

STATE OF NEW HAMPSHIRE

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August 12, 2022

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DG 20-105; Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty;
Petition for Permanent Rates; Department of Energy Recommendation for Recovery of
Rate Case Expenses

Dear Chairman Goldner:

On August 30, 2021, Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty (Liberty) filed a Motion for Recovery of Rate Case Expenses, seeking authority to collect \$856,865 of actual and estimated rate case expenses through its Local Distribution Adjustment Clause (LDAC) beginning November 1, 2021. This amount had been agreed to in a settlement agreement approved in part in DG 20-105 in PUC Order No. 26,505, subject to audit and update for actual invoices.

When Liberty made its LDAC filing on September 1, 2021, in DG 21-130, the rate case expense figure for which recovery was sought was \$785,177. DG 21-130, Exhibit 2 at Bates 126, Line 2. In Order No. 26,541 at 8-9, the Commission did not approve recovery of these expenses in the LDAC, noting that the Department of Energy had not yet submitted a recommendation concerning rate case expense recovery in DG 20-105, and the expenses had not yet been determined to be just and reasonable, and in the public interest, and otherwise conforming to the requirement of Chapter Puc 1900.

This letter is the Department's recommendation on these rate case expenses. The Department of Energy's Audit Division issued a final report on these rate case expenses dated October 11, 2021.¹ The Audit Report recommended approval of recovery of \$694,412 in rate case expenses, which was essentially all the rate case expenses proposed for recovery by Liberty, except the Audit recommended non-recovery of \$12,893 in legal expenses paid to Keegan Werlin, and \$34,215 in consulting services paid to ScottMadden. These costs were related to recovery of development costs for Liberty's Granite Bridge project, not the rate case, and thus were not eligible for recovery as rate

¹ The Final Audit Report is attached to this letter. Although the Final Audit Report is labeled Confidential, based on Liberty's Motion for Confidential Treatment dated August 30, 2021 which concerned hourly rates for consultants and tax identification numbers, the Audit Report not contain any such information.

case expenses. Audit Report at 12-14. Liberty disagreed with the Audit report noting that in DG 17-198 the Commission stated that costs recovery for capital projects and supply planning costs (like Granite Bridge) are appropriately reviewed in a full rate case.² Liberty amended its rate case filing in DG 20-105 to include a review of the Granite Bridge development costs project, which the PUC did review.³

The Final Audit report also shows \$48,382 paid to Concentric Energy Advisors, Inc. for consulting services related to a review of Liberty's decoupling mechanism.

Based on the above, the Department recommends that the PUC allow recovery of all the rate case expense presented in the Final Audit Report (updated for any actual invoices received since the audit was completed) except for:

1. Legal and consulting costs associated with recovering Granite Bridge development costs:

In the Puc 1900 rules covering rate case expenses, a full rate case is defined as a proceeding in which a revenue requirement is established, and rates are set to meet that revenue requirement. Puc Rule 1604 sets out the information that a utility must file in support of a rate case. This information centers on per books test year information concerning rate base, revenues, and expenses, as well cost of service studies to examine class allocation and rate design.

The Granite Bridge development costs are unrelated to any of the financial information examined in a rate case because Granite Bridge was never put in service, it is not in rate base, it does not serve any Liberty customers, and does not produce or support any utility sales or revenues. The Granite Bridge development costs that Liberty sought to recover in DG 20-105 were proposed for inclusion in its Local Distribution Adjustment Clause (LDAC) not, the base distribution rates that were being set in DG 20-105. The Granite Bridge development costs and the costs incurred to pursue LDAC recovery are fundamentally different from the typical rate case expenses that are incurred to present and examine utility's cost of service and revenue requirement. Typical rate case expenses (for which recovery under the Puc 1900 rules is contemplated) include consultants who examine the depreciation of utility plant in service, rate design to recover a utility's cost of service, and the cost of debt and equity needed to fund plant in service and utility operations; not costs for a capital project that was never put in service.

2. Decoupling related Consulting Costs:

² See Order No. 26,409 at 13, DE 17-198 (October 6, 2020).

