

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DG 19-145

In the Matter of:

**Liberty Utilities (Energynorth Natural Gas) Corp.
Winter 2019/2020 And Summer 2020 Cost Of Gas Filing**

Direct Testimony

of

**Al-Azad Iqbal
Utility Analyst – Gas & Water Division**

October 08, 2019

1 **Q. Please state your name, current position, and business address.**

2 **A.** My name is Al-Azad Iqbal. I am employed by the New Hampshire Public Utilities
3 Commission (Commission) as a Utility Analyst. I have been a Utility Analyst from 2007
4 to the present. My business address is 21 South Fruit Street, Suite 10, Concord, New
5 Hampshire, 03301.

6

7 **Q. Please summarize your educational and professional background.**

8 **A.** My educational and professional background is summarized in Appendix A.

9

10 **Q. What is the purpose of your testimony?**

11 **A.** The purpose of my testimony is to provide Commission Staff's analysis of the Liberty
12 Utilities (Energynorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty EnergyNorth, or
13 the Company) Winter 2019/2020 and Summer 2020 Cost Of Gas Filing wherein the
14 company filed Revenue Decoupling Adjustment (RDA) calculations for the first time
15 since decoupling went into effect on November 1, 2018.¹ In this testimony, Commission
16 Staff (Staff) explains Staff's analysis of the RDA related tariff issue the Company raised
17 in its initial filing, Staff's proposed corrections to the Company's Schedule 19 RDAF
18 (Bates page 118-129), Local Delivery Adjustment Clause (LDAC) (Tariff page 97), and
19 Staff recommendation regarding the normal weatherization adjustment (NWA) as applied
20 to the proposed cost of gas (COG) rates for Liberty EnergyNorth customers. Liberty
21 agreed with Staff and, on October 7, 2019, filed revised testimony and schedule pages.

22

¹ See Order No. 26,122 at 43-46, 53-55 (April 27, 2018) (approving decoupling); Order No. 26, 187 at 11 (November 2, 2018 (addressing Liberty's motion for rehearing).

1 **Q. Please summarize the issues addressed in this testimony.**

2 **A.** While reviewing Liberty's initial Filing, Staff identified the following issues with regard
3 to Liberty's RDAF calculations:

- 4 • The Company initially claimed that the tariff related to RDAF calculation (Tariff
5 page 34-38) does not match the intent of the RDAF because Liberty believed that
6 the calculations of actual revenue and allowed revenue for R-4 customers were
7 not aligned with each other. Staff disagreed and explained the reasons to the
8 company in a technical session.
- 9 • The Company used the wrong Benchmark Base Revenue per bill (Schedule 19,
10 page 8) for the period of November 2018 to June 2019.
- 11 • Staff discovered that the tariff language/formula to calculate RDAF does not
12 incorporate an NWA monthly adjustment.

13 The Company ultimately agreed with Staff, and made a revised filing on October 7, 2019,
14 that proposed to adjust schedules and testimony to correct the above errors.

15

16 **Q. Please explain the issue related to R-4 revenue.**

17 **A.** R-4 is a rate class for low-income heating customers. Low-income customers pay a 60%
18 discounted delivery rate and 60% discounted customer charges as compared to R-3
19 heating customers. R-3 is a rate class for regular residential hearing customers. The cost
20 of the discount for R-4 is collected and paid to the Company through the Residential Low
21 Income Assistance Program (RLIAP) charge. All rate class customers, including R-4
22 customers, pay an LDAC charge, which includes the RLIAP charge. In combination,
23 money from the R-4 (low income) customer class charges plus the RLIAP charge is

1 equivalent to what would have been collected from R-4 customers if they had been
2 charged the R-3 (regular residential hearing class) rates. Since the Company is already
3 made whole for the discount offered to low-income (R-4) customers after revenue
4 collected from the RLIAP charge is collected, Liberty’s initial “adjustment” for R-4
5 customers overestimated compensation due to the Company by approximately 2.1 million
6 dollars. Staff’s analysis is consistent with the relevant tariff language which states that
7 “For purposes of calculating the Actual Base Revenue, base revenues for Low Income
8 rate class R4, shall be determined based on non-discounted rate R-3” when calculating
9 the AR_{T-1} (Actual Base Revenue for the applicable Customer Class for the most recently
10 completed Decoupling Year. See Tariff page 37). The intent of RDAF and tariff
11 language match perfectly in this context.

12
13 **Q. Please explain the second issue related to Benchmark Base Revenue per bill.**

14 **A.** In its initial filing, the Company incorrectly used the latest rates, which were effective
15 from July 1, 2019, for the whole decoupling period of Benchmark Base Revenue per bill
16 calculation. The Benchmark Base Revenue per bill (BRPC_{T-1}) is used to calculate the
17 allowed revenue for the decoupling year. As the rates increased on July 1, 2019, the
18 application of these rates for the entire decoupling year incorrectly inflated the allowed
19 revenue by approximately 0.8 million dollars. The Company made a revised filing on
20 October 7, 2019, that proposed changes to correct this error.

1 **Q. Please explain the third issue related to the monthly NWA.**

2 **A.** During the review of the RDAF calculations, Staff discovered that the tariff is ambiguous
3 with regard to how to incorporate the real-time normal weather adjustment in the
4 calculation of actual revenue in the context of the RDAF formula. According to the
5 Tariff (page 34, Section D.4 (a): “The Company will use monthly distribution revenues
6 and Actual Number of Customers to determine the Monthly Actual Base Revenue per
7 Customer.” This description underlies the tariff’s Revenue Decoupling Adjustment
8 Formulas (RDAF) on Tariff page 36 section 17.D.5 (b). This formula does not
9 incorporate the real-time normal weather adjustment (NWA) which changes the actual
10 revenue the company collects from customers. Without modification, the actual revenue
11 calculated in the RDAF would either be higher or lower than actual revenue depending
12 on the monthly normal weather adjustment (NWA) charge or credit. The annual
13 reconciliation would not address this issue either, as it is not part of the RDAF
14 calculation. In its analysis, Staff identified this issue. It is anticipated that Liberty will
15 file proposed corrections to the tariff language to incorporate the NWA, and correct for
16 NWA variations.

17
18 **Q. Did the revised filing address this NWA issue?**

19 **A.** Yes. The current tariff (page 36) defines the Normal Weather Factor (NWF) in terms of
20 “delivery charges normal” and delivery charges actual.” In its revised schedules, the
21 Company proposed calculating NWF using normalized sales (normalizing Dth sales) to
22 determine the actual revenue for RDAF purposes. Staff believes that using normalized
23 sales in Dth to calculate the revenue effectively incorporates the NWA.

1 **Q: Is current tariff language sufficient?**

2 **A:** No. Staff believes the tariff should be amended to explicitly account for the NWA.

3

4 **Q. Do you have any more comments?**

5 **A.** Yes. Staff's review of the Company's RDAF calculations was limited to the data
6 provided by the Company. Staff did not check the veracity of the inputs in the models
7 used in the filing. Staff reserves the right to identify other issues or concerns with the
8 Company's filing.

9

10 **Q. Does that conclude your testimony?**

11 **A.** Yes.