BEFORE THE
STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DOCKET **DE 23-039**

IN THE MATTER OF: Liberty Utilities (Granite State Electric) Corp.
d/b/a Liberty
Request for Change in Distribution Rates

DIRECT TESTIMONY

OF

Elizabeth R. Nixon and Jacqueline M. Trottier
New Hampshire Department of Energy

December 13, 2023

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<u>Introduction</u>

Q. Please state your full name.

A. Elizabeth R. Nixon and Jacqueline M. Trottier

Q. By whom are you employed, and what is your business address?

A. We are employed by the New Hampshire Department of Energy (DOE or the Department). Our business address is 21 S. Fruit Street, Suite 10, Concord, NH 03301.

Q. Ms. Nixon, please summarize your education and professional work experience.

A. I joined the New Hampshire Public Utilities Commission (PUC or Commission) in August 2012 in the Sustainable Energy Division working on renewable energy issues. In August 2016, I joined the PUC's Electric Division as a Utility Analyst. In July 2021 when the Department of Energy was created, I continued my position as a Utility Analyst with the Department's Regulatory Support Division. In January 2022, I became the Electric Director in the Regulatory Support Division of the DOE. Prior to the PUC, I was employed at the NH Department of Environmental Services, Air Resources Division, from 1999 until 2012, in various positions. Prior to the joining the State, I worked as a consultant at ICF and AER*X, Inc. Throughout my career, I have focused on energy, environmental, and economic issues and analysis. I earned a B.S. in Mathematics from the University of Vermont. I have testified in various dockets – energy efficiency (DE 17-136, DE 20-092, DE 23-068), Liberty Utilities battery storage docket (DE 17-189), and Unitil's distribution rate case (DE 21-030). I have also provided recommendations or testimony in several other dockets, including grid modernization docket (IR 15-296), net metering (DE 22-060), and electric vehicle rate design (IR 20-004, DE 20-170, DE 21-078).

Q. Ms. Trottier, please summarize your education and professional work experience.

A. I began my career with the New Hampshire Public Utilities Commission in June 2016, initially serving as a Program Assistant in the Electric Division. I have been a Utility Analyst within the Regulatory Support Division at the Department of Energy (DOE) since February 2023. Over the course of my tenure, I actively contributed to various dockets, including those related to Unitil's Stranded Cost and External Delivery Charge, Eversource's Storm Cost Recovery, Liberty's Revenue Decoupling Adjustment Factor, and Energy Efficiency. My academic background includes a Bachelor of Science degree in Data Analytics from Southern New Hampshire University.

Q. What is the purpose of your testimony in this proceeding?

A. Our testimony provides comments and recommendations regarding Liberty Utilities' (Granite State Electric Corp.) d/b/a Liberty (Liberty or the Company) distribution rate change request filing and supporting data, especially regarding the impacts from the implementation of the new SAP billing system. We also make recommendations regarding Liberty's ratemaking proposals for performance-based ratemaking (PBR), multi-year rate plan (MYRP), and performance incentive mechanisms (PIMs), and revenue decoupling. We discuss the Company's proposed electric reconciliation adjustment mechanism (ERAM). We also discuss potential changes to the tariff and a consideration for the Commission on the return on equity (ROE). In addition, we provide an overview of the testimony and recommendations provided by other witnesses for the Department. We also note here that contemporaneous with our testimony, the Department is filing a Motion to Dismiss the Liberty rate case under separate cover.

Preface

Q. Before turning to the substance of your testimony, do you have general concerns about the information that Liberty used to present its rate case? Please describe.

A. Yes, the Department has serious concerns about the case Liberty presented, and based on those concerns, the Department has filed a Motion to Dismiss (Motion) the rate case. The fundamental reason for the Motion is that Liberty's test year financial information is not reliable, due primarily to Liberty implementing a new accounting and billing system during the test year. As detailed in the Motion, and in the Department's Audit Report, which is attached to the Motion and to Dudley/Willoughby/DeVirgilio testimony, the test year financial information includes significant accounting discrepancies.

Q. How have you and the other witness in this case handled those concerns about deficiencies in the test year information?

