KEEGAN WERLIN LLP

ATTORNEYS AT LAW

99 HIGH STREET, Suite 2900

BOSTON, MASSACHUSETTS 02110

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(617) 951-1400

TELECOPIER:

(617) 951- 1354

August 16, 2023

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: Docket No. DE 23-039
Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Request for Change in Distribution Rates
Response to Department of Energy August 3, 2023 Letter

Dear Chairman Goldner:

On July 24, 2023 the New Hampshire Public Utilities Commission (the "Commission") issued a Procedural Order (the "Order"). The Order provided an opportunity for parties to file a response to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty's (the "Company") July 5, 14, and 20, 2023 compliance filings. The Company's three compliance filings were filed following the June 21, 2023 hearing on temporary rates and to address the following issues:

1. July 5, 2023 Compliance Filing: the July 5, 2023 compliance filing was submitted to (a) correct a typographical error discovered with respect to the Company's June 26, 2023 compliance filing; and (b) to provide supplemental materials in support of the Company's temporary rate adjustment.
2. July 14, 2023 Compliance Filing: the July 14, 2023 compliance filing provided revised tariff pages to implement the temporary rate adjustment.
3. July 20, 2023 Compliance Filing: the July 20, 2023 compliance filing provided a corrected, revised tariff page to fix a typographical error discovered with respect to the revised tariff pages filed on July 14, 2023.

In response to the Order, the Department of Energy ("DOE") filed a letter on August 3, 2023. The DOE's letter alleges that certain tariff provisions included in the July filings fail to align with the Company's revenue requirement and temporary rate schedules filed on June 26, 2023. DOE does not dispute that the correction to rate D-11 customer charge included in the July 20, 2023 filing is correct.

The Company disagrees with the DOE's conclusion that the tariffs are inconsistent with Order No. 26,855 and respectfully requests that the Commission approve its tariff pages inclusive of the correction submitted on July 20, 2023. The Company addresses each of DOE's concerns below in more detail.

Revenue Decoupling Adjustment Factor:

DOE argues that the Company's Revenue Decoupling Adjustment Factor ("RDAF") should be set at zero while the temporary rates are in effect (DOE Letter at 2). This would essentially suspend the RDAF during the temporary rate period; such a suspension was never discussed as part of the temporary rate settlement discussions. In addition, revenue decoupling was specifically addressed by the Company at the June 21, 2023 hearing indicating that any over or under collection of the updated revenue requirement (*i.e.*, the revenue requirement as increased to include the additional $5.5 million agreed to for temporary rates) would be reconciled through the revenue decoupling factor. 2023 June 21 Tr. at 34-35. Accordingly, it cannot be argued that the Company intended to suspend its revenue decoupling adjustment factor or set the revenue decoupling adjustment factor to zero during the temporary rate period.

The confusion appears to have resulted from the Company's bill impacts included with its compliance filings. The Company's temporary rates are based on a normalized test year. Prior decoupling period revenues are backed out of the normalized test year and are not part of the revenue deficiency. For this reason, the bill impacts filed as part of the Company's compliance filing show an RDAF charge of "zero." However, the Company will continue to collect its prior decoupling period revenues through the current decoupling year ending October 31, 2023 as approved in Order No. 26,748 (December 16, 2022). Order No. 26,748 approved an under-collection of $1,752,926 for the decoupling period July 1, 2021 to June 30, 2022, ("Decoupling Year 1") and approved collection of a portion of the under-collection, or $1,415,013, between November 1, 2022 and October 31, 2023, through the RDAF charge. The remainder of the revenue shortfall was to be deferred for future recovery.[1]

Total Net Distribution Charges:

DOE argues that the total net distribution charges included in the July 14, 2023 filing do not match the total net distribution charges included in the June 26, 2023 filing. Please refer to the Company's discussion of the G-1 Customer charge below.

Revenue Decoupling Information and Targets:

DOE correctly notes that the Company's July 5, 2023 filing included Attachment KMJ/DSD/GHT-Temp-5 which was a new attachment. This new attachment provides the Company's authorized revenue per customer information used as the benchmark for revenue

[1] The prefiled testimony of G. Therrien includes a footnote stating that "[t]hese cost tracking mechanisms include the following: Transmission Charge, Stranded Cost Charge, System Benefits Charge, and the Electricity Consumption Tax. The Revenue Decoupling Adjustment cost mechanism was also applied to current rates and assumed to be zero at proposed rates." (Therrien Testimony at Bates II-836). As explained above, the zero RDAF charge is related to future decoupling periods only and not the decoupling period that ends October 31, 2023.

decoupling. The Company committed to providing revenue per customer information as part of its compliance filing during the June 21, 2023 hearing. 2023 June 21 Tr. at 45. This information required additional time to prepare and therefore was not included with the June 26, 2023 filing. However, no party objected to the Company's filing of revenue per customer information at the hearing as part of its compliance filing. Id.

G-1 Customer Charge:

The DOE's final issue with the compliance filings is the Company's correction of the G-1 Customer Charge. In the July 5, 2023 compliance filing, the Company corrected a typographical error with respect to the customer charge noting that this correction did not affect the overall percentage increase but would result in a slight decrease in the base distribution revenues. The calculation supporting updated base distribution revenue amount is shown in Attachment KMJ/DSD/GHT-4 on the "Revenue Summary" page, at line 5. This attachment was filed on July 5, 2023 at the request of DOE; as explained in the Company's July 5, 2023 filing letter. This attachment was also previously provided to DOE to assist DOE's review of the June 26, 2023 compliance filing. DOE reviewed the information in Attachment KMJ/DSD/GHT-4 prior to submitting its June 29, 2023 Position Statement.

The reduced G-1 customer charge from $434.81 to $434.18 resulted in lower normalized revenues of $1,150. In preparing the revised schedules, the Company uncovered a mathematical error in the formula calculating normal rates in Attachment KMJ/DSD/GHT-4. In that schedule, on the Normal Rates 2023 tab, column V (Distribution Charge net of REP/VMP), was not excluding the VMP charge in the formula. After removing the VMP Charge of ($0.00002), the kWh revenues increased by $8,954. The net of the $8,954 increase and the $1,150 decrease resulted in a net increase of $7,804 to overall revenues. This resulted in the different net distribution charges referenced in DOE's letter.

Please contact me if you have any questions. Thank you.

Sincerely,

Jessica Buno Ralston

Jessica Buno Ralston

cc: Service List, Docket DE 23-039