

**State of New Hampshire
Public Utilities Commission
DG 20-105**

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Company

Distribution Rate Case

Record Request - Exhibit 55

Request:

Please explain the reasons why the NH Department of Energy (former PUC Staff) is supportive of the Weighted Average Cost of Capital (WACC) of 6.96%, as contained in the Settlement (Exhibit 49 at 8, Section 4.2), as compared to the WACC of 6.67% as contained in Dr. Woolridge's testimony of March 18, 2021 (Exhibit 41 at 8, Table 2), noting that both the return on equity and equity portion of the capital structure are higher in the Settlement than in the March 18 Dr. Woolridge testimony.

Response: by Dr. J. Randall Woolridge

Settlement Weighted Average Cost of Capital

	Capitalization	Cost	Weighted
Capital Source	Ratios	Rate	Cost Rate
Total Debt	48.00%	4.42%	2.12%
Common Equity	<u>52.00%</u>	<u>9.30%</u>	<u>4.84%</u>
Total Capital	100.00%		6.96%

The Company initially requested a capital structure with a common equity 50.15% ratio and a ROE of 10.51%. Subsequent adjustments put the common equity ratio at 52.00%. Staff's recommendation was a capital structure with a common equity 49.21% ratio and a ROE of 9.00%.

DOE/Staff's position is that both the capital structure and the ROE are a little above our recommendations. However, the capital structure is still in the 50%/50% debt equity range, and the ROE is much closer to Staff/DOE's recommendation than the Company's, and is similar to the authorized ROEs for (1) electric distribution companies in recent years and (2) for electric and gas companies in New Hampshire. The 9.30% is also similar to the earned ROEs for gas companies in recent years. Finally, as in any settlement, there is a give-and-take on different elements of the rate case and Staff/DOE believes that the overall settled cost of capital is acceptable in light of the overall settlement.