³ In Order No. 26,536 issued October 29, 2021, the Commission denied recovery of these Granite Bridge development costs and Liberty appealed this order to the NH Supreme Court, where the appeal is pending. See NH Supreme Court, Case No. 2022-0146.

Concentric Energy Advisors, Inc. (Concentric) was retained in 2019 to review the Company's decoupling mechanism because the mechanism was passing back more money to customers than Liberty believed was warranted. Concentric reviewed the decoupling mechanism and reported its findings to Liberty. Concentric did not identify the flaw in the mechanism that Liberty now claims caused an approximately \$4 million under-recovery over two years and for which Liberty now seeks recovery. *See* Testimony of Erica Menard in DG 22-041 at Bates 4, 66-67.

Without conceding that a flaw actually exists in Liberty's decoupling mechanism (examination of that alleged flaw is on-going in DG 22-041) the Department contends that ratepayers should not be required to pay for the costs of Concentric's review, which failed to identify this alleged significant flaw.

Consistent with the Commission's *Temporary Changes in Filing Requirements* (March 17, 2020) this letter is being filed only in electronic form.

Sincerely,

/s/ *Paul B. Dexter*

Paul B. Dexter
Staff Attorney/Hearings Examiner

Cc: Service List

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: October 11, 2021

FROM: Audit Staff, Enforcement Division, NH Department of Energy

SUBJECT: Liberty Utilities (EnergyNorth Natural Gas) Corp.
DG 20-105 Rate Case Expense Review
CONFIDENTIAL FINAL Audit Report
A Motion for Confidential Treatment of the Rate Case Expenses was filed on August 30, 2021

TO: Thomas Frantz, Director Regulatory, NH Department of Energy
Rich Chagnon, Regulatory, NH Department of Energy
Paul Dexter, Attorney, NH Department of Energy

Background

Liberty Utilities (EnergyNorth Natural Gas) Corp. (ENNG) filed for an increase in base rates, which was docketed as DG 20-105. A stipulated settlement agreement was approved by Commission Order 26,505 on July 30, 2021. The Company filed its rate case expenses on January 27, 2021, April 27, 2021 and August 2, 2021 in compliance with PUC 1905.01(a). Included in the terms of the settlement agreement was a provision in section 14.1 that Liberty file an accounting of its rate case expenses, with appropriate documentation for review by Staff by August 1, 2021.

The filing included the following:

- A summary of the rate case expenses incurred through August 1, 2021, and an estimate of the costs for which invoices have not yet been received.
- An Excel file providing further details of the individual invoice amounts.
- Copies of the supporting invoices provided separately to Department of Energy Staff and the OCA for their review.
- A note that states that the total amounts included in this filing are only very slightly different from the total amount included in the Settlement Agreement due to small variations in actual costs vs. previous estimates.

The Company filed a summary of the \$741,520 in rate case expenses, identified as actuals, as of August 1, 2021, along with an additional estimated \$115,034. On August 30, 2021, along with the Motion for Confidential Treatment, the Company updated its rate case expense totals through the end of August 2021 to be \$743,768:

<u>Service Provider</u>	Actual Expenses			Estimated		
	as of 8/1/2021	Additional per 8/1/21	Total	as of 8/30/2021		
FTI Consulting	\$ 385,965.46	\$ -	\$ 385,965.46	\$ 385,965.46		
Keegan Werlin	\$ 114,463.50	\$ 70,536.50	\$ 185,000.00	\$ 114,463.50		
Management Applications Consulting	\$ 33,245.63	\$ -	\$ 33,245.63	\$ 33,245.63		
Concentric Energy Advisors	\$ 48,381.75	\$ -	\$ 48,381.75	\$ 48,381.75		
ScottMadden	\$ 34,215.00	\$ -	\$ 34,215.00	\$ 34,215.00		
Legal Notices	\$ 466.50	\$ -	\$ 466.50	\$ 466.50		
Court Reporter	\$ 3,053.00	\$ 3,100.00	\$ 6,153.00	\$ 3,053.00		
Customer Notice	\$ 46,241.00	\$ -	\$ 46,241.00	\$ 46,241.00		
Miscellaneous	\$ 159.60	\$ -	\$ 159.60	\$ 159.60		
Subtotal	\$ 666,191.44	\$ 73,636.50	\$ 739,827.94	\$ 666,191.44		
<u>Staff Consultants</u>						
Blue Ridge Consulting	\$ 62,402.50	\$ 7,597.50	\$ 70,000.00	\$ 64,652.50		
J. Randall Woolridge	\$ -	\$ 33,800.00	\$ 33,800.00	\$ -		
<u>OCA Consultants</u>						
Exeter Associates	\$ 12,923.70	\$ -	\$ 12,923.70	\$ 12,923.70		
Subtotal PUC and OCA	\$ 75,326.20	\$ 41,397.50	\$ 116,723.70	\$ 77,576.20		
Grand Total	\$ 741,517.64	\$ 115,034.00	\$ 856,551.64	\$ 743,767.64		

