

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 22-028

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY

Petition for Approval of Step Adjustment

Order Approving Petition, With Modifications

O R D E R N O. 26,676

August 31, 2022

In this order, the Commission approves a step increase in Liberty's distribution rates effective September 1, 2022, associated with its investments placed in service in 2021. This step increase incorporates modifications to Liberty's original proposal recommended by the New Hampshire Department of Energy (DOE) during this proceeding and amounts to \$2,066,083 in revenues. With the Commission's implementation of the DOE's revenue requirement reductions, it is expected that Liberty's residential customers, using an average of 791 therms of gas per year, will experience a bill increase somewhat lower than the 1.1 percent (or \$19.47) increase expected if Liberty's original proposal were implemented.

I. PROCEDURAL HISTORY

On June 30, 2021, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed a settlement agreement (Settlement Agreement) in Docket No. DG 20-105, the Company's most recent full distribution rate case, which contained a provision for two step adjustments pertaining to capital investments made in calendar years 2020 and 2021. This Settlement Agreement was approved, with modifications, by the Commission on July 30, 2021, in Order No. 26,505. The Commission approved the Company's proposal for the step adjustment related to its 2020 qualifying investments in Order No. 26,603 (April 5, 2022).

Liberty filed its current step adjustment petition related to its 2021 calendar year investments on April 8, 2022. The Company presented the written testimony of: Catherine McNamara, Rates Analyst II, Rates and Regulatory Affairs; Erica Menard, Director, Rates and Regulatory Affairs; Robert Mostone, Director of Gas Operations; and Bradford Marx, Manager of Gas Engineering, all of whom are personnel employed by Liberty's service company affiliate, Liberty Utilities Service Corp., in support of its petition, together with supporting accounting schedules. *See* Hearing Exhibit 1.

On May 2, 2022, Liberty filed a depreciation study, together with the testimony and supporting schedules of Catherine McNamara and Erica Menard, pursuant to the terms of the Settlement Agreement in Docket No. DG 20-105. *See* Hearing Exhibit 2.

On June 3, 2022, an adjudicative proceeding was commenced by a procedural order, scheduling a hearing on the Company's petition for July 12, 2022, and requesting that the DOE file its audit report regarding this petition by July 5, 2022. On July 6, 2022, the DOE filed a motion to extend this deadline for the audit report filing; the Commission granted the DOE's request by establishing a final audit report filing deadline of August 1, 2022, and a revised hearing date of August 16, 2022, in a procedural order dated July 8, 2022. The DOE filed its Audit Report after Commission business hours on August 1, 2022. In a further procedural order issued on August 8, 2022, the Commission issued certain Record Requests to the Company regarding its petition. Liberty filed responses to these Record Requests on August 12, 2022. *See* Hearing Exhibit 5. On August 16, 2022, the revised hearing date, Liberty filed a series of revised attachments presenting an updated revenue requirement figure for its step increase petition in response to the DOE Audit Report findings.

A hearing on the merits of the Company's filing was held as re-scheduled on August 16, 2022. No petitions to intervene were filed; the Office of the Consumer

Advocate did not file a letter of participation. Representatives of the DOE appeared at the August 16 hearing and provided oral argument. The Company's witnesses, Marx, McNamara, Menard, Mostone, and the Company's consultant-witness Mr. Paul Normand of Management Applications Consulting, Inc. also appeared and provided testimony at the hearing.

At the request of the Commission, the Company filed further Commission Record Request responses on August 22, 2022. Also, in response to a Commission request, the DOE filed its written Recommendation regarding this matter on August 23, 2022. The Company had been granted leave by the Commission to respond to the DOE's recommendations by the close of business on August 26, 2022, but no Company response was subsequently filed.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-028.html>

II. POSITIONS

A. Liberty

In its revised attachments filed on August 16, 2022, Liberty presented a revised revenue requirement figure for its step adjustment proposal based on its 2021 investments of \$2,539,784. See Liberty Filing of August 16, 2022, Attachment CAM/ELM-1, Page 2 of 14, available here:

https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-028/LETTERS-MEMOS-TARIFFS/22-028_2022-08-15_ENGI_UPDATED-ATT-TESTIMONY.PDF

The Company based its revenue requirement figure on a "Step 2 Adjustment List of Projects," presenting \$27,046,715 in program investments made during

calendar year 2021. This list incorporated \$1,131,153 in reductions made by the Company to its step increase accounting schedules made in response to the DOE Audit Report findings. See Liberty Filing of August 16, 2022, Attachment CAM/ELM-1, Page 1 of 14. The Company estimated that its step increase proposal, as revised, would increase residential heating customers' bills (for average usage levels of 791 therms of gas per year) by \$19.47, or 1.1 percent, per year. See Liberty Filing of August 16, 2022, Attachment CAM/ELM-1, Page 9 of 14. Liberty did not file a response to the DOE recommendations discussed below.

The Company provided a written response to a bench Commission Record Request, made at the August 16, 2022, hearing, regarding Cost of Removal (COR) study matters, on August 22, 2022. The Commission issued a follow-up written Record Request, with more specificity, also on August 22, 2022, to which the Company did not respond.

