

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-035

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a LIBERTY

Petition for Approval of Step Adjustment

Order Approving Further Downward Adjustments to Distribution Rates

O R D E R N O. 26,780

March 1, 2023

In this order, the Commission authorizes Liberty to apply a further reduction in its revenue requirement, to be applied as an offset credit to distribution rates, associated with its investments placed in service in 2021. This adjustment arose from the Commission's review process for Liberty's petition following the Commission's issuance of Order No. 26,661 on July 29, 2022, approving the Company's requested revenue requirement contingent on further technical analysis. This offset credit would result in lower distribution rates for Liberty customers over the coming five months (March 2023-July 2023).

I. PROCEDURAL HISTORY

On May 26, 2020, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed a Settlement Agreement in Docket No. DE 19-064 (Settlement Agreement), the Company's most recent full distribution rate case, which contained a provision for three step adjustments for capital investments made in calendar years 2019, 2020, and 2021, effective on July 1 of 2020, 2021, and 2022 respectively, and subject to further review by the Commission. This Settlement Agreement was approved by the Commission on June 30, 2020, in Order No. 26,376.

Liberty filed its current step adjustment petition relating to its 2021 calendar year investments on April 6, 2022. Following a hearing, on July 19, 2022, the

Commission issued an order on July 29, 2022, approving the Company's requested offset credit to distribution rates of (\$962,083), subject to reconciliation pending a New Hampshire Department of Energy (DOE) further review of the Company's potential proposed alternative projects list. *See* Order No. 26,661 (July 29, 2022). Order No. 26,661 outlines the procedural history for the earlier phases of this proceeding.

Several key developments followed the issuance of Order No. 26,661. On September 1, 2022, Liberty filed a letter with the Commission advising that "[a]lthough the Company has a number of projects that went into service during 2021 that could serve as replacement projects, they do not meet the criteria set by the Commission for replacement projects... the Company has elected not to propose any replacement projects in this docket." In response, the Commission issued a procedural order on September 22, 2022, requesting of the DOE a status update, which was provided on September 30, 2022. During the fall of 2022 and winter of 2023, a subsequent series of DOE- and Company-proposed procedural schedules, as well as Commission procedural orders, were promulgated, culminating in the scheduling of a public hearing on this matter on February 7, 2023.

During the latter course of this proceeding, Liberty provided the following technical documents into evidence. On November 4, 2022, Heather M. Tebbetts and Anthony Strabone filed testimony, with supporting attachments. Hearing Exhibit 3. On December 12, 2022, Heather M. Tebbetts filed a Technical Statement, with attachments, providing calculations in response to DOE-advocated disallowances of projects from the Company's step revenue requirements. Hearing Exhibit 5. Also, orally at the February 7, 2023, hearing, and in a written procedural order issued on February 8, 2023, the Commission issued a record request regarding the technical support for the Company's updated revenue requirement calculations provided at the

request of the Commission and the DOE. The Company provided a written response to this record request on February 15, 2023. *See* Hearing Exhibit 7.

During the latter course of this proceeding, the DOE provided the following technical documents into evidence. On October 25, 2022, the DOE's Audit Division filed its Audit Report, including recommended disallowances, with the Commission. Hearing Exhibit 4. On January 9, 2023, the DOE filed its Recommendations regarding the Company's December 12, 2022, filing. Hearing Exhibit 6. Also, on February 16, 2023, the DOE filed a statement of position supporting the Company's updated revenue requirement calculations submitted in response to the Commission's record request. *See* Hearing Exhibit 8.

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/2022/22-035.html>

II. POSITIONS

A. Liberty

As of the outset of the February 7, 2023, public hearing, the Company was prepared to advocate for its initial position, presented in its April 2022 petition, that two growth-related projects (Tuscan Village South and Golden Rock Feeder) located in Salem qualified for inclusion in the revenue requirement calculations for the step adjustment for calendar year 2021 investments. *See* Transcript of February 7, 2023 Public Hearing (Tr.) at 6; 8-11. However, the Commission advised the Company, by a bench ruling at the February 7 hearing, that it would continue to apply the Commission's ruling in Order No. 26,661 that these projects would be excluded from the Company's 2021 step adjustment calculations, in light of the DOE's opposition to

such inclusion based on the DOE's interpretation of the Settlement Agreement, with which the Commission concurred. Tr. at 16; *see also* Order No. 26,661 at 3-5.