Of the estimated additional amount of \$115,034, the Company has provided two Blue Ridge Consulting Services invoices totaling \$2,250. Audit verified that they were not received with the initial filing. None of the other actual invoices of the remaining estimates totaling \$112,784 have been received by the Company as of the date of this report.

Competitive Bidding

Audit was provided with a confidential listing of the Request for Proposal (RFP) responses for five components of the rate case. The revenue requirement, functional cost of service study, marginal cost of service studies, rate design, and cost of capital study were bid by three consultants. The Company stated that the lowest bid was the main criteria for awarding bids.

The listing shows two firms bid on the revenue requirement work which was awarded to FTI Consulting out of the Boston location. The listing shows that FTI was the lowest of the two bidders

The functional cost of service study (FCOS), was bid on by three firms and was awarded to Concentric Energy Advisors of Marlborough Massachusetts. The listing shows that Concentric was the lowest of the three bidders.

The marginal cost of service study (MCOS), was bid on by three firms and was awarded to FTI Consulting, the lowest bidder of the three consulting firms.

Regarding the rate design bid, the work was bid on by three firms and was awarded to FTI Consulting. The listing shows that FTI was the lowest of the three bidders.

Regarding the cost of capital study, the work was bid on by three firms and was awarded to FTI Consulting. The listing shows that FTI was the lowest of the three bidders.

With regard to the responses for legal services, the Company sent out three RFPs to which two firms responded and the third declined due to workload. Of the two firms that responded with bids, Keegan Werlin was the lowest based on the hourly rates provided.

With regard to the depreciation study and per the direct testimony of Steven Mullen, the Company engaged Management Application Consultants for the depreciation study because they also prepared the depreciation study in Docket No. DG 17-048, Liberty Utilities (EnergyNorth Natural Gas) Corp.'s prior rate case. This was to leverage their knowledge, expertise and the existing database of the Company's plant information.

Audit did not review the bidding for Blue Ridge Consulting or Exeter Associates as they were hired by the former NH PUC Staff (now Department of Energy Staff) and the OCA.

Compliance with Puc 1900 Rules

Audit reviewed the frequency of rate case expense filings for compliance with Puc 1905, Procedures for Filing for Recovery of Expenses; Puc 1906, Expenses Recoverable as Rate Case Expenses; and Puc 1907, Expenses not Recoverable as Rate Case Expenses.

Puc 1905.01 requires filing of actual and projected rate case expenses with the rate case then every 90 days thereafter, the name of the service provider, the procurement process, amounts, a listing of all services to be rendered on behalf of the utility by any vendor, and the total estimated cost of each service.

Based on the submissions, The Company complied with the filing requirements in Puc 1905.01.

The documentation of expenses, outlined in Puc 1905.03, requires evidence of all rate case expenses and any related allocations including:

- (a) All invoices paid or to be paid
- (b) Name of each vendor
- (c) The amount of the expense to be included as part of rate case expenses
- (d) A description and date of the charge or service rendered
- (e) A statement that the expense is consistent with the utility's written procurement policy
- (f) The utility's procurement policy in place at the time the expenses were incurred
- (g) The contract entered into that generated the expense

(h) A statement of whether the contract was obtained after negotiations or competitive bid.