A. Generally, we have proceeded with our review of Liberty's rate request as we would in the ordinary course. We have thoroughly reviewed Liberty's requested rate increase as well as the many related issues and requests Liberty has raised. We recommend many adjustments to Liberty's request, and we have calculated a recommended revenue requirements based on those adjustments. However, by presenting a recommended revenue requirement, and by providing the Department's position on the many other issues raised in this case, we are not overlooking the fundamental issues that exist concerning the test year data, and in no way are we accepting test year information as accurate. The Department believes that the appropriate action for the Commission is to grant the Motion to Dismiss, but if that does not happen and this case proceeds, we present our testimony and positions for consideration by the

Commission. But to be clear, the Department's position is that the test year information has such significant flaws that it should not be used as a basis for setting rates in this case.

Summary

Q. Please summarize your testimony.

A. In our testimony, the DOE recommends the following:

- The Department recommends that the Commission deny the Company's request for a distribution rate change because the rates are not just and reasonable as the proposed rates cannot be supported by the Company's filing, which contains numerous errors and unreliable data resulting from the Company's implementation of the SAP billing system and from lack of data quality control in the filing and supporting data.
- If the Commission decides to proceed with the Company's distribution rate change request, the Department recommends that a traditional cost-of-service ratemaking approach be followed, meaning that the Company would not move to performance-based ratemaking (PBR), a multi-year rate plan (MYRP), and performance incentive mechanisms (PIMs). In addition, the Department recommends that the Company's previously approved revenue decoupling adjustment mechanism end.
- If the Commission decides to proceed with PBR, MYRP, PIMs, and revenue decoupling then the Department recommends the approach presented in the testimonies of Nicholas Crowley and Michael Clark.
- The Department recommends changes to Liberty's proposed electric reconciling adjustment mechanism (ERAM).

- The Department recommends that the Commission consider a reduction in the return on equity (ROE) due to the Company's reduced risks, customers dissatisfaction, and poor data quality control as shown with numerous errors/corrections.
- The Department recommends additional changes to the tariff, including the line extension tariff; the battery storage pilot tariff, especially for the bring your own device (BYOD) customers; the nonrecurring charge tariffs; and the summary of rates.
- The Department recommends the changes proposed in the other DOE witness' testimonies as summarized below.

<u>Summary of DOE's Testimonies</u>

Q. Please summarize the testimony of the other witnesses for the DOE.

A. Below is a summary of the testimony for each witness for the DOE in this proceeding:

- Jay Dudley, Utility Analyst, NH Department of Energy and Ron Willoughby and Joe DeVirgilio from River Consulting Group (RCG) recommend $16.7 million disallowances for plant in service for several projects, including, but not limited to, the Rockingham substation, the 115 kV line in the Salem area, and Tuscan Village electric vehicle chargers.
- Mark P. Toscano, Utility Analyst, NH Department of Energy discusses the battery storage pilot and recommends a BYOD option only for participating customers, and no additional batteries owned by Liberty.
- Stephen Eckberg, Utility Analyst, NH Department of Energy, provides testimony regarding depreciation, in which he recommends the use of the whole life depreciation technique to be consistent with precedent, rather than the remaining life technique

presented by the Company. Not taking into account any adjustments recommended in other DOE testimonies, Mr. Eckberg recommends that the reserve imbalance of $9,593,417 million be amortized over nine years resulting in a return to ratepayers of approximately $1,065,935 million per year for nine years. Mr. Eckberg also addresses the Major Storm Fund.

- Nicholas A. Crowley, Senior Economist, Christensen Associates Energy Consulting LLC provides testimony with a background of performance-based ratemaking, multiyear rate plan, and performance incentive mechanisms. Mr. Crowley provides recommended changes for such an approach.
- Michael T. Clark, Vice President, Christensen Associates Energy Consulting LLC critiques the Company's marginal cost of service study, noting that the analysis may not be reliable, and also recommends performing an embedded cost study in the future. Dr. Clark makes recommendations regarding the Company's rate design, proposed time of use rates, and revenue decoupling. Dr. Clark recommends that the customer charges for Rates G-1 and G-2 be increased by only 5%. Dr. Clark recommends that any revenue decoupling be based on revenues only, not revenue per customer.
- Amanda Noonan, Director of Consumer Services, NH Department of Energy, recommends approval of the Arrearage Management Program (AMP), with a few modifications for eligibility and reporting for consistency with a similar electric utility program in New Hampshire. To align with the other program in the state, DOE proposes that, for a customer to be eligible to participate, the past due account balance must be greater than or equal to $150 rather than the Company proposal of $300. Ms. Noonan also recommends approval of Liberty's transaction fee free proposal with modification

and the addition of annual reporting. Ms. Noonan addresses Liberty's customer service issues and recommends adoption of credits to customers when Liberty fails to achieve an 80% overall satisfaction rating from its customers.

