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24STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

May 23, 2016 - 1:06 p.m.
Concord, New Hampshire

NHPUC JUN08'16 PM 3:02

RE DE 16-383
LIBERTY UTILITIES (GRANITE STATE
ELECTRIC) CORP. d/b/a
LIBERTY UTILITIES:
Request for Change in Rates.
(Prehearing conference)

PRESENT: Chairman Martin P. Honigberg, Presiding
Commissioner Robert R. Scott
Commissioner Kathryn M. Bailey

Sandy Deno, Clerk

APPEARANCES: Reptg. Liberty Utilities (Granite
State Electric) Corp. d/b/a
Liberty Utilities:
Michael J. Sheehan, Esq.

Reptg. the City of Lebanon:
Clifton Below

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Pradip Chattopadhyay, Asst. Cons. Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Paul B. Dexter, Esq.
Suzanne G. Amidon, Esq.
Jay Dudley, Electric Division
Richard Chagnon, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

 ORIGINAL

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P R O C E E D I N G

CHAIRMAN HONIGBERG: Good afternoon, everyone. We're here in Docket DE 16-383, which is a rate filing by Liberty Utilities (Granite State Electric) Corp. They have filed tariffs to change permanent rates and also requested temporary rates. In our Order on May 10th, we suspended the tariffs, and to investigate the appropriateness of the requested rates. We're here for a prehearing conference this afternoon.

Before we do anything further, why don't we take appearances.

MR. SHEEHAN: Good afternoon, Commissioners. Mike Sheehan, on behalf of Liberty Utilities (Granite State Electric) Corp.

MR. DEXTER: Appearing on behalf of the PUC Staff, Paul Dexter and Suzanne Amidon.

CHAIRMAN HONIGBERG: Let's work backwards.

MR. KREIS: Thank you, Mr. Chairman. I am the Consumer Advocate, Donald Kreis, here on behalf of residential utility customers.

1 MR. BELOW: Good afternoon, Mr.
2 Chairman and Commissioners. I'm Clifton Below,
3 on behalf of the City of Lebanon.

4 CHAIRMAN HONIGBERG: Having heard
5 from former Commissioner Below for the City of
6 Lebanon, who has filed a Motion to Intervene.
7 I don't believe we've seen anything in response
8 to that. Is there going to be any objection?

9 MR. SHEEHAN: Not from the Company.

10 CHAIRMAN HONIGBERG: Anyone else?

11 MS. AMIDON: No.

12 CHAIRMAN HONIGBERG: All right.
13 We're going to grant that Motion to Intervene.

14 I understand there's no affidavit of
15 publication, Mr. Sheehan?

16 MR. SHEEHAN: It has been filed
17 electronically. The publication was -- let me
18 start over. The deadline for publication was
19 the 13th, that was met, and the notice was
20 published in both newspapers, in the Valley
21 News, in the Upper Valley, and in the Eagle
22 Tribune for our lower service territory. They
23 were published on time. The affidavit of
24 service from those -- the affidavit of

1 publication from those newspapers, one of them
2 arrived on Friday. We filed it today. The
3 paper copy will be filed by the close of
4 business today.

5 So, the notice has been given, and it
6 has been electronically filed.

7 CHAIRMAN HONIGBERG: Okay. Is there
8 any other -- anything else in the nature of
9 preliminaries we need to deal with, before
10 hearings the Parties' initial positions?

11 *[No verbal response.]*

12 CHAIRMAN HONIGBERG: I see shaking
13 heads. That's a good sign.

14 All right. Mr. Sheehan, why don't
15 you share with us your initial position in this
16 case.

17 MR. SHEEHAN: Thank you,
18 Commissioner. It is brief. As you said in the
19 outset of the hearing, this is our general
20 distribution rate case filing for an increase
21 in our rates. We have requested an increase in
22 our permanent rates of about \$5.3 million per
23 year effective July 1. We have asked for a
24 step increase effective on or after the first

1 of 2017 of approximately two and a half million
2 dollars for additions put into service this
3 year.

4 We do not yet have a temporary rate
5 hearing date, and we would request one as a
6 result of today, either the hearing or the tech
7 session that will follow.

8 And, of course, we look forward to
9 the questions and the investigation by Staff
10 and the other Parties, and a reasonable outcome
11 of this rate request. Thank you.

12 CHAIRMAN HONIGBERG: Actually, thank
13 you for reminding me, Mr. Sheehan. I should
14 have noted that there will be a tech session
15 following the prehearing conference for the
16 parties. The Commissioners won't be present.

17 Going in the normal course, to the
18 back of the other side of the room, Mr. Below.

19 MR. BELOW: Thank you. In general,
20 the City of Lebanon has an interest in seeing
21 that the rates are just and reasonable, both
22 for customers and the utility itself. We're
23 particularly interested in the proposal for LED
24 street lighting tariffs. We did -- Liberty

1 Utilities did work with the City on a pilot of
2 LED street lighting in downtown Lebanon, which
3 I think was very successful and well-received
4 by the community.

5 We're also interested in taking a
6 closer look at the marginal cost of service
7 study and how that relates to retail rates. In
8 particular, demand charges for G-1 and G-2
9 customers. And I would just note that the
10 current rate structure has those demand charges
11 regardless of whether they're coincident with
12 peak. So, customers really have no incentive
13 from the distribution rate point of view to
14 shift load from coincident peak, say the middle
15 of a hot summer afternoon to the middle of the
16 night. So, that's something we would like to
17 look at.