The filing of the reported rate case expenses addressed each requirement of Puc 1905.03.

Documentation Review

FTI Consulting

Four invoices were received from the Boston offices of FTI Consulting for the revenue requirement, the marginal cost of service study and the cost of capital study. The services were provided in the months of September, October and November of 2019 and March, April, May, June and July of 2020. The invoices included a cover letter, an invoice summary with the number of hours worked and the rate per hour for each consultant and an invoice detail sheet with daily descriptions of the work performed which was broken out by individual consultant.

Services Rendered Through	Invoice Number	Invoice Date	Amount
November 30, 2019	7531287	11/30/2019	\$ 238,537
December 31, 2019	7539419	2/25/2020	\$ 2,600
June 30, 2020	7555022	8/7/2020	\$ 77,573
July 28, 2020	7558716	9/17/2020	\$ 67,256
			\$ 385,965

The 2019 invoices consisted of initial review of exhibits and testimony, work on the revenue requirement model, cost of service model and decoupling. The descriptions of the work performed in 2020 consisted of the same tasks as the 2019 invoices with the addition of editing and finalizing the reports. Audit recalculated the hours worked by the rate with no exceptions noted.

Keegan Werlin

Keegan Werlin was hired to provide legal services consisting of overall case management, coordination with in-house counsel, review and development of rebuttal testimony, discovery strategy, hearing representation, cross-examination and briefing by two lead attorneys. An associate Attorney and paralegals would be the primary support with responsibility for day-to-day coordination with the Company, discovery review and production, assistance in preparing pleadings, testimony and written briefs, and overall strategic planning and case management. The firm also states that other attorneys will be available to assist on specific issues on an as-needed basis. Audit verified the hourly rates by staff designations to the bid proposal.

Legal Services Rendered Through	Invoice Number	Invoice Date	Amount	
February 29, 2020	61091	4/10/2020	\$ 3,325	100%
March 31, 2020	61202	7/13/2020	\$ 728	100%
September 30, 2020	62084	11/27/2020	\$ 9,084	100%
August 31, 2020	61879	11/23/2020	\$ 12,305	100%
April 30, 2020	61627	10/16/2020	\$ 280	100%
June 30, 2020	61763	11/18/2020	\$ 2,443	100%
July 31, 2020	61836	11/23/2020	\$ 40,752	100%
October 31, 2020	62234	12/7/2020	\$ 3,332	100%
November 30, 2020	62444	3/22/2121	\$ 4,312	100%
November 30, 2020	62445	3/22/2021	\$ 4,388	100%
December 31, 2020	62575	4/14/2021	\$ 7,067	100%
February 28, 2021	62826	6/2/2021	\$ 5,310	invoice total is \$5,646
March 31, 2021	62838	6/2/2021	\$ 6,020	invoice total is \$6,244
April 30, 2021	62851	6/2/2021	\$ 10,932	100%
January 31, 2021	62771	6/1/2021	\$ 4,186	100%
			\$ 114,464	

It was noted in DG 17-048 Liberty (EnergyNorth), the prior rate filing, there were no external legal fees included in the rate case. However, ENNG stated that the assistance of Keenan Werlin for the DG 20-105 rate case was due primarily to the workload of the only Company-employed lawyer in New Hampshire representing ENNG. The Company provided a listing of 39 active PUC dockets at the time the rate case was being prepared and litigated.

The variances noted between two invoices and the amount included in the instant request for recovery on invoice #62826 and invoice #62838, were \$336 and \$224 respectively and represent hours worked on the Least Cost Integrated Resource Plan (LCIRP) strategy totaling \$560. They were correctly not coded as rate case recovery expense on the invoices, nor included in the filing request for recovery.

Invoice #62445 dated April 10, 2020 related to Granite Bridge legal services rendered through November 2020 and totaled \$4,387.50. Other line items related to a specific attorney who worked on the Granite Bridge project totaled \$5,985 (invoice #'s 61091, 61202, 61627, 61763, 61879, 61836). Two other line items for \$616 (invoice #62771) and \$1,092 (invoice #61836) are also described as Granite Bridge work. Total Granite Bridge work to be disallowed totals \$12,080.50.