- Zhen Zhu, Managing Consultant, C.H. Guernsey & Company provides testimony on the cost of capital, including the capital structure, the cost rates for long-term debt, and the return on equity. Dr. Zhu proposes the cost of capital shown in Table 1 below. Dr. Zhu recommends a return on equity of 9.25% based on the current market conditions. The resulting weighted average cost of capital (WACC) is 7.61%.

Table 1. Cost of Capital

Capital Source	Capitalization Ratios	Cost Rate	Weighted Cost Rate
Long-Term Debt	**50%**	**5.97%**	**2.985%**
Common Equity	**50%**	**9.25%**	**4.625%**
Total Capital (WACC)			**7.61%**

- Donna Mullinax of Blue Ridge Consulting Services, Inc. addresses the Company's revenue requirement, revenue deficiency and the impact of DOE's proposed adjustments. Ms. Mullinax's testimony shows that DOE's adjusted rate base of $171.64 million (compared to Liberty's updated proposal of $187.98 million) along with the revised cost of capital results in a revenue deficiency of $2,041,900 compared to the Company's Rate Year 1 request of over $15 million.

SAP Implementation and Data Quality

Q. Do you have concerns with Liberty's conversion to the SAP enterprise software during the test year and with the data in the Company's filing?

A. Yes. The Department has been and continues to be very concerned. Based on various items, including, but not limited to the DOE's audit report,[1] data responses, customer complaints, and the customer satisfaction survey,[2] the Department concludes that Liberty has had many problems with the new system. These problems resulted in the Company providing inaccurate data in the May 5, 2023 filing in this docket and subsequent data responses, inaccurate bills and/or very delayed bills to customers, many customer complaints to the Department, and many unsatisfied customers. In Liberty's November 27, 2023 updated revenue requirement filing, the Company listed 25 adjustments with references to data responses and audit issues.[3] Liberty has provided numerous data responses that correct errors and supplemental data responses, as recently as December 6, 2023, with data corrections.[4] Liberty has had data errors with the implementation of the SAP system. Note that all of the adjustments in the updated filing reference data requests and audit issues. Liberty did not list any issues that were discovered outside of the Department's or other parties' inquiries.

Q. Do you believe the data provided by Liberty in this docket will result in just and reasonable rates?

[1] See Dudley/Willoughby/DeVirgilio testimony.
[2] See Amanda Noonan's testimony.
[3] See Attachment ERN/JMT-1, for a list of the adjustments from the first tab (TrackRRUpdates) in Liberty's November 27, 2023 updated revenue requirement filing in the spreadsheet, _Final Attachment KMJ_DSD_Revenue Requirement Model Updated.xlsm.
[4] See Attachment ERN/JMT-2, for a sampling of such responses.

A. No. The Department cannot recommend approval of any new or updated distribution rates because the Department does not have confidence that those rates would be just and reasonable since the Department does not trust and cannot ensure that the data supporting many calculations is accurate and reliable.

Q. What do you recommend regarding Liberty's distribution rate change request?

A. The Department recommends denial of Liberty's request for changes in distribution rates until such time as Liberty can verify and ensure that the billing system is fully operational, and the system is providing accurate data and reports. Liberty must be able to provide an accurate and reliable filing without errors that is fully supportable and matches all other relevant books, records, reports, and forms prepared by Liberty.[5] The Company must be able to defend every request in its filing and all supporting documentation. The Department recommends that Liberty must wait to make any further distribution rate-related filings until at least one full calendar year of test year data is available after the full and complete implementation of SAP and complete transition and full correction for errors caused by implementation of the new system.

Q. If the Commission does not agree that the full distribution rate request should be denied, do you have any recommendations?

