

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 21-128

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

Property Tax Adjustment Mechanism

DIRECT TESTIMONY

OF

CATHERINE A. MCNAMARA

November 17, 2021



THIS PAGE LEFT BLANK INTENTIONALLY

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your full name and business address.**

3 A. My name is Catherine A. McNamara. My business address is 15 Buttrick Road,
4 Londonderry, New Hampshire.

5 **Q. Please state by whom you are employed.**

6 A. I am employed by Liberty Utilities Service Corp. (“LUSC”), which provides service to
7 Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“Liberty” or “the
8 Company”).

9 **Q. Please describe your educational and professional background.**

10 A. In 1993, I graduated from the University of Massachusetts, Boston, earning a Bachelor of
11 Science degree in Management with a concentration in Accounting. In November 2017,
12 I joined Liberty as an Analyst in Rates and Regulatory Affairs. Prior to my employment
13 at LUSC, I was employed by Eversource Energy for over 17 years. I served as a Senior
14 Analyst in the Investment Planning group from 2015 to 2017. From 2008 to 2015, I was
15 a Supervisor in the Plant Accounting department. Prior to my position in Plant
16 Accounting, I was a Financial Analyst/General Ledger System Administrator within the
17 Accounting group from 2000 to 2008.

18 **Q. Have you previously testified in regulatory proceedings before the New Hampshire
19 Public Utilities Commission (the “Commission”)?**

20 A. Yes, I have testified on multiple occasions before the Commission.

1 **Q. Have you been involved with Liberty’s participation in this proceeding?**

2 A. Yes. I have collaborated with David B. Simek, who provided the initial testimony in this
3 docket, in the development of the Company’s proposals and subsequently with respect to
4 compliance with the Commission’s directives.

5 **II. PURPOSE OF TESTIMONY**

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

7 A. The purpose of my testimony is to present a reconciliation of Liberty’s municipal
8 property tax expenses, which is described in the Settlement Agreement approved by the
9 Commission in Order No. 26,505 (July 30, 2021) in Docket No. DG 20-105. I also
10 propose recovery of the rate adjustments related to the Company’s alternative Property
11 Tax Adjustment Mechanism (“PTAM”) through the Company’s Local Distribution
12 Adjustment Clause (“LDAC”), consistent with the Commission’s directives in Order No.
13 26,540 (Nov. 1, 2021) in this docket.

14 **Q. What is the purpose of the PTAM?**

15 A. The PTAM reconciles the Company’s actual property tax expense during some period
16 with the revenue collected through customer rates.

17 **Q. How was the PTAM to be implemented?**

18 A. As approved in Order No. 26,505, the PTAM was to be implemented through a base-rate
19 change. As I discuss later in my testimony, the Company is now proposing to recover
20 revenues from the PTAM through the LDAC.

1 **Q. What period of time is covered by the PTAM adjustment proposed in your**
2 **testimony?**

3 A. The PTAM adjustment proposed here covers the period April 1, 2020, through March 31,
4 2021 (“Property Tax Year 2020”).

5 **Q. Has the Company previously proposed a PTAM adjustment for Property Tax Year**
6 **2020?**

7 A. Yes, on September 2, 2021, the Company submitted testimony from Mr. Simek
8 requesting recovery of \$1,972,667 pursuant to this adjustment.

9 **Q. Did other parties to this proceeding support the Liberty’s request?**

10 A. Yes, the Company’s filing was supported by the New Hampshire Department of Energy
11 (“Energy”). The Office of the Consumer Advocate elected not to participate in this
12 docket and there are no intervenors. There are no other parties in this matter.

13 **Q. Did the Commission approve the Company’s request and, if not, what were the**
14 **reasons for the Commission’s denial of the adjustment?**

15 A. The Commission did not approve the Company’s request for two reasons. First, the
16 Commission found that Liberty had incorrectly calculated the percentage change in the
17 amount of the property taxes to recover. Second, the Commission determined that the
18 LDAC “may be a more appropriate recovery mechanism for the PTAM” and encouraged
19 the parties to consider this approach, directing the Company to propose an alternative
20 PTAM recovery mechanism such as the LDAC. Order No. 26,540 at 4.