A line item unrelated to the rate case was identified on invoice #62826 dated June 2, 2021 and described as work on "Customer First" totaling \$812 which is related to the Liberty rebranding but not relevant to the rate case.

Therefore, a total of \$12,892.50 should be non-recoverable reducing the recoverable amount to \$101,571.

Management Applications Consulting, Inc.

Management Applications Consulting charges consisted of work performed on the depreciation study which totaled \$33,246. The services were provided in the months of October, November and December of 2019, January, April, May, June, July of 2020, and January, February and March of 2021. Audit reviewed the descriptions of services provided and for all the invoices with all the work performed being related to the ENNG depreciation study.

Services Rendered Through	Invoice Number	Invoice Date	Amount
October 25, 2019	20191110	11/1/2019	\$ 630
November 29, 2019	20191217	12/6/2019	\$11,261
December 27, 2019	20200110	1/3/2020	\$ 1,181
January 31, 2020	20200215	2/7/2020	\$ 788
April 24, 2020	20200510	5/1/2020	\$ 315
May 29, 2020	20222609	6/3/2020	\$ 341
June 26, 2020	20200711	7/2/2020	\$ 9,083
July 31, 2020	20200809	8/5/2020	\$ 7,521
January 29, 2021	20210209	2/4/2021	\$ 945
February 26, 2021	20210308	3/3/2021	\$ 1,024
March 26, 2021	20210409	4/1/2021	\$ 158
			\$33,246

ENNG provided the general ledger showing the entries posting debits to 8840-2-0000-10-1930-1745 – Rate Case Recovery totaling \$33,246. Audit recalculated the hours worked by the rate with no exceptions noted.

Concentric Energy Advisors

Concentric Energy advisors charged a total of \$48,382 for Professional Services for the three months of June, July and August of 2019. Audit reviewed the descriptions of services provided and for all the invoices with all the work performed being related to the ENNG Decoupling Audit.

The Company provided the general ledger showing the entries posting debits to 8840-2-0000-10-1930-1745 – Rate Case Recovery and credits to 8840-2-0000-10-1930-1823 – Other Regulatory Asset-Deferred Rate Case on March 31, 2020. Audit recalculated the hours worked by the rate with no exceptions noted.

ScottMadden Management Consultants

ScottMadden Management Consultants, Inc. of Raleigh, North Carolina charged a total of \$34,215 for services during the months of March, April, May and June of 2021. Four invoices

reference professional services provided for the Liberty NH Rate Case Support (DG 20-105). Two consultants worked on the rate case with the descriptions of services as “*participated in project calls*”, “*review Staff testimony*”, “*review, edit and draft rebuttal testimony*” and “*develop hearing prep matrix.*”

Services Rendered Through	Invoice Number	Invoice Date	Amount
March 31, 2021	18874	4/27/2021	\$ 1,590
April 30, 2021	19014	5/24/2021	\$20,565
May 31, 2021	119216	6/24/2021	\$ 4,905
June 30, 2021	19345	7/22/2021	\$ 7,155
			\$34,215

Audit reviewed the ScottMadden proposal for different types of consulting services, however, based on the invoices, Audit could not verify what work was performed. The proposal lists four consultants who would be working on the rate case, however the invoices list only two consultants. Also, the two consultants were not listed on the proposal and rates on the proposal did not agree with the rates on the invoices.

Audit requested further support documentation for the charges and ENNG responded stating, “*ScottMadden provided regulatory support, including research and analysis, to Liberty in the Company’s request for approval to recover the development costs associated with the Granite Bridge Project as part of the Company’s rate case proceeding in Docket DG 20-105. Specifically, ScottMadden assisted Liberty with: (i) regulatory research; (ii) various analyses; and (iii) development of work product including, supplemental direct testimony, rebuttal testimony, and hearing preparation*”

Audit believes that a total of \$34,215 should be excluded from the recoverable expenses due to costs incurred related to the Granite Bridge project. Audit recommended, in a specific Audit report for the Granite Bridge costs, that none should be included in plant or rates. In addition, the settlement agreement in docket DG 20-105 specifically excluded any decision on Granite Bridge, and an order has not yet been issued on it. **Audit Issue #1**

Legal Notices

The Union Leader submitted an invoice dated August 31, 2020 in the amount of \$467 for legal notices that ran in August 2020. The invoice was coded to account 8840-9830 and designated ENNG Rate Case.