A. Yes, if the case does continue, then the Department has many recommended changes as detailed in the testimonies of the Department's witnesses (and summarized above) and as explained further in this testimony.

[5] Including, but not limited to, its FERC Form 1 and NHPUC Form 1.

<u>Ratemaking Approach</u>

Q. Do you agree with Liberty's proposal regarding performance-based ratemaking, multi-year rate plan, and performance incentive mechanisms?

A. No. The Department does not believe that Liberty is ready to transition to innovative approaches of ratemaking. Since the last rate case in Docket No. DE 19-064, Liberty has had nine requests/filings for distribution rate changes, several due to errors/corrections in previous filings. In addition, the Company has had problems with billing and basic customer service. Consequently, we do not believe that the Company should move beyond traditional cost-of-service ratemaking at this time.

Q. Please describe more about what you mean by traditional cost-of-service ratemaking.

A. As outlined above, the Department does not recommend approval of Liberty's request for a change in distribution rates. However, if the Commission grants Liberty a change in distribution rates based on the 2022 test year, the Department proposes that the Company only be allowed the change in its revenue requirement proposed and revised by the Department based on the test year data plus only one step increase related to non-growth projects put in service during 2023. We recommend that the Company not be allowed to implement their proposal for performance-based ratemaking, nor a multi-year rate plan, nor performance incentive mechanisms. In addition, the Department recommends that revenue decoupling be discontinued. The Department also recommends that the Company not be allowed to reconcile any new cost elements that are currently within the base rates, except as noted in the Department's testimonies.

Q. Why does the Department recommend that Liberty's decoupling mechanism be terminated in this docket?

A. Circumstances have changed significantly since Liberty's decoupling mechanism was adopted in DE 19-064, and much experience has been gained. Based on this, the Department believes that decoupling for Liberty is no longer necessary or appropriate.

First, decoupling was presented as a means of severing the link between Liberty's sales and revenues to allow the Company to pursue energy efficiency (EE) more aggressively, because Liberty would be made whole for any lost revenue from EE. However, since decoupling was adopted in DE 19-064, the NH Legislature has established the level of energy efficiency to be pursued by electric utilities. See HB 549(2022). In DE 23-068, Liberty recently received approval to implement its next 3-year EE plan consistent with HB 549(2022), covering 2024-2026.[6] With the question of utility EE budgets settled by law, there is no need for a decoupling mechanism to provide Liberty an additional incentive to pursue EE. That course is set for at least the next three years.

Second – another reason for adopting decoupling was so that utilities would potentially file base rate cases less frequently. Despite significant decoupling recoveries (and three step increases) since the base rate increase allowed in DE 19-064 took effect, Liberty's rate increase requests have not slowed down. This rate case was filed as soon as the "stay out" provision from DE 19-064 allowed. (The same is true for Liberty's NH gas affiliate EnergyNorth – see DG 23-067 which was filed as soon as allowed under EnergyNorth's stay out provision.)

[6] Basically, HB 549 (2022) established EE budgets at 2020 levels, increased for inflation each year. HB 549 (2022) was enacted following Liberty's (and other utilities') request to significantly increase EE budgets and the Commission ordering a roll back of EE budgets to levels from the previous decade.

Third, Liberty's current decoupling mechanism has resulted in unexpectedly large recoveries by Liberty. In DE 22-052, Liberty recovered almost $1,500,000 with almost over $300,000 deferred for future recovery. In its pending decoupling case, DE 23-081, Liberty seeks to collect over $1 million with more than $2.3 million deferred for future recovery. These large recovery/deferral requests are unexpected as growth in electric sales due to electric vehicles and electric heat pumps is experienced. Decoupling may not be needed in a load growth environment.

Fourth, Liberty's approved decoupling mechanism is a revenue per customer (RPC) based calculation. In the Department's view, this mechanism has produced inequitable results. For example, in DE 23-081, Liberty seeks to recover/defer $3.4 million using the RPC decoupling mechanism when its own filing shows that its actual total company revenues ($45,871,886) fell short of its target total company revenue ($46,020,950) by only about $150,000.[7] If decoupling continues, as described in the testimony of Dr. Clark - it should not continue on an RPC basis.