In its February 15, 2023, record request response (Hearing Exhibit 7), the Company applied the impact of the removal of the Salem projects to its revenue requirement calculations. (Liberty also appended proposed Tariff pages incorporating these changes). In summary, this Technical Statement by Heather M. Tebbetts presented a further reduction in the Company's distribution revenue requirement of (\$575,083), to be applied as an offsetting credit to distribution rates, which would be applied for the five-month rate period of March 1, 2023 through July 31, 2023. Hearing Exhibit 7 at Bates Page 2. The Company stated that for a residential customer taking Liberty default service, using an average of 650 kilowatts of electricity per month, the monthly decrease would be approximately 1 percent, or a reduction of (\$2.15) per month. *Id.*

At hearing, the Commission directed certain technical questions to the Company's witnesses (Ms. Tebbetts and Mr. Strabone), regarding the methodologies used to establish the rate figures presented in the Company's Attachment HMT-1, Hearing Exhibit 5, Bates Pages 7 and 8; Tr. at 30-43. In response to the Commission questioning, the Company appeared to acknowledge that there were certain discrepancies in rate calculation, that required revision. (*See* Tr. at 43, Question from Commissioner Chattopadhyay, Line 1: "...So, you do agree now that these rates will be different, if you went ahead and did the corrections that I kind of pointed out to you...?"; Answer from Ms. Tebbetts, Line 4: "Yes," *see also* Tr. at 39-40, Lines 9-10, Answer from Ms. Tebbetts, "Yes. I agree that these formulas need to be looked at...").

B. DOE

Regarding the updated revenue requirement calculation provided by the Company on February 15, 2023, the DOE provided a statement of position on February 16, 2023, which supported the Company's calculations, and the application of the resultant credit offset to the Company's distribution rates effective March 1, 2023. Hearing Exhibit 8.

These Liberty calculations incorporated a series of DOE-recommended disallowances: (1) the exclusion of the Tuscan Village South and Golden Rock Feeder Salem projects; and (2) three categories of Audit-Division recommended disallowances, (i) the Lebanon Pole Pile (\$345,009); (ii) LED Street Light Conversion (\$342,937); and (iii) Transportation (\$203,823). Interested persons may review the DOE Audit Division report for the reasoning for the recommended disallowances, Hearing Exhibit 4.

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, 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 (Granite State Electric) Corp. d/b/a Liberty Utilities*, Order No. 26,494 (July 1, 2021) at 5-6.

In this proceeding, after many months of review, analysis, and procedural adjustments, we are satisfied with the ultimate conclusion; namely, that the DOE and the Company have concurred that a further downward adjustment in Liberty distribution rates, of (\$575,083), to be applied from March 1, 2023 through July 31, 2023, is warranted. In particular, the Commission appreciates the DOE's efforts to investigate the various issues in this proceeding.

While we approve the downward adjustment as filed, it is unclear to the Commission whether computational errors in the supporting Excel files for Schedule HMT-1 and resultant rates remain. The recently updated Attachment HMT-1 filed by the Company on February 15, 2023, contains computations that cause the Commission to question whether the new rates are accurately calculated. The Commission believes that in calculating the new rates, the percentage decrease relative to the existing rates should be calculated as the allocated credit divided by the existing revenues associated with each of the rate classes, for rates where the credits are due. For example, for rate class D, the percentage decrease should be calculated by dividing the allocated revenue by the sum of the current revenues from the variable rates. Instead, the percentage decreases are calculated as the allocated credit divided by the sum of the existing revenues *plus* the credit to the customers¹. Seemingly, this

¹ The per kWh rate decrease in cell D13 should be calculated as cell U16 divided by cell T16 minus the customer charge (Cell S12), which is -3.9%. It appears incorrectly calculated as cell U16 divided by new revenue that also accounts for the credit, i.e., the sum of cells X13 through X16. It should be noted that

same computational error is also repeated for other rate decrease calculations².

Indeed, if a check for needed total revenue is performed³, the issue remains.

The Commission has a responsibility to ensure accurate ratemaking calculations in all instances as a matter of legal obligation and good principle, see, *e.g.*, RSA 374:13. We also re-adopt our relevant findings made in Order No. 26,661. The Commission welcomes any further input or comments that the parties may desire to provide regarding the calculations discussed herein.

Based upon the foregoing, it is hereby

ORDERED, that the step adjustment to be applied as an offset credit to distribution rates, of (\$575,083), as calculated by Liberty's filing and supplemented by its February 15, 2023, Technical Statement, is hereby APPROVED; and it is

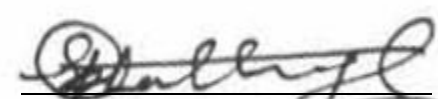
FURTHER ORDERED, that Liberty is authorized to implement the rates approved herein on a service-rendered basis, effective March 1, 2023, for a five-month refund period, ending on July 31, 2023; and it is

FURTHER ORDERED, that shall file tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within ten (10) business days, or March 15, 2023.

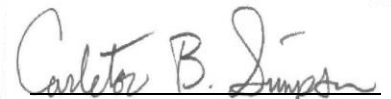
By order of the Public Utilities Commission of New Hampshire this first day of March, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Column X appears in the Excel file for the first time in the latest Excel submission, and the numbers there are hardcoded, inexplicably.

² For G-1, instead of U49 divided by T49, U49 is divided by V49. V49 is again the new revenue that accounts for the credit.

³ By summing cells W12 through W115, to get cell W117.

Service List - Docket Related

Docket#: 22-035

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