



Michael J. Sheehan, Esq.
Senior Counsel
Phone: 603-724-2135
Email: Michael.Sheehan@libertyutilities.com

April 26, 2019

NHPUC 26APR'19PM4:10

Via Hand-Delivery and Electronic Mail

Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

Re: Docket No. DE 19-051; Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities Reliability Enhancement Plan and Vegetation Management Plan Report

Dear Ms. Howland:

One result of the global resolution of Granite State's 2018 tax docket (DE 18-050), the Company's REP/VMP filing (DE 18-051), and other matters, was that the Company recovered \$552,144 in vegetation management O&M costs through base rates rather than through the usual REP/VMP adjustment factor. See Exhibit 2 in Docket No. DE 18-050, at Supplemental Attachment 1. This base rate collection must cease as of June 1, 2019, because recovery of O&M costs addressed in this docket will again flow through the adjustment factor.

During the April 16, 2019, hearing in this docket, DE 19-051, the parties notified the Commission of this issue and represented that they would confer and propose an efficient method to accomplish this base rate adjustment.

The parties have done so and, by this letter, the parties propose that the Commission approve through this docket, DE 19-051, the following adjustments to rates, which adjustments will accomplish the cessation of the base rate collection described above, the Company's full recovery of the O&M costs from DE 18-034, and also provide for recovery that the Company seeks in DE 19-051.

This proposal is intended only to address the \$552,144 base rate issue described above and thus the figures in this proposal reflect the assumption that the Commission will approve the REP and VMP adjustments as the Company requested in its filings. The proposal does not affect or reflect Staff or OCA's proposed disallowances, as detailed during the April 16 hearing.

O&M

The current REP/VMP adjustment factor arising out of DE 18-034 would have been \$0.00059 per kWh through June 1, 2019. However, as described above, Liberty used \$552,414 of the 2018 tax credit to adjust this factor to \$0.00000, effective June 1, 2018 (for 12 months). This was effectively a \$552,414 permanent rate increase to offset O&M cost recovery. Absent this proposal, Liberty would need to file for a base rate adjustment to lower base rates by \$552,414 effective June 1, 2019.

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- The parties propose making the following changes effective May 1 to avoid a base rate adjustment again on June 1.
- The parties recommend taking the DE 18-034 adjustment factor of \$0.00059 for May 2019 and spread it out over the twelve months starting May1, 2019 ($\$0.00059 / 12 = \underline{\$0.00005}$).
- The parties propose adding the \$0.00005 from DE 18-034 calculated above to the adjustment factor proposed in DE 19-051 of \$0.00047, resulting in a combined adjustment factor of \$0.00052 starting May 1, 2019 ($\$0.00005 + \$0.00047 = \underline{\$0.00052}$).
- This would result in a proposed adjustment factor of \$0.00052 per kWh for 12-months beginning May 1, 2019, which includes the balance of DE 18-034 and the O&M requested in DE 19-051.

Capital

The Company proposed an increase in base rate revenue of \$247,919, or 0.61% ($\$247,919 / \$40,758,822 = 0.61\%$).

- The parties propose removing the \$552,414 from rate base rates effective May 1, 2019. This would cause a decrease of 1.36% in base rates ($\$552,414 / \$40,758,822 = 1.36\%$).

Assuming the Commission allows Liberty recovery as filed, this would result in a net base rate decrease of \$304,495 or 0.74%. ($\$247,919 - \$552,414 =$ a credit of \$304,495) (A credit of \$304,495 / $\$40,758,822 =$ a reduction of 0.74% in base rates).

By approving the updated adjustment factor and base rate changes described above, the Commission will implement all the rate changes requested in DE 19-051, subject to the resolution of the disallowances recommended by Staff and OCA and resolve the issue lingering from DE 18-050. The effect of these changes is a 0.0% rate change for residential customers using 650 kWh per month.

Attached are the schedules which support the calculations above and which have been assigned numbers that correspond to the Bates number of the Company's filing in DE 19-051 (69R – 71R and 73R). Also attached is a table showing the Bill Comparison for Rates Effective May 1, 2019, which reflects the proposed changes resulting from this docket and from DE 16-383 (2019 step adjustment) and DE 19-062 (retail rate filing). Staff and the OCA have reviewed and approve this letter.

Thank you.

Sincerely,



Michael J. Sheehan

Enclosures
cc: Service List