

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 13-150

GRANITE STATE ELECTRIC COMPANY, INC. D/B/A LIBERTY UTILITIES

**Fiscal Year 2013 Reliability Enhancement and Vegetation Management Plan
Results and Reconciliation**

Order Following Hearing

ORDER NO. 25,536

June 27, 2013

APPEARANCES: Sarah B. Knowlton, Esq. on behalf of Granite State Electric Company d/b/a Liberty Utilities; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On May 15, 2013, Granite State Electric Company, Inc. d/b/a Liberty Utilities (Liberty or Company) filed the results of its reliability enhancement plan (REP) and vegetation management plan (VMP) for fiscal year (FY) 2013 (April 1, 2012 through March 31, 2013). The filing was made pursuant to the terms of a settlement agreement approved by the Commission in Docket No. DG 06-107 regarding the National Grid plc/KeySpan Corporation merger. *See* Order No. 24,777 (July 12, 2007). National Grid is the prior owner of Granite State Electric Company, Inc. which was acquired by Liberty in a series of transactions approved by the Commission in Order No. 25,370 (May 30, 2012). Upon completion of the transactions, Liberty assumed the obligations of National Grid under the settlement agreement.

As required by the settlement agreement, the filing included: (1) a report on the actual spending on operation and maintenance (O&M) activities and capital projects for FY 2013, including an explanation of the differences between the actual amounts spent and the budgeted amounts reviewed by Staff; (2) a request to refund customers the amount of \$52,081, consisting

of vegetation management reimbursements of \$253,054 from FairPoint Communications (FairPoint) reduced by \$200,973, the amount of O&M spending in excess of the base amount of \$1,360,000; (3) a request for an incremental revenue requirement of \$125,829 associated with REP capital investment of \$545,916; and (4) a summary of reliability performance for FY 2013.

On May 30, 2013, the Commission issued Order No. 25,515 suspending the tariff and scheduling a hearing for June 14, 2013.

II. POSITIONS OF THE PARTIES AND STAFF

A. Granite State Electric Company

As part of the settlement agreement, Liberty committed to implement an REP and VMP that would achieve by 2013 the reliability performance levels that existed prior to 2005. The Company testified that it is on target to achieve the required performance level in calendar year 2013.

The REP and VMP budgets are premised on the idea that specified levels of annual spending on capital and O&M activities are necessary to maintain the safety and reliability of the Company's electric distribution system. Liberty described the REP and VMP activities as including feeder hardening, augmented tree-trimming and clearing, asset replacement (including recloser installation) and inspection and maintenance.

According to Liberty, the settlement agreement assumes that a base amount of \$1,360,000 will be spent on O&M activities associated with REP and VMP during each fiscal year of the Company's five-year rate plan established in the settlement agreement. To the extent that the Company spends less than the agreed-upon base O&M budget on REP and VMP O&M activities for a given fiscal year, the difference would be credited back to customers either through a refund commencing on July 1 following the end of the fiscal year, or credited to the

next year's REP and VMP O&M budget, as determined by the Commission. Liberty explained that, notwithstanding the base O&M amount of \$1,360,000, the settlement agreement allowed Liberty to implement and collect the revenue requirement with alternative plans that exceed the base O&M amount assuming that the associated spending is just and reasonable.

For FY 2013, Liberty submitted an O&M budget of \$1,721,585 (\$145,000 for REP and \$1,576,585 for VMP). The Company actually spent \$1,560,973 on O&M activities related to REP/VMP (\$31,027 for REP and \$1,529,946 for VMP), or \$160,612 less than the budgeted amount. According to Liberty, the spending variance resulted from several factors including lower than expected bid prices for cycle pruning, and less demand for spot tree trimming, trouble and restoration calls. Somewhat offsetting those factors, the Company experienced greater than anticipated costs for police details for cycle pruning, increased demand for tree planting in exchange for tree removals, and increased spending for sub-transmission right-of-way clearing spending. The total spending of \$1,560,973 for REP/VMP O&M was reduced by FairPoint vegetative management reimbursements of \$253,054, resulting in a net REP/VMP O&M expense of \$1,307,919, or \$413,666 less than the budgeted amount of \$1,721,585. Liberty explained that the result for customers is a refund of \$52,081, which is the amount of REP/VMP expense below the base plan O&M amount of \$1,360,000. Liberty explained that the refund is less than the FY 2012 refund of \$295,207 and, consequently, represents a change in the REP/VMP adjustment factor from negative 0.00037 cents per kilowatt hour (kWh) to a negative 0.00010 cents per kWh.