Court Reporter

Two invoices from Steven E. Patnaude, LCR were submitted for services performed on September 3rd and September 16th, 2020 in the amount of \$721, and June 7th and June 8th, 2021 in the amount of \$2,332 totaling \$3,053.

The September 2020 invoice consisted of an original and two copies of a 24-page transcript of the prehearing conference including an appearance fee and an original and two copies of the temporary rate hearing including an appearance fee and a condensed version for the NHPUC file.

The June 2021 invoice consisted of the original and two copies of a 146-page transcript of the Day-1 hearing including an appearance fee and a condensed version for the NHPUC file and an original and two copies of a 196-page transcript of Day-2 session including a half-day appearance fee and a condensed version for the NHPUC file. Audit reviewed the invoices with no exceptions noted.

Other Customer Notice Costs

FISERV Output Solutions provided customer notification letters consisting of start-up costs, postage and sorting and archiving totaling \$46,241 per the filing. The Company provided an invoice for postage in the billing cycle between October 26, 2020 and November 22, 2020 totaling \$37,107. Two other charges were allocations from an invoice for the billing cycle between September 24, 2020 and October 25, 2020 in the amount of \$3,625 and an invoice for the billing cycle between August 25, 2020 and September 23, 2020 in the amount of \$5,509. The total FISERV recoverable expenses are \$46,241.

Miscellaneous, \$160

The Company provided a travel voucher and receipt in the amount of \$160 for reimbursement for copies made of the filing for Staff dated October 19, 2020.

Blue Ridge Consulting, Inc.

Blue Ridge Consulting Services was hired by the Commission to perform rate case tasks for the ten months commencing in November 2020 through August of 2021 totaling \$62,403.

Services Rendered Through	Invoice Number	Invoice Date	Amount
October 31, 2020	12370	11/20/2020	\$ 7,248
November 30, 2020	12388	12/30/2020	\$ 7,506
December 31, 2020	12401	1/26/2021	\$ 4,875
January 31, 2021	12403	2/17/2021	\$11,624
February 28, 2021	12412	3/11/2021	\$ 9,420
March 31, 2021	12420	4/20/2021	\$15,849
April 30, 2021	12422	5/5/2021	\$ 3,794
May 31, 2021	12427	6/9/2021	\$ 2,087
			\$62,403

The costs represent work performed for the revenue requirement model, drafting data requests, issue summaries and attending tech sessions. Each invoice was supported with timesheets, and expense documentation, along with the identification of DG 20-105. The invoices were received into the NH PUC Business Office, forwarded for approval to the Gas division of the NHPUC. Approval was noted, and the invoices were sent to ENNG for payment to the NHPUC. Audit recalculated the hours worked by the rate with no exceptions noted.

J. Randall Woolridge, Ph.D.

The August 2, 2021 filing letter which included all the invoices as of August 1, 2021, did not include any invoices from J. Randall Woolridge. Audit verified with the Business Office that there have been no invoices received from Dr. Woolridge as of the date of this report.

Exeter Associates - \$12,924

Exeter Associates was retained by the New Hampshire Office of Consumer Advocate (OCA) to review the cost-of-service studies and rate design proposals included in ENNG's Petition. The total \$12,924 was noted on six invoices with dates, hours worked and description of the work completed on September and December 2020. As with the NH PUC and OCA consultants, the invoices were submitted to ENNG from the NH PUC Business Office.

All of the invoices refer to work performed in docket DG 19-161, A Request for Change in Rates. Audit recalculated the hours worked by the rate with no exceptions noted. A NHPUC Secretarial letter dated February 28, 2020 grants Liberty Utilities (ENNG) request for docket closure:

"On February 18, 2020, Liberty Utilities (EnergyNorth Natural Gas) Corp. ("Liberty") filed a notice of withdrawal of its gas distribution rate increase filing "after careful consideration of the issues raised at the prehearing conference." Liberty requested that the Commission close this docket without prejudice."