1 **Q. Based on the Commission’s directives, is the Company presenting an alternative**
2 **PTAM recovery through the LDAC after conferring with Energy?**

3 A. Yes, following the issuance of the Commission’s directives, the Company engaged in
4 discussions with Energy and has developed an alternative LDAC-based PTAM. As
5 detailed further below, the Company’s proposal is consistent with the mechanisms
6 previously reviewed and approved by the Commission for other utilities in New
7 Hampshire. The Company is authorized to represent that Energy supports this LDAC
8 approach.

9 **Q. Has the Company addressed the incorrect calculation referenced in Order No.**
10 **26,540?**

11 A. No. That calculation was only relevant in determining a base rate change resulting from
12 the PTAM as initially approved by the Commission. The Company is now proposing the
13 PTAM to be part of the LDAC, which uses a different calculation. This change to the
14 LDAC renders moot the calculation at issue in Order No. 26,540.

15 **Q. Is the Company’s alternative PTAM consistent with such mechanisms previously**
16 **approved by the Commission for other utilities in New Hampshire?**

17 A. Yes, the PTAM proposed in this filing is effectively the same mechanism as those
18 approved by the Commission for Unitil Energy Systems, Inc., in Order No. 26,500 (July
19 29, 2021) and for Eversource Energy in Order No. 26,433 (Dec. 15, 2020), both electric
20 distribution utilities with mechanisms that collect increases in property taxes through a
21 reconciling component of customer rates. Additionally, Liberty’s proposal is the same as
22 the LDAC-based mechanism proposed by the state’s other natural gas distribution utility,

1 Northern Utilities, which is currently pending before the Commission in Docket No. DG
2 21-123.

3 **Q. Is the proposed PTAM mechanism also consistent with the Commission’s orders**
4 **approving implementation of Liberty’s PTAM?**

5 A. Yes. The Commission first approved the PTAM as part of the settlement agreement in
6 Docket No. DG 20-105, finding the PTAM consistent with the statute granting authority
7 for the Company to adjust rates annually to collect or refund changes in property taxes.
8 Order No. 26,505 at 12 (“With respect to the Property Tax Adjustment Mechanism
9 described in the Settlement Agreement, we find its terms to be consistent with the
10 requirements of RSA 72:8-e, and find the terms relating to filing deadlines and
11 recoupment periods contained in the Settlement Agreement to be acceptable”). The
12 PTAM prosed here is the same as that approved in Order No. 26,505 except for moving
13 the rate adjustments to the LDAC.

14 **Q. Did you perform your reconciliation in a manner that is consistent with the**
15 **processes and procedures described in the approved Settlement Agreement in**
16 **Docket No. DG 20-105?**

17 A. Yes. Section 6.3 of the Settlement Agreement detailed the overall operation of the
18 reconciling mechanism and reads, in part, as follows: “local property tax bills received
19 during calendar year 2020 will be compared to the calculated amount in distribution rates

1 through March 31, 2021, which includes the recoupment of the property tax amount
2 reconciled between temporary and permanent rates.”¹

3 “The calculated amount in distribution rates” referenced above for the initial property tax
4 year that ended March 31, 2021, is \$8,924,897, and was detailed in Appendix 3 of the
5 Settlement (see line 12 of that document).²

6 **Q. Please describe the results of your analysis.**

7 A. In Order No. 26,505, the Commission approved the calculated amount of municipal
8 property taxes included in distribution rates as of March 31, 2021, which is \$8,924,897.
9 The total amount of municipal property tax bills for the 2020 Property Tax year that the
10 Company received during calendar year 2020 was \$10,897,564. The Company is
11 proposing to recover in this proceeding the difference between what is currently in rates
12 (\$8,924,897) and the total bills (\$10,897,564), or \$1,972,667. This calculation is
13 provided in Attachment CAM-1 to my testimony. Details of the property tax invoice
14 amounts by municipality and by parcel totaling the \$10,897,564 are included in
15 Attachment CAM-2. Further information regarding the PTAM factor are included in
16 Attachment CAM-3, as discussed below, and the associated bill impact is found in
17 Attachment CAM-4.

