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

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty

2021 Step Adjustment

Docket No. DE 22-035

Technical Statement of Heather M. Tebbetts

April 6, 2023

A. Purpose of Technical Statement

The purpose of this technical statement is to support the Company's request to increase distribution rates to allow for the proper recovery of recoupment ($1,835,932) and rate case expenses ($553,642) that the Commission approved in the underlying rate case, Docket No. DE 19-064. In this docket, the Commission approved the removal of recoupment and rate case expenses which had been in rates for the prior two years. The rates had been set to recover one-half of the total amount in each of the two years from August 1, 2020, through July 31, 2022. However, the amount removed from rates in this docket was the full amount of recoupment and rate case expense, not the lesser amount that was in rates. In this petition, Liberty seeks approval of a rate increase to provide for proper recovery of the approved recoupment and rate case expense amounts.

B. Background.

On November 18, 2022, the Commission issued *Procedural Order Re: November 22, 2022, Hearing*, which rescheduled the November 22, 2022, hearing to February 7, 2023, directed Liberty to submit a revised step adjustment filing providing for a rate reduction that excludes three audit items that the New Hampshire Department of Energy (DOE) and Liberty agreed to remove from the revenue requirement, and directed Liberty to exclude the two Salem area projects, effective as of August 1, 2022, with a provision for refunding any previously collected amounts for these items.

On February 7, 2023, a hearing was conducted to review the request to reduce the revenue requirement by $575,083 to reflect the removal of $3,650,594 of capital placed in service for two Salem area projects and three projects identified and agreed to through the audit process. During the hearing, the Commission identified an erroneous calculation in the application of the $575,083 reduction through distribution rates.

On February 8, 2023, the Commission issued a record request for the Company to provide updated rate calculations implementing the DOE-proposed reduction to the distribution revenue requirement for the refund during the March 1, 2023, to July 31, 2023, rate period, using the appropriate five-month revenue and rate calculation period.

On March 1, 2023, the Commission issued Order No. 26,780 approving the Company's calculation to reduce the revenue requirement by $575,083. The Commission also noted a computational error in the percentage reduction in the distribution rates to reflect the reduction, namely the percentage decrease relative to the existing rates should have been calculated as the allocated credit divided by the existing revenues associated with each of the rate classes, for rates where the credits are due. The Company agreed and made the adjustments to the distribution rates and, on March 2, 2023, the Company filed a petition to make certain technical adjustments to its distribution rate refund structure in accordance with the Commission's analysis in Order No. 26,780.

On March 3, 2023, the Commission issued Order No. 26,781 approving the adjusted rates filed on March 2, 2023, and the Company implemented rates reducing the revenue requirement by $575,083.

The purpose of this technical statement is to petition the Commission for an adjustment to distribution rates as described above with supporting explanation and schedules in Attachment HMT-1.

C. Revenue Requirement

In reviewing the Company's revenue requirement, it was determined that the reduction calculated for August 1, 2022, rates incorrectly reduced the revenue requirement more than necessary to remove recoupment and rate case expenses.

As shown on Attachment HMT-1, Page 1, Column (a), Lines 4 and 5, effective July 1, 2022, the Company included a recoupment amount of $917,996 and a rate case expense amount of $276,821 in its annual revenue requirement. These amounts reflected annual approved amounts amortized over a twenty-four-month period as approved in Order No. 26,376 (June 30, 2020) consistent with the DE 19-064 Settlement Agreement, Bates 032 and 061[1] and Bates 007 and 061[2]. Once fully amortized over the two-year period, the revenue requirement should have been reduced by the amount in base distribution rates, or $917,996 for recoupment and $276,821 for rate case expense. However, as shown on Attachment HMT-1, Page 1, Column (d), Lines 4 and 5, effective August 1, 2022, rates were reduced by the full amount of recoupment, and rate case expenses were instead of the amortized 50% level, therefore incorrectly reducing the revenue requirement by an additional $917,996 for recoupment and $276,821 for rate case expense. Therefore, the reduction was overstated by $1,194,817.

In addition, the delay in the approval of the step adjustment resulted in an additional month of recoupment and rate case expense amounts collected which was to be refunded to customers effective August 1, 2022. In calculating that amount to refund, the annual level was again used to calculate a one-month collection. Since the basis of that refund ($2,504,756) was overstated, the amount of the refund to customers was also overstated. The amount of the one-month extension should have been $109,162 instead of $208,730 for a difference of $99,568.

The total amount requested to increase distribution rates to correct the error is $1,294,385. The Company proposes the increase go into effect on June 1, 2023. The overall average annual increase to distribution rates from current rates in effect as of March 1, 2023, is 2.81%.

[1] Annual recoupment amount of $1,835,991 to be recovered over a 24-month period (July 1, 2020, through June 30, 2020)
[2] Annual estimated rate case expense $553,642 to be recovered over a 24-month period (July 1, 2020, through June 30, 2022)

Attachment HMT-1, Pages 3 and 4 provides the resulting rate calculation by rate class.

D. Bill Impacts

The change in distribution rates results in a change in the bill impacts for this docket. The monthly decrease for a residential customer taking default service using an average of 650 kWh per month is ($0.84) or 0.37% as shown in Attachment HMT-1, Page 4. The bill impacts reflect the approved rates as of March 1, 2023.

E. Revenue per Customer for Decoupling Purposes

When a change in distribution revenue is approved, the revenue per customer targets is adjusted accordingly. Attachment HMT-2 provides the revenue per customer targets associated with the March 1, 2023, and proposed June 1, 2023, distribution rate changes.

F. Tariff Pages

In the cover letter for this filing, the Company has requested a waiver of the requirement to file clean and redlined versions of the proposed tariff and has offered to provide those in the tariff compliance filing.