The DG 19-161 filing contemplated a test year ending June 30, 2019 and with the closure without prejudice, the July 31, 2020 docket DG 20-105 was opened. Work performed by Exeter Associates was used in the DG 20-105 docket.

General Ledger Review

Audit requested the general ledger postings for all costs included within the request for rate case expense recovery, including any reclassifications, the account to which the reclassification was posted, and the reason for any such reclassification.

The Company provided a roll-forward spreadsheet of rate case expenses to June 2021 that were posted to account 8840-2-000-10-1930-1745 – Rate Case Recovery. Each invoice total was traced to the account number descriptions and month it was posted with no exceptions noted.

A reclassification entry was posted on March 31, 2020 to correct the posting of three invoices for Concentric Energy Advisors in the amount of \$48,381. The Company provided the print-out of the reclassification that initially posted the invoices to Granite State Electric.

Summary

<u>Company Incurred, August 1, 2021:</u>		<u>Revised Recoverable Costs</u>
FTI Consulting	\$385,965	\$385,965
Keegan Werlin, LLP	\$114,464	\$101,571
Management Applications Consulting	\$ 33,246	\$ 33,246
Concentric Energy Advisors, Inc.	\$ 48,382	\$ 48,382
Union Leader	\$ 467	\$ 467
Other Customer Notice Costs	\$ 46,241	\$ 46,241
Court Reporter Costs	\$ 3,053	\$ 3,053
ScottMadden	\$ 34,215	\$ -0-
Miscellaneous Printing Costs	\$ 160	\$ 160
Total Company Incurred	\$666,193	\$619,085
<u>PUC Staff Consulting Costs</u>		
Blue Ridge Consulting	\$ 62,403	\$ 62,403
J. Randall Woolridge, Ph.D.	\$ -0-	\$ -0-
<u>OCA Consulting Costs</u>		
Exeter Associates	\$ 12,924	\$ 12,924
Grand Total Rate Case Expenses	\$741,520	\$694,412

The Company's filing listed estimated additional invoices totaling \$115,034 of which two invoices totaling \$2,250 were presented for Audit's review. None of the actual invoices relating to the remaining estimated costs of \$112,784 have been received by the Company as of the date of this report.

Audit Issue #1
Recommended Exclusion from the Proposed Rate Case Expense Total

Background

EnergyNorth provided the NHPUC with its request for recovery of rate case expenses as of August 1, 2021 as required by the provision in Section 14.1 of the Settlement Agreement, approved by Order No. 26,505 dated July 30, 2021.

Issue

Audit recommends exclusion of certain expenses, for reasons outlined in the text of this report.

<u>As Proposed by EnergyNorth</u>		<u>Recommended by Audit</u>
FTI Consulting	\$385,965	\$385,965
Keegan Werlin, LLP	\$114,464	\$101,571
Management Applications Consulting	\$ 33,246	\$ 33,246
Concentric Energy Advisors, Inc.	\$ 48,382	\$ 48,382
Union Leader	\$ 467	\$ 467
Other Customer Notice Costs	\$ 46,241	\$ 46,241
Court Reporter Costs	\$ 3,053	\$ 3,053
ScottMadden	\$ 34,215	\$ -0-
Miscellaneous Printing Costs	<u>\$ 160</u>	<u>\$ 160</u>
Total Company Incurred	\$666,193	\$619,085
<u>PUC Staff Consulting Costs</u>		
Blue Ridge Consulting	\$ 62,403	\$ 62,403
J. Randall Woolridge, Ph.D.	\$ -0-	\$ -0-
<u>OCA Consulting Costs</u>		
Exeter Associates	<u>\$ 12,924</u>	<u>\$ 12,924</u>
Grand Total Rate Case Expenses	\$741,520	\$694,412

Recommendation

Audit recommends that the total Rate Case Expense recovery be reduced by \$12,893 in Keegan Werlin costs and \$34,215 in ScottMadden costs resulting in a revised recovery amount of \$694,412.