B. DOE

In its August 23 filing, the DOE recommended exclusion of various categories of program investment costs amounting to \$2,514,433 in recommended disallowances. See Written DOE Statement, August 23, 2022 at Page 1. These recommended disallowances include costs in the Purchase Miscellaneous Capital Equipment and Tools, IT, Transportation, and Meters categories. *Id.* The DOE argued, that pursuant to the terms of the Docket No. DG 20-105 Settlement Agreement, a list of specifically approved projects was provided, and project substitution of similar, non-growth projects was only allowed if the listed projects were not deployed. The DOE did not generally agree with the project-substitution methodology employed by the Company in its proposal. *Id.* at 2. However, the DOE further recommended that, pursuant to the terms of the Settlement Agreement in Docket No. DG 20-105, that the Commission

accept \$1,600,707 in substitute projects in the Meter Protection Program, Cathodic Protection Program, and Replacement Services categories. *Id.* at Page 2. The DOE's recommendations resulted in a revised revenue requirement figure of \$2,066,083 for the step adjustment. *Id.* The DOE also indicated that it accepted the Company's approach to depreciation rates presented in its proposal, as revised. *Id.* at Page 2-3.

III. COMMISSION ANALYSIS

Step adjustments are a mechanism the Commission has approved for limited use between rate cases to allow a utility to collect additional revenue on investments that are generally non-revenue producing and are made to improve safe and reliable service. Step adjustments are generally limited in scope and allow recovery for investments similar to those that have been reviewed in the underlying rate case that established the step adjustment provision. Utilities have the burden of showing that capital investments included in step adjustment are prudent, in service, and used and useful. *See Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 26,504 at 5 (July 30, 2021). In order to approve this step adjustment, the Commission must determine whether the investments included in the calculation of the step adjustment are prudent, used, and useful under RSA 378:28. *Id.*

Liberty, therefore, has the burden to show that the requested step adjustment includes only investments that were placed in service, and were used and useful, in 2021, and that the rates proposed to collect the revenue requirement associated with these investments are calculated accurately. *See Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty*, Order No. 26,603 (April 5, 2022) at 5-8.

In this instance, the Commission generally accepts the Company's proposed investments made in calendar year 2021 presented as part of this step increase proposal as being used, useful, and resulting in just and reasonable rates. We also

accept the Company's proposals, as presented at hearing by Mr. Normand and in its supporting schedules, relating to its depreciation study and resultant depreciation rates. However, we likewise adopt the DOE's substantive recommendations as producing rates that are just, reasonable, and in the public interest, with a resulting revenue requirement for Liberty's second step increase of \$2,066,083. We approve this amount for distribution rate recovery by Liberty for an initial eleven (11)-month recovery period, for service rendered from September 1, 2022, through July 31, 2023. Subsequently, step increase revenues will be recovered on an August 1 through July 31 annual basis and adjusted accordingly.

We further note that the Company did not provide a satisfactory answer to the Commission's written Record Request, provided in our August 22, 2022, procedural order, regarding the COR study matters. We have also seen an ongoing failure by Liberty to provide "live," as opposed to "hard-coded," Excel spreadsheet schedules in rate filings generally. See Liberty Filing of August 16, 2022, Attachment CAM/ELM-1, Page 3 of 14. Therefore, pursuant to our ongoing authority under RSA 374:4 and allied statutes, we will issue subsequent Record Requests within this Docket No. DG 22-028 for needed data to ensure the accuracy, justness, and reasonableness in the Company's calculations for this filing. These questions will seek COR study-related data, workpapers, and other necessary information. This step increase approval delineated in this order shall be conditioned on the Company's full responses to these inquiries, and furthermore, this rate shall be subject to further reconciliations based on the data developed in this line of inquiry.

Based upon the foregoing, it is hereby

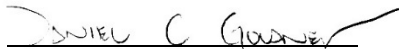
ORDERED, that Liberty is authorized to recover a step adjustment for its 2021 qualifying investments in the amount of \$2,066,083 in revenues, subject to the conditions and parameters delineated in this order; and it is

FURTHER ORDERED, that Liberty is authorized to implement the rates approved herein on a service-rendered basis, effective September 1, 2022, with an eleven (11)-month rate initial recovery period through July 31, 2023; and it is

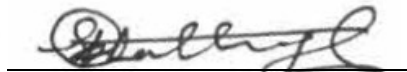
FURTHER ORDERED, that this approval is conditioned upon the Company's responses to further technical questions propounded by the Commission pursuant to the Commission's authority under RSA 374:4 and allied statutes, and is subject to reconciliation based upon this further data, regarding COR studies or other relevant matters; and it is

FURTHER ORDERED, that Liberty shall file tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within fifteen (15) days of the date of this order, or September 15, 2022.

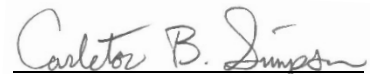
By order of the Public Utilities Commission of New Hampshire this thirty-first day of August, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 22-028

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Email Addresses

ClerksOffice@puc.nh.gov
Faisal.DeenArif@energy.nh.gov
william.clark@libertyutilities.com
Energy-Litigation@energy.nh.gov
julianne.m.desmet@oca.nh.gov
paul.b.dexter@energy.nh.gov
stephen.r.eckberg@energy.nh.gov
thomas.c.frantz@energy.nh.gov
maureen.karpf@libertyutilities.com
ckimball@keeganwerlin.com
donald.m.kreis@oca.nh.gov
Bradford.Marx@libertyutilities.com
Ian.McGinnis@fticonsulting.com
catherine.mcnamara@libertyutilities.com
Erica.Menard@libertyutilities.com
jmierzwa@exeterassociates.com
Robert.Mostone@LibertyUtilities.com
steven.mullen@libertyutilities.com
amanda.o.noonan@energy.nh.gov
ocalitigation@oca.nh.gov
jralston@keeganwerlin.com
michael.sheehan@libertyutilities.com
david.simek@libertyutilities.com
karen.sinville@libertyutilities.com
Mark.Stevens@LibertyUtilities.com
heather.tebbetts@libertyutilities.com
dvenora@keeganwerlin.com
david.k.wiesner@energy.nh.gov