

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 23-039

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Distribution Service Rate Case
Revenue Requirement, Multi-Year Rate Plan, and Permanent Rates

SUPPLEMENTAL TESTIMONY

OF

ERICA L. MENARD

AND

DANIEL S. DANE

April 24, 2024



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1 **I. INTRODUCTION**

2 **Q. Ms. Menard, please state your name, title, and business address.**

3 A. My name is Erica L. Menard. I am the Senior Director of Rates and Regulatory Affairs
4 for Liberty Utilities Service Corp. (“LUSC”), which provides service to Liberty Utilities
5 (Granite State Electric) Corp. d/b/a Liberty (“Liberty” or the “Company”). My business
6 address is 15 Buttrick Road, Londonderry, New Hampshire.

7 **Q. Mr. Dane, please state your name, title, and business address.**

8 A. My name is Daniel S. Dane. I am the President of Concentric Energy Advisors, Inc. My
9 business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts.

10 **Q. To the panel, have you previously sponsored testimony in this proceeding?**

11 A. Yes. On May 5, 2023, we submitted direct, pre-filed testimony to the New Hampshire
12 Public Utilities Commission (the “Commission”) on behalf of Liberty in support of its
13 application.

14 **Q. What is the purpose of your supplemental direct testimony?**

15 A. The purpose of our supplemental direct testimony is to provide an updated revenue
16 requirement for permanent base distribution rates and a requested increase in rates to
17 reflect adjustments that have been identified since the Company’s initial filing on May 5,
18 2023.

19 **Q. Are you sponsoring any Exhibits as part of your supplemental direct testimony?**

20 A. Yes. Included with this supplemental direct testimony is Attachment KMJ/DSD-1 Rev 2
21 (Updated Revenue Requirement), Attachment KMJ/DSD-2 Rev 2 (Summary of Updates)

1 and Attachment KMJ/DSD-3 Rev 2. Attachment KMJ/DSD-1 Rev 2 provides updated
2 schedules RR-1 through RR-6, which were described in our direct testimony.

3 Attachment KMJ/DSD-2 Rev 2 provides a summary of the updates to the initially filed
4 revenue requirement in this proceeding (i.e., Attachment KMJ/DSD-1, filed May 5,
5 2023). Attachment KMJ/DSD-3 Rev 2 provides a compendium of the relevant data
6 requests and audit issues identified in the Summary of Updates.

7 **Q. Has the Company provided updated versions of the revenue requirement model and**
8 **plant model in Excel format for review in this proceeding?**

9 A. Yes. As part of this supplemental testimony, the Company has included updated versions
10 of the revenue requirement model and “plant model” used to develop RR-1 through RR-
11 6. To help the parties in this case track updates to these models, changes to inputs or
12 formulas have been highlighted in light blue or light orange as described in more detail
13 below.

14 **Q. Since the Company’s May 5, 2023 rate case filing, what additional actions has the**
15 **Company taken to verify the reasonableness of its accounting records that are**
16 **reflected in the revenue requirement?**

17 A. As described in the Affidavit of Sean P. Riley filed with the Commission on February 15,
18 2024, the Company engaged PricewaterhouseCoopers LLP (“PwC”) to prepare an expert
19 report to assess the reliability of the Company’s 2022 financial information for rate
20 setting purposes. The PwC review was performed in response to concerns expressed in
21 this proceeding regarding the reliability of the Company’s accounting records in a rate

1 case setting following the Company’s conversion in the test year to SAP (the “SAP
2 Conversion”). PwC’s review resulted in the April 5, 2024 report titled “Review of
3 Accounting Data” (the “PwC Report”). As described herein, the revenue requirement
4 reflects certain updates resulting from the Company’s review following the initial filing,
5 the discovery and audit process, and PwC’s review. Simply put, this updated revenue
6 requirement is a comprehensive statement of all changes to the revenue requirement since
7 the case was filed.

8 **Q. Summarize the impact to the Company’s requested increase in rates from the**
9 **updates to the revenue requirement.**

10 A. As summarized in Table 1 below, the impact of these updates to the requested increase in
11 rates is a reduction in the revenue deficiency of \$692,244 in Rate Year 1, a reduction of
12 \$203,594 in Rate Year 2 and a reduction of \$48,649 in Rate Year 3.