Company Comment

First, the Company summarizes the items that were recommended for non-recovery by Audit as follows:

Vendor	Invoice #	Invoice Date	Line Item Date	Amount	Subject
Keegan Werlin	62826	6/2/2021	2/22/2021	\$ 812.00	LCIRP
Keegan Werlin	various invoices			\$ 13,153.00	Granite Bridge
ScottMadden	various invoices			\$ 34,215.00	Granite Bridge
				<u>\$ 48,180.00</u>	

- Customer First (\$812) – These costs related to a meeting that was held to discuss certain discovery responses in DG 20-105 (specifically, a response to Staff TS 3-9 and a supplemental response to OCA 3-10 (see attached)) that were being drafted related to Customer First which is Liberty’s company-wide project to covert and upgrade a variety of software platforms in the upcoming years. As Customer First was the subject of discovery requests, the costs are legitimate and reasonable costs associated with the rate case and, therefore, the Company disagrees with the recommended disallowance.
- Granite Bridge (\$47,368) – The Company disagrees with the recommended disallowance. In Docket No. DG 17-198, the Commission stated that the feasibility costs for Granite Bridge should be reviewed in the context of a rate case. On November 20, 2020, Liberty filed a Motion to Amend the rate case filing, including supplemental testimony, to include consideration of the Granite Bridge costs in DG 20-105. On December 10, 2020, the Commission approved an amended procedural schedule to accommodate consideration of the Granite Bridge costs, making Granite Bridge an accepted part of the overall rate case proceeding. Thus, the costs should be recoverable. The fact that Granite Bridge was not included in the Settlement Agreement along with the fact that there has not yet been a decision on the Granite Bridge costs should have no bearing on whether the costs should be recoverable as rate case costs.

In summary, Liberty disagrees with each of the recommended disallowances for the reasons stated above.

As a final comment, the Company noted the Audit did not review the bids received by Commission Staff or the OCA. Since the Company recovers rate case expenses from its customers, perhaps Audit should add a review of those bidding results to its rate case expense review procedures going forward to ensure a full review of all costs incurred.

Audit Comment

Audit appreciates the Company comments. Regarding the suggestion about reviewing the Commission and OCA consultant’s costs, the reader should be aware that at the time of this rate case, requests for proposal (RFP) were issued. According to the Executive Director, “*once bids were received, Commission staff (usually a team of 3) evaluated the bids, made their selection based on the criteria in the RFP, and sent a recommendation to the Commissioners. The Commissioners asked questions, after which they either approved the recommendation or asked it to go out to bid again.*” The Exeter Associates Inc. contract was reviewed and approved by the Governor and Council.

Audit maintains that work on “Customer First” totaling \$812 relating to the Liberty rebranding, should not be included as a rate case expense.

Related to docket DG 20-105, Audit recommended, in a January 5, 2021 Audit report of Granite Bridge costs, that none of those costs should be recoverable in plant or amortized through deferred accounts, since the project had been abandoned. The testimony of the Director of the Gas/Water division, dated 3/18/2021, agreed with the Audit report and recommended disallowance of all costs related to Granite Bridge. Audit is aware that the Company filed rebuttal testimony, disagreeing with the Staff’s testimony. Audit is also aware that a hearing was held on 7/13/2021 relating solely to Granite Bridge. As of the date of this report, an Order on the Granite Bridge has not been issued.

Relating to the Granite Bridge hours on the Keegan Werlin invoices, the Company’s total of \$13,153 is \$1,072.50 higher than the figure identified by the Audit staff. The overall Keegan Werlin actual expense as of 8/1/2021 \$114,464 does not include the \$1,072.50 which was found to be invoice #62085. Audit agrees that that Granite Bridge cost should not have been included in the request for recovery.

After reviewing the Company’s Comments, Audit recommends that the total Rate Case Expense recovery figure of \$741,520 be reduced by \$12,893 in Keegan Werlin costs and \$34,215 in ScottMadden costs resulting in a revised recovery amount of \$694,412.