Q. Please explain more about the Department's recommendation regarding the reconciling costs in base rates.

A. Liberty has proposed to reconcile costs related to cybersecurity, pension, and vegetation management. For cybersecurity and pension costs, the Department proposes no reconciliation of these costs, because the company has included these costs in base rates. The Department believes that while these costs may vary, the Company can exercise some degree of control as to how it manages its business. By reconciling these costs, the Company is made whole regardless of their budget management, and the incentive to exercise cost-

[7] See DE 23-081, Docket Tab 1, Attachments of Culbertson and Yusuf, Bates pp 21-22, lines 30 and 73.

control measures is removed. The Company's proposal is simply a full cost recovery for these expenses outside of a rate case in a reconciling mechanism. For vegetation management (VM) costs, the Department proposes an approved budgeted amount in base rates ($2.5 million) with a cap of up to $3.0 million with the ability to reconcile the difference in overspending in the ERAM. VM expenditures above the $3.0 million cap could not be "carried forward."

Q. If the Commission decides to approve the performance-based ratemaking, multi-year rate plan, performance incentive mechanisms, and revenue decoupling, does the Department have any recommendations?

A. Yes. The Department believes that many changes should be made to the Company's proposals. Please refer to Nicholas Crowley's and Michael Clark's testimony for the Department's specific recommendations for performance-based ratemaking, multi-year rate plan, performance incentive mechanisms, and revenue decoupling.

<u>**Electric Reconciliation Adjustment Mechanism (ERAM)**</u>

Q. Please describe the Company's proposed Electric Reconciliation Adjustment Mechanism (ERAM).

A. The Company has proposed a new non-bypassable reconciling rate for distribution-related costs called the Electric Reconciliation Adjustment Mechanism (ERAM). The following items summarized in Table 2 are proposed for inclusion in the rate: property tax adjustment mechanism, RGGI refund, net metering payments to customers and group hosts, regulatory reconciliation adjustment, rate case expense, recoupment factor, residential assistance factor, fee free adjustment, and revenue adjustment charge. Several of these costs are already reconciled, but the Company has proposed moving them to a single reconciling rate for administrative efficiency and rate transparency.

Table 2. Liberty's Proposed ERAM Components

Component	Description	Location
Property Tax Adjustment Mechanism	Recover or refund any variances in property tax expenses as compared to the assumed level in base distribution rates.	Would move from Transmission Rate to ERAM.
RGGI Refund	Refund RGGI auction proceeds to customers.	Would move from Transmission to ERAM
Net Metering	Payments made to customers related to generation output from their distributed generated system.	Would move from Energy Service Rate to ERAM.
Regulatory Reconciliation Adjustment	Changes in the Commission assessment from the level in base rates, the DOE and the OCA consultant expenses related to docketed proceedings, and other Commission-approved consultant costs the Company incurs as directed by the Commission	New
Rate Case Expense	Amortized rate case expense as approved by the Commission in a general rate case proceeding.	Would move from Base Distribution Rates to ERAM.
Recoupment Factor	Recovers or refunds amortized recoupment revenue related to the difference between temporary and permanent distribution rates as approved in a general rate case.	Would move from Base Distribution Rates to ERAM.
Residential Assistance Factor	Costs associated with the AMP program	New
Fee Free Adjustment	Costs associated with the Fee Free Program	New
Revenue Adjustment Charge	Recover or refund OpEx related to Vegetation Management Program, Cybersecurity, and Pension and OPEB costs, Capital plant in service variances, Earning Sharing Mechanism, PIM incentive or penalties	New

Q. Do you agree with the cost components the company has proposed for inclusion in the ERAM?

A. Not entirely. While generally supportive of the proposed components, the Department disagrees with the company's claim that the costs associated with Capital Plant in Service, Cybersecurity, Pensions, and Other Post Employment Benefits (OPEB) are beyond the Company's control. Allowing for reconciliation of these costs would inappropriately transfer risk onto ratepayers, while also removing the incentive for the Company to manage them appropriately. Since the Department recommends traditional cost-of-service ratemaking with only one step increase, the capital plant in service and other expenses will be based on the costs, taking into considerations proposed by Dudley/Willoughby/DeVirgilio and other DOE witnesses and included in the proposed revenue requirements in Ms. Mullinax's testimony. If the Commission approves a multi-year rate plan, we recommend that the Commission refer to Nicholas Crowley's testimony and Ms. Mullinax's testimony for the revenue requirement.