	Rate Year 2023/2024	Rate Year 2024/2025	Rate Year 2025/2026
Filed Requested Increase in Rates	\$15,487,002	\$2,637,497	\$2,975,178
Updated Requested Increase in Rates	14,794,758	2,433,903	2,926,528
Difference in the Rate Request	\$(692,244)	\$(203,594)	\$(48,649)

13
14 **Q. Please describe the types of updates that were made to the revenue requirement in**
15 **Attachment KMJ/DSD-1 Rev 2.**

16 A. Certain updates to the revenue requirement in this proceeding were identified after the
17 Company made its initial filing. The updates can be categorized into four broad groups
18 of adjustments:

- 1 1. Updates identified through the discovery process while responding to data
2 requests and which the Company agreed to reflect in any update to the revenue
3 requirement in this proceeding.
- 4 2. Updates identified by the Department of Energy's ("DOE's") Enforcement
5 Division Audit Staff in its Final Audit Report issued on October 25, 2023 and
6 which the Company agreed were appropriate to reflect in the revenue
7 requirement.
- 8 3. Updates identified by the Company related to the mapping of regulatory
9 accounts in the fourth quarter of 2022, following the SAP Conversion.
- 10 4. Updates identified in the PwC Report.

11 In total, there are thirty-three updates to the revenue requirement model which are
12 identified in Attachment KMJ/DSD-2 Rev 2 and on the "TrackRRUpdates" tab of the
13 revenue requirement model.

14 **Q. Please describe Attachment KMJ/DSD-2 Rev 2 Summary of Updates.**

15 A. Attachment KMJ/DSD-2 Rev 2 Summary of Updates describes each update to the
16 revenue requirement. Specifically, Attachment KMJ/DSD-2 Rev 2 Summary of Updates
17 provides: (1) a reference to the discovery response, audit report adjustment, or PwC
18 Report finding; (2) the post-adjustment cumulative total revenue (increase)/decrease
19 requested for the pro forma test year and each rate year (as shown on RR-1 Line 17); (3)
20 a catalogue of the schedules modified for each adjustment; (4) the schedules impacted by

1 the adjustment; and (5) a description of each adjustment. This attachment was developed
2 to help parties in this case track the adjustments to the revenue requirement, quantify the
3 impact, and trace each adjustment through the revenue requirement.

4 **Q. Have any of these adjustments and the impact to the revenue requirement been**
5 **previously provided to the parties in this proceeding?**

6 A. Yes. On November 27, 2023, the Company provided an updated revenue requirement in
7 Excel format to the parties in this case that reflected the updates identified during the
8 discovery process and in the DOE Final Audit Report. Updates to the revenue
9 requirement for these adjustments are highlighted in blue throughout the revenue
10 requirement and plant models in Attachment KMJ/DSD-1 Rev 2. Those adjustments are
11 reflected as adjustment 2 through 26 on Attachment KMJ/DSD-2 Rev 2 Summary of
12 Updates and summarized as “Subtotal Change for November 27 Update.”

13 **Q. Please further describe the updates identified during the discovery process.**

14 A. During the discovery process, certain issues were identified by parties to this proceeding.
15 Where and when identified, the Company agreed it would update the revenue
16 requirement for these items in its next update. A total of fourteen updates were necessary
17 and are identified as adjustments 2 through 11 and 21 through 24 in Attachment
18 KMJ/DSD-2 Rev2 Summary of Updates. The discovery response in which each update
19 was identified are also provided in Attachment KMJ/DSD-3 Rev 2.

1 **Q. Please further describe the updates identified in the Department of Energy’s Final**
2 **Audit Report that are reflected in the updated revenue requirement.**

3 A. Per standard rate case processes, the DOE’s Enforcement Division Audit Staff performed
4 an audit of the information reflected in the revenue requirement. As part of that report,
5 the Company agreed to eleven updates that are identified as adjustments 12 through 20
6 and 25 through 26 in Attachment KMJ/DSD-2 Rev2 Summary of Updates. The audit
7 responses in which each update was identified are also provided in Attachment
8 KMJ/DSD-3 Rev 2.

9 **Q. Please quantify the impact to the Company’s requested increase in rates from the**
10 **updates to the revenue requirement identified during the discovery and audit**
11 **process.**

12 A. As shown in the table below and summarized in Attachment KMJ/DSD-2 Rev 2
13 Summary of Updates, the incremental impact to the revenue requirement of those
14 adjustments is a reduction in the revenue deficiency of \$286,451 in Rate Year 1, a
15 reduction of \$504,492 in Rate Year 2 and a reduction of \$579,742 in Rate Year 3.

	Rate Year 2023/2024	Rate Year 2024/2025	Rate Year 2025/2026
Filed Requested Increase in Rates (Cumulative)	\$15,487,002	\$18,124,498	\$21,099,676
November 27th, 2023, Increase in Rates (Cumulative)	15,200,551	17,620,007	20,519,934
Difference in Rate Request	\$(286,451)	\$(504,492)	\$(579,742)

1

2 **Q. Please further describe the updates identified by the Company related to the**
3 **mapping of regulatory accounts in the fourth quarter of 2022, following the SAP**
4 **Conversion.**

5 A. As described in more detail in Section 5.1 of the PwC Report, the Company identified
6 necessary adjustments related to the appropriate regulatory mapping for entries that were
7 impacted by the SAP Conversion. A total of five updates were necessary and are
8 identified as adjustments 27 through 31 in Attachment KMJ/DSD-2 Rev2 Summary of
9 Updates. Updates to the revenue requirement for these adjustments are highlighted in
10 orange throughout the revenue requirement and plant models in Attachment KMJ/DSD-1
11 Rev 2.

