

BEFORE THE PUBLIC UTILITIES COMMISSION

Docket No. DG 22-045
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Winter 2022-2023 and Summer 2023 Cost of Gas
New Hampshire Department of Energy Responses to

Liberty Data Request Set 1

Received: 6/20/2023

Date of Response: 7/5/2023

Request Number: Liberty 1-1

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Reference Bates 7, line 10. DOE states the equivalent bill calculation is a complex process.

- a. Please explain DOE's understanding of how long equivalent bills have been used in the calculation of revenue requirements for Liberty.

Response:

Relevant to this docket and based on the information received from Liberty and reviewed by the DOE, the Department understands that the equivalent bills (EBs) have been used throughout the Decoupling Year 3 (DY3, from September 1, 2020 to August 31, 2021) and DY4 (from September 1, 2021 to August 31, 2022). In addition, the Department recalls that Liberty has indicated in technical sessions in this docket that equivalent bills have been used to calculate revenues since Liberty acquired EnergyNorth.

Request:

- b. Has the DOE previously raised a concern about equivalent bills being a complex issue?

Response:

The referenced DOE statement about the complexity of the equivalent bill calculation process and the concerns thereof is in relation to DOE's current analysis of relevant facts in this docket which involves decoupling calculations and request for recovery of decoupling amounts. Dr. Arif and Mr. Thompson do not know whether or not concerns about equivalent bills were expressed to Liberty by prior DOE/ PUC Staff members.

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Received: 6/20/2023

Date of Response: 7/5/2023

Request Number: Liberty 1-2

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Reference Bates 8, lines 8-12

- a. Please explain how DOE, with the assistance of its consultant and Audit Staff, “is unable to formulate a specific recommendation on Liberty’s current claim” after months of review with essentially unlimited access to the Company’s personnel and data.

Response:

DOE had access to a given amount of information as was made permissible through the procedural schedule, pre-filed testimony and particularly the data discovery process, as well as available time and resources. Through this process, DOE observed several issues such as the general process of equivalent bill calculation (a *de facto* proxy for customer count), the extent and trend in the true-up process, the rate schedule re-classification, all of which have direct implications for the calculation of allowed and actual revenue and ultimately for the calculation of the revenue decoupling adjustment factor (RDAF). The discovery of these issues has been a lengthy and arduous endeavor.

Request:

- b. What additional information would DOE need to enable it to make a recommendation on the relief requested in this docket?

Response:

The following information would be useful:

- The source data for the equivalent bill (EB) calculation for Decoupling Year 4 (DY4 from September 1, 2021 to August 31, 2022) and DY3 (from September 1, 2020 to August 31, 2021);
- For DY3 and DY4, both the data and a narrative explanation of various reasons for performing the true-up process (for example, the various reasons an estimated EB went up after four months with a narrative explanation and associated data). Also, a clear demonstration of the impact of each reason on the allowed revenues;
- For DY3 and DY4, and for each impacted rate class, both the data and a narrative explanation of the rate schedule re-classification and its impact on allowed and actual revenues.

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Date of Response: 7/5/2023

Request Number: Liberty 1-3

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Reference Bates 9, line 7-8. Please explain:

- a. Your understanding of the true-up process, and

Response:

True-up, as it appears from Liberty's data responses, is a process to replace estimated equivalent bills with actual equivalent bills for given calendar months. The Company performs this process four months after any given calendar month (e.g., the estimated equivalent bills for August 2022 is trued-up by Liberty in December 2022.)

Request:

- b. The need for true-ups in the context of this docket.

Response:

Based on the observed information from data discovery process performed in this docket, the need for true-ups appears, for Liberty, to be able to calculate the allowed revenue for decoupling purposes.

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Date of Response: 7/5/2023

Request Number: Liberty 1-4

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Reference Bates 10, lines 2, 4, 7, and 9.

- a. Was DOE able to verify these revenue over/under recovery and interest calculations?

Response:

DOE was able to follow the numbers reported by the Company.

Request:

- b. If so, did the Company correctly calculate the over/under recovery and interest?

Response:

The calculation of the reported numbers appears to indicate the over/under recovery and the interest as is reported in the referenced section of the DOE testimony.

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Date of Response: 7/5/2023

Request Number: Liberty 1-5

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Reference Bates 10, line 14.

- a. Please explain DOE's comment that actual revenue is never trued-up again.

Response:

The impact of the true-up process in the (estimated) allowed revenue could not be reconciled with the corresponding actual revenue since actual revenue appears to remain unchanged despite changes to the number of equivalent bills.

Request:

- b. Please explain DOE's understanding of how the Company books revenues and whether it is appropriate to restate revenues?

Response:

Based on the facts reviewed, DOE understands that the Company does not report any changes to the actual revenues despite making changes to the (estimated) allowed revenues due to the true-up process of equivalent bill calculation, performed after four month of any given calendar month.