Q. Do you propose any modifications to the items included in the ERAM.

A. Yes. As mentioned above, the Department proposes to include vegetation management costs in the ERAM. Please see Dudley/Willoughby/DeVirgilio testimony for more details regarding these costs. As discussed, the Department proposes a base amount of $2.5 million, with reconciliation in the ERAM of any overspending up to a maximum cap of an additional $0.5 million for a total maximum cap of $3,000,000 with no carry-over. The Department also proposes to move a specific limited set of costs and credits from a regulatory asset to the ERAM. The Company proposed to include in rate base, costs related to the battery storage pilot, PUC/OCA/DOE consultant costs, and credits from the energy efficiency lost revenue adjustment mechanism (LRAM) currently held in regulatory asset/liability accounts.[8] The Department proposes that these costs and credits be included in ERAM, with confirmation of the actual amount for reconciliation confirmed during a docket covering the ERAM filing.

Q. Please explain more regarding these costs/credits in the regulatory asset.

[8] See Jardin/Dane testimony on Bates p II-282.

A. Witnesses Jardin/Dane and Menard discuss these costs/credits in their testimonies; however, each testimony proposes a different recovery mechanism. Jardin/Dane propose recovery in rate base, and Menard proposes recovery of similar costs in the ERAM. On Bates p. II-282, Jardin/Dane explain the three items in regulatory asset accounts are in rate base and propose to amortize these costs/credits over one-year in rate year one. The battery storage pilot costs are for the evaluation, monitoring, and verification consultant. The PUC/OCA/DOE consultant costs are billed to the Company by the Department, the Commission, and the OCA.[9] Jardin/Dane explain that the credits are for billing adjustments when the lost revenue adjustment mechanism for energy efficiency was in effect.

Ms. Menard, in her regulatory issues testimony on Bates p. II-616, proposes a different mechanism, the Regulatory Reconciliation Adjustment (RRA) component of the ERAM, for PUC/OCA/DOE consultant expenses related to docketed proceedings, and for Commission approved consultant costs as "directed by the Commission and/or related to consultant costs expenses incurred to respond to Commission dockets (i.e., data platform, battery storage consultants)." On Bates p. II-620, Ms. Menard further explains recovery through the ERAM for the incremental costs incurred by the Company and approved by the Commission for, "investigations or changes to rules or laws that require the Company to incur incremental costs outside of a general distribution rate case. Examples include the online data platform, battery storage pilot program, and net metering."

[9] See Attachment ELM-RI-1, page 1 of 1, Bates p. II-631, which shows DOE/OCA consultant cost as "TBD."

The Department agrees with Ms. Menard that the appropriate place to recover the PUC/OCA/DOE costs and approved costs for the battery storage pilot EM&V consultant is the ERAM.

Q. What are the costs associated with the battery storage pilot consultant?

A. According to Attachment KMJ/DSD-1, Schedule RR 4.4 on Bates p. II-361 (filed on May 5, 2023), Liberty says that the costs associated with the battery storage pilot consultant are $229,560. According to data request DOE 4-9 (answered on August 4, 2023), Liberty states that the costs are $149,137. In the updated revenue requirements provided to the parties on December 1, 2023 by Liberty, Attachment KMJ/DJD-Rev 1, Schedule RR 4.4 on Tab RR-4.4 in spreadsheet _Final Attachment KMJ_DSD-1 Revenue Requirement Model Updated.xlsm states that the costs are $280,455.[10] Given that Liberty has provided three different amounts associated with the costs for the battery storage pilot consultant, the Department cannot determine the total costs.

Q. What does the Department propose regarding the battery storage pilot consultant costs?

A. As indicated above, the Department proposes that these costs be recovered in the ERAM and not base rates; however, since the Department cannot determine the actual battery storage pilot consultant costs, the Department cannot recommend recovery of the specific costs at this time. At the time of the initial ERAM filing, the Department proposes that Liberty provide the supporting documentation for the consultant costs.

Q. What are the costs associated with the PUC/OCA/DOE consultants?

[10] Note that in the tab "TrackRRUdates," summarizing the changes in the updated revenue requirements, Liberty does not list any changes to Schedule RR 4.4.

