Dear Executive Director Howland,

I write you to voice my concerns regarding Liberty Utilities d/b/a EnergyNorth (“Liberty”)’s request for a rate increase which the Commission currently has docketed as DG 20-105. I am one of Liberty’s 97,000 customers in New Hampshire and reside in the City of Concord.

Disproportionately Increasing Rates on Low-Income Customers. Really?

First of all, I am not a low income customer, but the disproportionate increase Liberty has proposed for low income residential heating customers is absolutely outrageous, and really, politically unpalatable. It is beyond me why this utility—in the midst of a pandemic—would propose to increase the distribution revenues drawn from low income customers by 31.99%, when they propose a revenue increase of 20.92 for all other residential customers. This aspect of this rate filing is egregious.

Overly-Rich Return on Equity

Speaking of egregious, the Company’s proposed return of equity of 10.51% percent borders on comical, as it is more than 100 basis points above the most recently approved return on equity with the New Hampshire Public Utilities Commission, and is way out of line with the other returns approved throughout the country. Return on equity is one of the most impactful inputs for a utility’s revenue requirement, resulting in the most impact on the overall rate hike. The small size premium the company uses in party to justify this return is entirely unsupported to logic and precedent. As the Commission considers Liberty’s tragically comical requested return on equity, it should focus primarily on the multi-stage discount cash-flow analysis the Company has provided, rather than the constant-growth DCF or CAPM results, as the multi-stage DCF is much more likely to align with actual market yields. Furthermore, the opinion of the Company’s witness, Mr. John Cochrane, regarding decoupling’s impact on return on equity is incredibly over-simplistic. Of course, weather-normalized decoupling impacts the risk of investment in a regulated utility; the sample set Mr. Cochrane refers to in his testimony does not clarify the type of decoupling utilized (weather normalized, non-weatherized normalized, lost revenue adjustment mechanism only, etc.), so his arguments in that regard should be completely disregarded by the Commission. A more reasonable return on equity would be somewhere between 9% and 9.2%, in line with the Commission's most recently approved rate cases.

Cost of Capital to Incorporate Future Debt Issuances

Relatedly, I also recommend that the Commission retroactively adjust the Company's overall capital structure during each annual decoupling adjustment to reflect any new debt issuances which may have occurred. Far too often, I have seen utilities issue debt directly after approval of their rate case request in order to lower their actual cost and improve effective return on equity, outside the opportunity for regulatory review. Debt issuances subsequent to a utility's approved revenue requirement lower the utility's overall actual revenue requirement because debt costs substantially less the equity investment. This approach can result in a shifting of carrying costs from utility shareholders to utility ratepayers and the New Hampshire Public Utilities Commission should put a stake in the ground on this issue within this rate case for every utility that has decoupling in this state.

The Proposed Customer Charges and Rate Designs are Outrageous and Should be Rejected

Liberty has proposed a monthly customer charge of between approximately $23 and $18 for non-low-income customers and a declining headblock/tailblock arrangement for commercial customers. Rewarding customers for using more gas has been crystalized as bad policy since the passage of PURPA in 1978. Surely, New Hampshire cannot be more than four decades behind that curve. It is absolutely astounding that a decoupled distribution utility in modern day America would even proposed such rate structures. The high customer charge, which was forthrightly dispensed with during the Company's last rate case, and the declining block rates, send a price signal that says "use more energy" and a message that says "we don't care if you are poor and use little energy, we want our revenues assured for the sake of our shareholders." The Commission should outright reject these rate designs as anti-consumer.

DIMP is Anti-Ratepayer and Should Be Rejected

Additionally, the Company’s $142 million Distribution Integrity Management Plan (DIMP) and associated step increases seems entirely unreasonable and out of step with cost of service ratemaking more generally. Inherent in cost of service ratemaking is the earnings attrition associated with the time the Company must occur between rate increases; this earning attrition provides an incentive for the utility to try to find cost savings between rate cases and these cost savings accrue to the Company’s ratepayers. The entirely unjustified step increases which the Company has requested in its filing remove this incentive to find efficiencies entirely, and shift all risk associated with rising costs associated with capital spending towards the Company’s ratepayers.

Captive Ratepayers Should not be Responsible for Liberty’s Gambles on Gas Infrastructure Buildout

Furthermore, there is no reason the Company’s captive ratepayers should have to pay for its unsupported plans to expand its footprint to opportunities which do not provide us a net benefit. This includes the Keene CNG conversion and the iNATGAS buildout in Concord. These Company’s shareholders should pay for its gambles on these buildouts, in much the same manner they put their profits on the line in the Hanover-Lebanon region.

Concord Gas-holder Needs an Exit Strategy

Finally, I live in Concord and often run past the gas-holder. This is a piece of real-estate which the Company pays property taxes on annually, in spite of the fact it has not been used-and-useful providing service for several decades. The Commission should factor those future property tax payments (for example 20 years’ worth) into its evaluation of whether the Company’s efforts to rehabilitate this property for sale to private parties might provide a net benefit to ratepayers. Liberty has no incentive to rehabilitate this property because its capital investment and continued property tax costs are entirely paid for by ratepayers. The Commission should step in and require the Company to consider future property tax costs when it evaluated whether or not to rehabilitate and sell the property, which is a blight on downtown Concord.

Thanks you for your time and consideration. If you have any further questions, you can reach me at.

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- Michael Wittliff