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Date of Response: 7/5/2023

Request Number: Liberty 1-6

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Please explain DOE's understanding of how actual revenues are calculated for purposes of decoupling.

Response:

DOE understands the process of actual revenue calculation as is identified in Section 11.1 and 11.2(b)i. and Appendix 11, Section 19. D of the Settlement Agreement in docket no. DG 20-105.

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Date of Response: 7/5/2023

Request Number: Liberty 1-7

Witness: Karen Moran

Request:

Did the DOE Audit conduct a review of Liberty's proposed decoupling adjustment in this docket? If so, did the Audit find any issues?

Response:

In Docket No. DG 22-045, in the LDAC report issued on December 8, 2022, DOE conducted an audit that included an overview of the revenue decoupling adjustment process and the general ledger activity. The report did not opine on the adequacy of the decoupling calculation.

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Date of Response: 7/5/2023

Request Number: Liberty 1-8

Witness: Karen Moran

Request:

Has DOE Audit (or Staff Audit) conducted previous audits and found any issues with Liberty's decoupling calculations?

Response:

In Docket No. DG 20-141 - the Winter 2020/2021 and Summer 2021 Cost of Gas Adjustment Reconciliation - DOE issued a report on October 13, 2021, which verified the figures reported in the Company's filing to the Company's general ledger. The adequacy of the decoupling calculation was not part of the audit. An addendum issued by Audit on October 20, 2021, clarified that the proposed adjusting entry was the mathematical variance between the filing and the general ledger. Audit did not express an opinion regarding the appropriateness of the proposed prior period refund recoveries of the related adjusting entry. As in the response to Liberty's DR 1-7 above, the audit work did not test for, and did not opine on, the adequacy of the calculation.

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Date of Response: 7/5/2023

Request Number: Liberty 1-9

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Did DOE have full access to the Company's personnel and records to conduct a review of Liberty's decoupling calculation in this docket?

Response:

DOE had access to Company's resources to the extent it was provided in the procedural schedule, given the time and resources available.

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Received: 6/20/2023

Date of Response: 7/5/2023

Request Number: Liberty 1-10

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Reference Bates 14, lines 5-9. Please provide support for each of DOE's three statements.
Assuming reference is to lines 4-9 on Bates 14.

First statement, lines 4-5: "In a sense the original estimate of equivalent bills to complete any given month is a forecast and the final estimate of equivalent bills to complete a calendar month, available four months later, is the actual."

Response:

The statement indicates the suggestion that using a preliminary estimate of a number which is later replaced once the actual is known is analogous to what happens when a forecast of a number is produced. In DOE's opinion the analogy is appropriate to the process that Liberty uses with equivalent bills, first providing an estimate and later providing a final number that is used to determine target (i.e., allowed) revenue. The analogy works, in DOE's opinion, so long as the initial estimate of equivalent bills is Liberty's best estimate of a final number based on what Liberty currently knows about future billing cycles. If the initial estimate of equivalent bills is something other than Liberty's best estimate of the future actual value, or if the "best estimate" changes, then the analogy is less useful.

Request:

Second statement, lines 5-7: "It is reasonable to expect that when comparing actual to forecast the number of times actual is higher than forecast would be roughly equal to the number of times actual is lower than forecast."

Response:

In the field of forecasting, consistently over or under predicting a future value is known as forecast bias. “Forecast Bias can be described as a tendency to either over-forecast (forecast is more than the actual), or under-forecast (forecast is less than the actual), leading to a forecasting error.”

- Sujit Singh, “A Critical Look at Measuring and Calculating Forecast Bias”, <https://demand-planning.com/2021/08/06/a-critical-look-at-measuring-and-calculating-forecast-bias/>

DOE’s statement is consistent with the objective of achieving an unbiased forecast.

Request:

Third statement, lines 7-9: “Likewise, it is reasonable to expect that the difference between actual and forecast tend to offset each other (i.e., average near zero).”

Response:

As the statement indicates, it is similar to the prior statement in that an average forecast error of zero is an indication of an unbiased forecast. Based on historical data, comparing predictions with actual data to lead to an unbiased forecast is a reasonable approach to judge the quality or accuracy of any forecast.

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Date of Response: 7/5/2023

Request Number: Liberty 1-11

Witness: Faisal Deen Arif and Mark
Thompson

Request:

Why has the DOE not previously raised concerns that the decoupling calculation is too complicated to allow DOE to make a recommendation to the Commission?

Response:

The question pre-supposes that DOE has not raised concerns about the complication of Liberty's decoupling calculations, which may or may not be the case. Dr. Arif and Mr. Thompson do not know whether such concerns were expressed to Liberty prior to their review of Liberty's decoupling request in this docket and in DG 22-041. DOE formed its stated opinion/position in the testimony once it had had the opportunity to review all information it had collected as was permitted by the procedural schedule and available time and resources.