¹ Settlement Agreement in Docket No. DG 20-105, Exhibit 49 at Bates 12.

² Id. at Bates 32.

1 **Q. How will the total property tax amount carry over into the 2021 property tax year**
2 **reconciliation?**

3 A. If approved as filed, the 2020 Property Tax year amount, \$10,897,564 will not carry over
4 into the 2021 property tax year reconciliation. The beginning balance of municipal
5 property taxes included in distribution rates will stay fixed at the March 31, 2021, amount
6 of \$8,924,897. Any prior period over or under collection of the \$1,972,667 will be added
7 to the 2021 property tax year reconciliation beginning balance.

8 **III. TARIFF CHANGE**

9 **Q. Does the Company propose new tariff language to implement the PTAM?**

10 A. Yes. The Company is proposing new language in the LDAC section of the tariff
11 describing: (1) the PTAM as a new component of the LDAC and how the annual
12 adjustment is calculated; (2) the reconciliation process; and (3) the procedure for
13 implementing the annual adjustments. The proposed tariff also deletes reference to the
14 PTAM in the decoupling section of the tariff, where it now exists in compliance with the
15 Commission's prior approval of having the PTAM reconciliation made through changes
16 in distribution rates.

17 The proposed tariff pages to achieve these changes, both redlined and clean, accompany
18 my testimony as Attachment CAM-5.

19 **Q. How and when will the Company update the PTAM?**

20 A. A reconciliation of the PTAM will occur each year as part of the winter cost of gas filing.
21 The PTAM rate, or factor, will adjust to reconcile the actual revenue received during the

1 prior year and to take into account changes to property taxes that occurred since the prior
2 adjustment.

3 **Q. What is the PTAM factor that is being proposed for Property Tax Year 2020–21?**

4 A. The PTAM factor proposed in this filing is \$0.0120 per therm, which is intended to
5 recover the \$1,972,667 over the remaining 11 months until the next overall LDAC
6 adjustment on November 1, 2022.

7 **Q. Please explain how that rate was calculated.**

8 A. As shown in Attachment CAM-3, the PTAM factor of \$0.0120 was calculated by
9 dividing the incremental property taxes to be recovered (\$1,972,667) by the estimated
10 sales over the 11 months from December 1, 2021, through October 31, 2022
11 (164,632,254 therms).

12 **IV. EFFECTIVE DATE AND RATE IMPACTS**

13 **Q. How and when is the Company proposing that these rate changes be implemented?**

14 A. When the Commission approved the Settlement Agreement, the PTAM was intended to
15 become effective on November 1, 2021. Since November 1 has passed, the Company
16 proposes an appropriate increase to the LDAC to be in effect December 1, 2021. The
17 proposed LDAC rate is intended to collect a full year of the PTAM over the remaining 11
18 months through October 31, 2022, thus the rate is slightly higher than if the PTAM went
19 into effect November 1, 2021.

1 **Q. Has the Company determined the impact of the PTAM rate changes on a typical**
2 **residential customer bill?**

3 A. Yes. As shown in Attachment CAM-4, the annual bill impact for a typical Residential
4 Heating customer in rate class R-3 using a total of 811 therms per year is \$8.76, or 0.55
5 percent. This is calculated by multiplying the PTAM component of the LDAC of
6 \$0.0108, which is what the rate would have been if it were recovered over a full year and
7 not the remaining 11 months, by the typical usage of 811 therms, totaling \$8.76.

8 **Q. Does this conclude your testimony?**

9 A. Yes, it does.