A. In Liberty's initial filing, these costs were listed as "TBD" in Menard testimony in Attachment ELM-RI-1, page 1 of 1, Bates p. II-631. In Jardin/Dane testimony in Attachment KMJ/DSD-1, Schedule RR 4.4 (and the update provided on November 27, 2023), Liberty shows the costs associated with the PUC/OCA/DOE consultants is $220,982.

Q. What does the Department propose regarding the PUC/OCA/DOE consultant costs?

A. The Department proposes that these costs be recovered through the ERAM, not base rates. Given that Liberty has conflicting statements regarding the specific PUC/OCA/DOE consultant costs, the Department proposes that these costs be confirmed after the filing for the ERAM in a separate docket. At the time of the initial ERAM filing, the Department proposes that Liberty provide any supporting documentation for these consultant costs.

Q. What are the credits associated with the energy efficiency lost revenue adjustment mechanism?

A. In Attachment KMJ/DSD-1, Schedule RR 4.4 on Bates II-361 (and the update provided on December 1, 2023), Liberty shows the credit associated with the energy efficiency lost revenue adjustment mechanism is $460,088.

Q. What does the Department propose regarding the energy efficiency lost revenue adjustment mechanism credit?

A. Liberty did not provide any supporting data for this credit in this docket. The energy efficiency lost revenue adjustment mechanism (LRAM) has typically been included as a component of the system benefit charge (SBC). The Department was not able to find any supporting data and reconciliations in the energy efficiency documents. The Department proposes that the Company either provide this credit through the ERAM or the SBC, (not base rates). At the time of the filing for recovery either in the initial ERAM or in the SBC, the Department proposes that the Company provide the supporting data and reconciliation of the LRAM amount.

Q. Do you have any comments related to the Property Tax Adjustment Mechanism (PTAM)?

A. The Department recommends that the PTAM be phased out in accordance with the statute. RSA 72:8-e states the following:

> For the implementation period of the valuation of utility company assets under RSA 72:8-d, VI and terminating with the property tax year effective April 1, 2024, the public utility commission shall by order establish a rate recovery mechanism for any public utility owning property that meets the definition of utility company assets under RSA 72:8-d, I. Such rate recovery mechanism shall either:
>
> I. Adjust annually to recover all property taxes paid by each such utility on such utility company assets based upon the methodology set forth in of RSA 72:8-d; or
>
> II. Be established in an alternative manner acceptable to both the utility and the public utility commission.

Per this statute, the rate recovery mechanism for property taxes should be phased out with the property tax year effective April 1, 2024.

Return on Equity

Q. What does the Department propose for Return on Equity?

A. As explained in Dr. Zhu’s testimony, the Department proposes a return on equity of 9.25%. However, if the Commission approves the PBR/MYRP/PIMs and reconciling mechanisms, then the Company has reduced risk. With the Company’s reduced risk, the Company benefits, but the ratepayers do not. Additionally, with the implementation of the SAP billing system, many more customers have complained about billing errors, and the customer survey shows reduced satisfaction as explained in Ms. Noonan's testimony. As discussed above, the Company has had many data errors and billing system conversion issues. Therefore, the Department recommends that the Commission consider a reduction in the return on equity because of the reduced risk for the Company and poor data quality by the Company.

Tariff

Q. Do you have any recommendations regarding Liberty's tariff?

A. Liberty has proposed a new tariff as part of this filing. During the course of discovery, the Company has noted many revisions that they will make in the final tariff. The Department expects that the Company will make those changes as they have indicated. The Department would like to comment specifically on a few changes that may need further review and revision related to line extensions, the battery storage pilot, nonrecurring charges, and the summary of rates.

