pertaining to 2014 to the 2014 program year.

**Audit Response**

Audit concurs with the Company comment.