12 **Q. Attachment KMJ/DSD-2 Rev2 Summary of Updates reflects the reversal of three**
13 **adjustments that were previously identified in the DOE's Final Audit Report. Why**
14 **did the Company reverse these three adjustments?**

15 A. The adjustments made to reflect the appropriate regulatory mapping described above
16 included adjustments that were previously identified in the DOE's Final Audit Report.
17 As such, to avoid double counting the impact of these updates, the previous adjustments
18 were reversed.

1 **Q. Please quantify the impact to the Company’s requested increase in revenues from**
2 **the updates identified by the Company related to the mapping of regulatory**
3 **accounts in the fourth quarter of 2022, following the SAP Conversion.**

4 A. As shown in the table below (and in Attachment KMJ/DSD-2 Rev2 Summary of Updates
5 as “Subtotal Change for Regulatory Mapping Updates”), the incremental impact to the
6 revenue requirement is a reduction in the revenue deficiency of \$267,488 in Rate Year 1,
7 a reduction of \$254,807 in Rate Year 2 and a reduction of \$270,283 in Rate Year 3.

	Rate Year 2023/2024	Rate Year 2024/2025	Rate Year 2025/2026
November 27, 2023, Increase in Rates (Cumulative)	\$15,200,551	\$17,620,007	\$20,519,934
Updated Requested Increase in Rates for Regulatory Mapping Updates (Cumulative)	14,933,063	17,365,200	20,249,651
Difference in Rate Request	\$(267,488)	\$(254,807)	\$(270,283)

8 **Q. Please further describe the updates identified in the PwC Report.**

9 A. During PwC’s review of the Company’s filing and accounting data, PwC identified three
10 updates to be reflected in the revenue requirement model. Adjustment 32 reflects a
11 correction to the pro forma rental expense adjustment which was not fully incorporated in
12 the original filing. Adjustment 33 reflects a correction to certain entries that were
13 reflected in FERC account 920 but should have been reflected in FERC account 926.
14 Adjustment 34 reflects customer deposits for battery storage that should have been
15 included in FERC account 243. Updates to the revenue requirement for these
16 adjustments are highlighted in orange throughout the revenue requirement and plant
17 models in Attachment KMJ/DSD-1 Rev 2.

1 **Q. Please quantify the impact to the Company’s requested increase in rates from the**
2 **updates identified in the PwC Report.**

3 A. As shown in the table below (and in Attachment KMJ/DSD-2 Rev2 Summary of Updates
4 as “Subtotal Change for PwC Report Updates”), the incremental impact to the revenue
5 requirement is a reduction in the revenue deficiency of \$138,305 in Rate Year 1, a
6 reduction of \$136,539 in Rate Year 2 and a reduction of \$94,462 in Rate Year 3.

	Rate Year 2023/2024	Rate Year 2024/2025	Rate Year 2025/2026
Updated Requested Increase in Rates for Regulatory Mapping Updates (Cumulative)	\$14,933,063	\$17,365,200	\$20,249,651
Updated Requested Increase in Rates for PwC Report Updates (Cumulative)	14,794,758	17,228,661	20,155,189
Difference in Rate Request	\$(138,305)	\$(136,539)	\$(94,462)

7
8 **Q. Have the Company’s distribution rates changed since the Company’s initial filing in**
9 **this proceeding?**

10 A. Yes, the Company’s distribution rates changed on June 1, 2023, and August 1, 2023, as
11 adjustments were made to reflect a previously approved step increase and recoupment
12 and rate case expenses in DE 22-035, and on July 1, 2023, with the approval of
13 temporary rates in this docket. However, to ensure consistency between the initial filing
14 and the revenue requirement update presented with this supplemental testimony, the
15 Company has not reflected those distribution rate changes in this update. Because of
16 those distribution rate changes, the impact of a change in permanent base rates following

1 this proceeding will be approximately \$2.1 million less than the revenue deficiencies
2 reflected in Attachment KMJ/DSD-1 Rev 2.¹

3 **Q. Does this supplemental testimony include all known and necessary adjustments to**
4 **the Company's request?**

5 A. Yes. To the best of our knowledge, all known and identified adjustments to the revenue
6 requirement have been incorporated into this supplemental testimony and its attachments.

7 **Q. Does this conclude your supplemental direct testimony?**

8 A. Yes, it does.

¹ Order Nos. 26,780 (March 1, 2023), 26,781 (March 3, 2023), and 26,836 (May 31, 2023) as illustrated in Attachment TJC-1 filed on September 11, 2023, in Docket No. DE 22-035.