

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 19-064
Distribution Service Rate Case
2019 Step Adjustment

Staff Data Requests - Set 1

Date Request Received: 5/14/20
Request No. Staff 1-3

Date of Response: 5/29/20
Respondent: Heather M. Tebbetts
Anthony Strabone

REQUEST:

Re: 2019 Step Adjustment Attachment 2, Project #8830-1911 Public Requirements Blanket. Based on the Project Close Report at 10, the project was over-budget by \$148,186.86. Please provide the following information for this project:

- a. Additional detail explaining why the actual burden rate was significantly higher (140%) than originally estimated (30%).
- b. The past three years of internal and external labor burdens (average per year is acceptable).
- c. Please explain why the recommendation was made to “work with Finance to determine more accurate burden rates,” at 9. Please explain why the initial methodology used by Finance was inaccurate and what corrective steps were taken by Finance to calculate more accurate burden rates.
- d. What corrective steps were undertaken by Engineering to improve the estimating process?
- e. Staff was unable to tie-out the amounts referenced at 1 to the amounts represented in Section 8 of the Close Out Report at 9 and 10 (e.g. Cost of materials \$53,786 vs. \$68,085). Please explain the differences and provide a more specific itemization.

RESPONSE:

- a. The actual effective burden rate applied to individual projects is calculated based on multiple factors. The first factor is the timing of actual spend within the year coupled with the actual spending of other projects during that same monthly time frame. Based on these factors, actual monthly burden costs are then allocated based on eligible monthly expenditures. The monthly burden cost applied to each project thus varies depending on the weighted average of the individual calculation within that given month. That is, spending on a project when few other projects are incurring costs will result in a relatively higher burden rate because there are fewer dollars during that month to allocate the monthly burden amount. Conversely, spending during a busy month when many

other projects are simultaneously incurring costs will result in a relatively lower burden rate because that same monthly burden amount can be allocated over more projects. Please see the table below showing the overall burden percent for 2018 at 29%, thus the estimate of 30% was reasonable for estimates for 2019 projects.

- b. Please see the table below for the labor burden rates from 2017 through 2019.

Year	Charges w/o Burdens	Labor Burdens	Total Charges	Burden % of Total
	(a)	(b)	(c)	(d)
2017	12,986,814	4,932,246	17,919,059	38%
2018	14,576,817	4,278,147	18,854,964	29%
2019	12,381,043	6,954,478	19,335,521	56%

$$(d) = (b) / (a)$$

- c. As noted in part a. above, 30% was a reasonable applied burden rate for 2019. For 2020, Finance is reviewing actual burden rates each quarter to try to more accurately project burden rates.
- d. Engineering will utilize previous years' burden rates for like projects and blanket projects to estimate future like and blanket projects.
- e. As noted in testimony and in the attachments, the project close out reports contain all charges for the calendar year, including materials. The request in this proceeding for 8830-1911 Public Requirements Blanket is only for those work orders (or projects) that were in service by 12/31/2019. Materials for work orders not placed in service were included in the project close out form, making up the difference of \$14,299.