The settlement agreement also established a process whereby the Company will prepare a proposed budget for REP capital investments for each fiscal year following discussions with Staff. For FY 2013, Liberty proposed a capital budget of \$588,000. The Company developed its

capital budget to install ten line reclosers along with completing the replacement of remaining potted porcelain cutouts by the end of the fiscal. According to its report, Liberty installed and actually spent \$241,032 in FY 2013; however, Liberty explained that an additional amount of approximately \$300,000 was incurred in FY 2013 in recloser installation but was not booked in FY 2013. Liberty said that the costs incurred in FY 2013 would appear in its report for the period April 1, 2013 through December 31, 2013. The Company also completed replacement of all of the remaining identified potted porcelain cutouts, including those requiring customer outages to facilitate replacement. Liberty spent \$47,362 on the replacement of potted porcelain cutouts, in excess of the budgeted amount of \$20,000. In addition, the Company spent \$257,522 for feeder hardening completed near the end of FY 2012 but not booked to plant in service until FY 2013. In summary, Liberty recorded \$545,916 in capital investment compared with the budgeted amount of \$588,000. Liberty requested an incremental REP capital investment allowance of \$125,829, representing the revenue requirement associated with \$545,916 of capital investment.

Overall, taking into account the FY 2013 capital and O&M spending along with changes in credits and refunds from FY 2012 to FY 2013, the Company requested a net increase to its annual distribution rates of \$371,284 for effect July 1, 2013. According to the Company, the rate changes associated with the REP/VMP reconciliation for usage on and after July 1, 2013 for a residential customer with an average monthly usage of 676 kWh per month, which is the average monthly usage over the 12 months ending April 2013, would be an overall monthly bill increase of \$0.33, or 0.4 percent, from \$89.43 to \$89.76. For other customers, overall increases range from 0.3 to 0.4 percent.

B. Staff

Staff supported Liberty's filing. Staff stated that it will continue to review the REP/VMP program and related issues in Docket No. DE 13-063, Liberty's pending distribution rate case.

III. COMMISSION ANALYSIS

We have reviewed the Company's filing and the testimony given during the hearing. Based on our review, we conclude that the activities performed by the Company during the year are consistent with the goals and parameters of the reliability enhancement and vegetation management programs. We have also reviewed the associated rate impacts and find that the rates are just and reasonable and in the public interest. Therefore, we will grant the petition and allow the Company to commence recovery of the costs through rates effective with services rendered on and after July 1, 2013.

On April 3, 2013 in Docket DE 13-039, the Commission approved Liberty's request to continue the REP/VMP program through December 31, 2013 while further review of the REP/VMP program is conducted in Docket No. DE 13-063, Liberty's distribution rate case. Because Liberty operates on a calendar year basis, we expect the Company to comply with the requirements of the settlement agreement approved in Docket No. DG 06-107 when it files its report of the results of the REP/VMP program for calendar year 2013.

We note that Liberty sought a temporary increase to distribution rates, also for effect July 1, 2013, in Docket DE 13-063. By Order No. 25,531, issued contemporaneously, we approved a temporary increase to distribution revenues of 26.35%. Residential customers using 676 kWh per month, the average monthly residential usage over the 12 month period ending April 2013, would experience a combined increase of 8.7%, with overall bills moving from \$89.43 to \$97.21 per month.

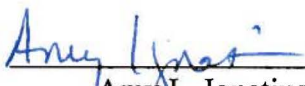
Based upon the foregoing, it is hereby

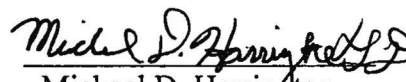
ORDERED, that the Fiscal Year 2013 reliability enhancement plan and vegetation management plan report and reconciliation filing of Granite State Electric Company, Inc. d/b/a Liberty Utilities is hereby APPROVED; and it is

FURTHER ORDERED, that the request for recovery of the FY 2013 REP/VMP capital expenditures and operation and maintenance costs in rates effective with service rendered on and after July 1, 2013 is hereby APPROVED; and it is

FURTHER ORDERED, that Granite State Electric Company, Inc. d/b/a Liberty Utilities shall file tariff pages conforming with this Order pursuant to Puc Part 1603 within 30 days hereof.

By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2013.


Amy L. Ignatius
Chairman


Michael D. Harrington
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Docket #: 13-150-1 Printed: June 26, 2013

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.