

STATE OF NEW HAMPSHIRE

Inter-Department Communication

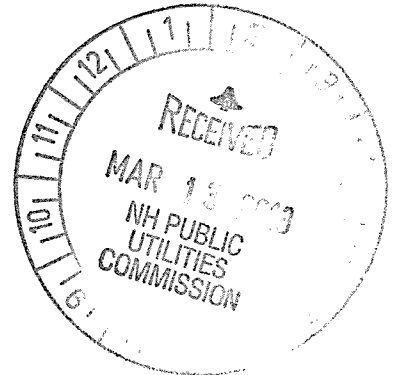
DATE: March 13, 2013
AT (OFFICE): NHPUC

FROM:  Steven E. Mullen
Assistant Director – Electric Division

SUBJECT: DE 13-039 – Granite State Electric Company d/b/a Liberty Utilities
Verified Petition for Continuation of Reliability Enhancement
Plan/Vegetation Management Plan

Staff Recommendation to Approve the Petition

TO: Amy Ignatius, Chairman
Michael Harrington, Commissioner
Robert Scott, Commissioner
Debra Howland, Executive Director



On January 31, 2013, Granite State Electric Company d/b/a Liberty Utilities (“Granite State” or “Liberty”) filed a Verified Petition for Continuation of Reliability Enhancement Plan/Vegetation Management Plan. As described in the petition, Liberty currently has an existing Reliability Enhancement Plan and a Vegetation Management Plan (collectively, “REP/VMP Plan”) that both originated in Docket DG 06-107.¹ According to Liberty, in addition to tree trimming activities, the REP/VMP Plan included certain capital projects and operations and maintenance (O&M) activities specifically targeted at improving the reliability of Liberty’s electric distribution system. Further, the purpose of the REP/VMP Plan was to bring Granite State’s reliability performance back to performance levels that existed prior to 2005. The REP/VMP Plan has a five-year term that is scheduled to end on March 31, 2013.

Annually, in accordance with the terms of the REP/VMP Plan and its tariff, Granite State files a reconciliation of the actual capital and O&M spending as compared to established base levels of spending. Any resulting refund or recovery is then accomplished through an adjustment to base distribution charges identified as the Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor.

¹ DG 06-107 was the proceeding involving the National Grid/KeySpan merger. National Grid is the predecessor owner of Granite State Electric Company.

In its petition, Liberty noted the Commission's approval, as part of a comprehensive Settlement Agreement in DG 11-040², of the "renewed commitments undertaken by Granite State in this transaction," including the continuation of the REP/VMP Plan. However, Liberty points out that there was no explicit extension of the REP/VMP Plan beyond its currently scheduled March 31, 2013 termination date. Citing the "importance of the REP/VMP Plan to providing an ongoing and dedicated amount of investment in reliability initiatives," Liberty is requesting that the Commission extend the program beginning April 1, 2013 until such time as the Commission rules on Liberty's proposed REP/VMP Plan in its upcoming distribution rate case³ and that the Reliability Enhancement Program and Vegetation Management Plan Adjustment Factor be similarly continued. If the Commission grants the requested extension of the REP/VMP Plan, Liberty plans to make the requisite reconciliation filing, including any related adjustment to rates, on February 15, 2014.

Attached to the petition was a report of Liberty's planned REP/VMP activities and spending for the period April 1, 2013 through December 31, 2013.⁴ The information contained in the report detailed the planned capital spending and operations and maintenance activities to support reliability enhancement and vegetation management. Based on its budgeted spending, Liberty estimates the incremental revenue requirements associated with the April 1, 2013 through December 31, 2013 REP/VMP spending to be \$84,367 for the capital expenditures and \$290,933 for the O&M activities.

Staff has reviewed the petition and supporting information. Based on its review, Staff recommends the Commission approve the petition and grant the requested relief. The activities to be performed during the period April 1, 2013 through December 31, 2013 are consistent with the terms of the REP/VMP Plan and activities performed in past years. In addition, the costs of the planned activities are in line with those incurred in recent years for similar activities. While Liberty has estimated the incremental revenue requirements associated with its budgeted program spending, Staff notes that any rate adjustment associated with the extension of the REP/VMP Plan would not occur until after the February 15, 2014 reconciliation filing. Furthermore, the actual amounts of any changes to revenue requirements will be dependent on the actual spending that occurs over the period as well as the results of the reconciliation or revenues and costs filed at that time.

Staff further notes that under the current terms of the REP/VMP Plan, Liberty does not request pre-approval of its budget by the Commission. Rather, Liberty would submit its annual budget for Staff review and any Commission decisions regarding the activities performed or the costs incurred would take place during the annual reconciliation proceeding. Staff does not view Liberty's requests in the current petition

² DG 11-040 was the proceeding concerning the acquisition of Granite State and EnergyNorth Natural Gas, Inc. by Liberty Energy Utilities (New Hampshire) Corp.

³ On February 27, 2013, Liberty filed a Notice of Intent to File Rate Schedules. That filing was assigned Docket No. DE 13-063. According to Liberty's petition in the instant docket, the rate case filing is to be submitted on or around March 31, 2013.

⁴ The existing five-year REP/VMP Plan utilized a fiscal year end of March 31. However, with the change of ownership, Liberty is proposing a calendar year end to coincide with its current operating practices.

to differ from that process. Rather, Staff considers Liberty's petition to be a straightforward request to extend the REP/VMP Plan and related rate reconciliation and adjustment mechanisms beyond the current scheduled termination date with further consideration of the future of the REP/VMP Plan to take place in the context of the soon-to-be-filed distribution rate case. Similar to past years, the Commission's determinations with respect to activities performed and costs incurred during the extension period would occur during the reconciliation proceeding.

Given the positive impact on Liberty's distribution system reliability, Staff views the request for extension of the REP/VMP Plan as a reasonable bridge to further detailed review of the programs in Liberty's distribution rate case rather than simply letting the REP/VMP Plan terminate.

Please let me know if you have any questions or would like to further discuss this matter.

cc: Suzanne Amidon
Thomas Frantz