18 There are some other matters, which
19 are probably more appropriately or will be more
20 fully developed in the investigation into grid
21 modernization and the net metering docket, but
22 may ultimately tie back to aspects of this case
23 as well.

24 CHAIRMAN HONIGBERG: Mr. Kreis.

1 MR. KREIS: Thank you, Mr. Chairman.
2 And with apologies for any adjectives or
3 adverbs I might use along the way.

4 Liberty Utilities is requesting an
5 overall increase in its distribution rates of
6 nearly 16 percent for a typical residential
7 customer, when you include the proposed step
8 increase that the Company proposes for 2017.
9 That works out to an increase of more than five
10 percent a year since the last rate case was
11 concluded in 2014, vastly in excess of the rate
12 of inflation.

13 Needless to say, in the view of the
14 OCA, a rate increase of that magnitude cannot
15 meet the statutory requirement for just and
16 reasonable rates.

17 Our review of Liberty's filing is
18 still in its preliminary stages, but there are
19 numerous red flags. The Company cites the need
20 for significant capital investments as the
21 primary driver of the requested rate increase
22 at a time when its sales are not increasing.
23 This is a worrisome and unsustainable trend.

24 The Company's prefiled testimony on

1 cost of capital is rich in hyperbolic claims.
2 Just to cite one example, the Company claims an
3 adjustment for flotation costs, even though
4 every New Hampshire utility knows or should
5 know that this Commission hasn't allowed the
6 inclusion of flotation costs in ROE since,
7 well, since forever. The requested ROE of
8 10.3 percent, at a time when the risk-free
9 benchmark rate is 1.85 percent, is unjust and
10 unreasonable, as is the idea that the
11 Commission should simply ignore the Company's
12 actual capital structure.

13 Liberty offers this lavish assessment
14 of its riskiness from an investor perspective,
15 even though its proposal would build on its
16 requested 16 percent rate hike with a series of
17 automatic annual step adjustments in years 2018
18 through 2021. From a customer standpoint, this
19 amounts to a form of heads-I-win-tails-you-lose
20 revenue decoupling.

21 Revenue decoupling on a more
22 symmetrical basis is well worth exploring, but
23 any such innovative rate design is
24 conspicuously missing from this rate case

1 filing. As I learned in connection with the
2 settlement agreement my office signed in the
3 EERS docket, 15-137, a bad taste lingers in the
4 mouths of our state's utilities as the result
5 of an intransigent position taken by the
6 Commission Staff on revenue decoupling in a
7 2010 LDC rate case. As a result, we are
8 missing an opportunity, and opportunity after
9 opportunity to make progress on rate design.

10 Another issue for the Commission to
11 consider is the fact that Liberty filed its
12 latest Least Cost Integrated Resource Plan on
13 January 14, in Docket No. 16-097. I realize
14 that RSA 378:40, which is the applicable
15 statute, gives the utility a safe harbor with
16 respect to a rate case like this while a
17 proposed Least Cost Integrated Resource Plan is
18 pending. But it might make sense to complete
19 the review of that plan prior to the conclusion
20 of this rate case.

21 Finally, the OCA is troubled by the
22 extensive revisions the Company is proposing to
23 its tariff that go almost completely unremarked
24 in the Company's prefiled testimony. For

1 example, at Page 10 of the redline version of
2 the proposed tariff, which is Attachment HMT-2,
3 there's language in which Liberty appears to
4 disavow the obligation to serve that has formed
5 the basis of the so-called "utility compact"
6 that has applied since Samuel Insull roamed the
7 earth.

8 These are just some of the red flags
9 we've noted in the Company's filing. We look
10 forward to working with the Company, Commission
11 Staff, the City of Lebanon, and any other
12 intervenors to resolve this rate case in a
13 manner that does not unreasonably enrich this
14 utility at the expense of its customers.

15 CHAIRMAN HONIGBERG: Thank you, Mr.
16 Kreis. Don't ever lose the adjectives and
17 adverbs. Although, you're going to have to
18 explain that to those who were not in the room
19 at the time.

20 Mr. Dexter.

21 MR. DEXTER: Thank you. The Staff's
22 position is that this case requires a full
23 investigation, and we plan to use all the time
24 allotted by the suspension period to complete

1 that investigation and participate fully.

2 Thank you.

3 CHAIRMAN HONIGBERG: All right. I'm
4 not sure there's anything else we need to do
5 before we leave you to your technical session.

6 Mr. Kreis, you look like you wanted
7 to say something, I'm sorry?

8 MR. KREIS: Nope. I have nothing to
9 say.

10 CHAIRMAN HONIGBERG: All right. You
11 had that look like you were winding up with
12 something there. I just wanted to make sure I
13 gave you a chance.

14 MR. KREIS: Just gearing up for the
15 tech session.

16 CHAIRMAN HONIGBERG: All right.
17 Sounds good. All right. We will leave you to
18 that. And we look forward to your production
19 of a reasonable schedule to get this matter
20 resolved and everything wrapped up nicely in a
21 bow, if possible, and, if not, litigated fully.
22 So, good luck to you. Thank you.

23 ***(The prehearing conference was adjourned at 1:16***
24 ***p.m., followed by a technical session thereafter.)***