

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 22-041
Liberty Utilities (Energy North Natural Gas) Corp. d/b/a Liberty
Petition for Approval to Recover Revenue Decoupling Adjustment Factor Costs

Technical Statement of Faisal Deen Arif, Gas Director
New Hampshire Department of Energy, Division of Regulatory Support
and
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July 21, 2023

The New Hampshire Department of Energy (DOE) submits this technical statement in the context of Liberty's response to the Commission issued record request (RR), provided on July 12, 2023.

Having reviewed Liberty's detailed explanation to the Commission's RR, this statement purports to provide the Commission with further clarification and DOE's position.

Background

In the current docket, the Commission issued the following RR on July 12, 2023:

"Please provide the "Rates 5" model from the Company's Docket No. DG 14-180 rate case."

In response, based on its research, on July 12, 2023 Liberty provided both the RATES-5 model along with a detailed explanation.

DOE Observations

Upon reviewing Liberty's RR, the DOE makes the following observations:

- ***DOE Observation 1:*** Liberty's explanation compares the computation of the initial revenue deficiency filed by the Company between the two consecutive rates cases, namely DG 14-180 with that of DG 17-048.
- In its explanation, Liberty states that:
"The Docket DG 14-180 RATES-5 schedule did not include the detail of the low-income "add-back" in the same spot as Docket DG 17-048, the add-back was made in the revenue calculations in a different spot for reasons pertaining to that case" (Exhibit 8, Bates page 2)

“...[In DG 14-180,] the low-income discount revenue is included in the revenue add-back of \$2,544,011.” Id.

DOE Observation 2: This confirms that in DG 14-180 the reason Liberty did not include a separate line to add low-income discount (i.e., R-4 discount or the RLIAP discount¹) in its RATES-5 model is because the R-4 discount was already included in its *net* revenue calculation.

- In drawing summaries from its research, in its explanation, Liberty further states:
“[The] **Actual Net Income**... was calculated differently in DG 14-180 and DG 17-048 In DG 14-180, the RLIAP discount was added to actual revenues for purposes of calculating the deficiency. In DG 17-048, the RLIAP discount was not included in the actual net income because the RLIAP discount was shown as a credit in expense [i.e., negative Gas Cost] and was therefore removed from the computation of the revenue deficiency.” (Exhibit 8, Bates page 6-7)

DOE Observation 3: DOE agrees with this statement and observes that, in DG 17-048 while calculating the revenue deficiency, the negative gas cost (or the credit in expense Liberty provided to account for the R-4 discount) was entirely taken out of the distribution revenue calculation (since it was a part of the commodity or gas cost). This, therefore, effectively compensated Liberty for the exact amount of R-4 discount in its revenue deficiency calculation – this is the main argument DOE made in its pre-filed testimony and in its exposition of facts during the hearing held on June 22, 2023.

- Liberty further states:
“[The] **Total Non-Discounted Base Revenue Requirement = Actual TY Revenue + Revenue Deficiency**. This was calculated differently in DG 14-180 and DG-17-048 In DG 17-048, the RLIAP discount is not included in the revenue deficiency but is added as revenue in the test year. In DG 14-180, the RLIAP discount is included in the revenue deficiency as a component of net income.” (Exhibit 8, Bates page 7)

DOE Observation 4: DOE does not agree with this statement in entirety.

- DOE agrees that in DG 14-180, the RLIAP discount is included in the revenue deficiency as a component of *net* income. This appears to be the reason as to why the R-4 discount was not added in the RATES-5 model in DG 14-180.
- DOE disagrees that in DG 17-048, the RLIAP discount is not included in the revenue deficiency. As is iterated in DOE Observation 3 above, this was, in fact, added in the revenue deficiency calculation through the removal of *negative gas costs*. This is the

¹ Note that the terms – low-income discount, R-4 discount, or RLIAP discount – imply the same and are used synonymously.

reason why adding R-4 discount again in the RATES-5 calculation (as was done in DG 17-048) compensated Liberty for the second time.

- Liberty also states:
“Outside of the initial filing, the Company’s computed revenue deficiency plays virtually no role in the distribution rate case, because NHPUC staff and intervenors focus on the components of the total revenue requirement rather than just the deficiency to present rates.”
(Exhibit 8, Bates page 7)

DOE Observation 5: DOE does not agree with this statement. DOE views that the revenue deficiency calculation does and should play a significant role in determining and setting up overall revenue requirement in any rate case.

DOE Position

Based on the foregoing observations, the DOE continues to recommend the disallowance of \$4 million RDAF recovery requested by Liberty.