Q. Please comment on the proposed line extension tariff.

A. A majority of Liberty's proposed changes to the line extension tariff appear to mirror Unitil Energy Systems, Inc's tariff.[11] Liberty does include an additional section entitled "Administration," with some provisions that do not seem appropriate for the line extension section of the tariff, including but not limited to, dictating what rate class certain customers be placed in. The tariff also contains a link to the Company's Specifications for Electrical Installations – however, the link does not work. The Company also provides new tariff

[11] See Unitil tariff, starting on Revised Page 28, https://unitil.com/sites/default/files/2023-08/TCs_Distribution_08.01.23.pdf

language related to underground facilities owned by the customer, but the Company gave no indication that they had communicated with any customers subject to this new language to make them aware that new requirements are proposed that are specific to such customers. The Department proposes that the Company work with these customers in developing such language. The Company also proposes that the Company be paid additional for any engineering work over 32 hours. It seems that tariff language allowing for this additional costs recovery would not be necessary given the provisions to update the calculation methodology, and presumably it may already be factored into an average cost per foot. The Company also proposes to base the underground costs on the overhead costs plus any additional costs necessary. Based on the rates in Eversource's current tariff,[12] the underground average cost per foot is typically lower than the overhead rate, so the Department believes that the overhead and underground rates should each be calculated separately.[13] The Department proposes that Liberty work with the DOE and other interested parties in determining the appropriate calculation methodology for calculating the rates to charge and to determine appropriate language for the whole line extension tariff.

Q. Please comment on proposed tariff changes related to the battery storage pilot.

A. The Department has proposed that Liberty only proceed with bring your own devices (BYOD) for Phase 2 of the battery storage pilot. Liberty did not propose any tariff changes to accommodate this new addition to the pilot. The Department proposes that Liberty work with the DOE and other interested parties to determine the appropriate tariff language for the BYOD customers in the battery storage pilot. In addition, Liberty and the other parties

[12] See Eversource tariff on Revised Page 26 stating the rates established in Docket DE 23-019.
[13] Eversource's rates beginning April 1, 2023 are $30.69/foot for overhead and $20.32/foot. Liberty did not provide sufficient data to be able to calculate the rates for each nor did they provide an illustrative example calculation.

should determine if additional changes to the tariff are necessary since the pilot may have changed since implementation.

Q. Please comment on non-recurring charge in proposed tariff changes.

A. Refer to Menard testimony (p. 19 of 22) starting on Bates p. II-627. The Company proposes to change nonrecurring charges listed in the Company tariff but says that the test year was not an appropriate period to use as the basis for any changes to the non-recurring charges. For the tariff, and non-recurring charges, the Company's proposed changes are not in compliance with Puc 300 rules (i.e., the Company proposed $50 for a meter test charge, but the Puc 300 rules require a charge of $20). The Department recommends that the Company be required to ensure that these (and all tariff changes) are in compliance with regulatory requirements and using the appropriate data as the basis.

Q. Do you recommend any other changes to the tariff?

A. Liberty has proposed changes to how they present applicable rates for each customer class. As proposed, the format is not easy to follow, nor accurate in some places, plus the rate class tariff page does not indicate that the customer will be charged any specific rate. The Department recommends that the Company propose revised changes regarding the presentation of the rates in the tariff and work with DOE and other interested parties to develop an understandable presentation.

<u>Conclusion</u>

Q. Please summarize your recommendations in this testimony regarding Liberty's distribution rate change request.

A. In this testimony, we recommend the following:

- We recommend that the Commission deny the Company's request for a distribution rate change because the rates are not just and reasonable since they cannot be supported by the Company's filing, which contains numerous errors and unreliable data resulting from the Company's implementation of the SAP billing system and from lack of data quality control in the filing and supporting data.
- If the Commission decides to proceed with the distribution rate change request, the Department recommends that a traditional ratemaking approach be followed, meaning that the Company will not move to PBR, MYRP, and PIMs. In addition, the Department recommends that revenue decoupling discontinue.
- If the Commission decides to proceed with PBR, MYRP, PIMs, and revenue decoupling, then the Department recommends the approach in Nicholas Crowley's and Michael Clark's testimonies.
- The Department recommends changes to Liberty's proposed ERAM.
- The Department recommends the Commission consider a reduction in the ROE due to the Company's reduced risks, poor data quality control as evidenced with the numerous errors/corrections, and customer dissatisfaction.
- The Department recommends additional changes to the tariff, including the line extension tariff, the battery storage pilot tariff, especially for the BYOD customers; the nonrecurring charge tariffs; and the summary of rates.
- The Department recommends the changes proposed in the other DOE witness' testimonies as summarized above.

Q. Does this conclude your testimony?

A. Yes.