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DEPARTMENT OF ENERGY
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October 3, 2023

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DE 23-081, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Request for Approval of Revenue Decoupling Adjustment for July 2022 through June 2023;
Department of Energy Position Statement

Dear Chairman Goldner:

On September 1, 2023, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty ("Liberty" or "the Company") filed a request for approval of its Revenue Decoupling Adjustment Mechanism ("RDAF") for the period from July 2022 through June 2023. On September 25, 2023, the Commission issued a notice of adjudicative proceeding, which, among other things, required that the Department of Energy ("DOE" or "Department") file its position regarding Liberty's filing, including the reasons for this position, on or before October 3, 2023. As explained below, due to questions raised by Liberty's decoupling filing as well as tariff issues raised in other dockets, the DOE's preliminary position is that Liberty's RDAF request raises several important procedural and substantive questions that should be addressed before any approval is granted.

Procedural Questions:

On May 5, 2023, in Docket No. D 23-039, Liberty filed a request for change in distribution rates, including a request for temporary rates that would go into effect July 1, 2023. The parties in DE 23-039 reached a settlement agreement on temporary rates, which was approved by the Commission after Liberty filed temporary rate schedules reflecting the settlement on June 26, 2023. Neither the May 5, 2023, filing nor the temporary rate schedules filed on June 26, 2023, included an RDAF charge.¹ After the Commission issued an order on June 30, 2023, approving the settlement agreement on temporary rates, Liberty submitted compliance tariff filings in Docket DE 23-039 on July 5, 14, and 20, 2023. Those three compliance tariff filings differed in several places from the schedules filed in that same docket on June 26, 2023. On July 24, 2023, the

¹ See Attachment KMJ/DSD/GHT-TEMP-2 at Bates page II-083 (May 5, 2023 filing), and Attachment KMJ/DSD/GHT-TEMP-2(Settlement) at Bates page II-083 (June 26, 2023 filing). See also Attachment KMJ/DSD/GHT-TEMP-2 Proposed Tariffs at Bates pages II-118 to II-130 (May 5, 2023, filing), where the RDAF is listed as \$0.00000 throughout the entirety of the Summary of Rates.

Commission issued an order giving parties an opportunity to file responses to Liberty's July 5, 14, and 20 compliance tariff filings. On August 3, 2023, the Department filed a letter noting concerns with the filings. Two of the Department's concerns raised in the August 3, 2023, letter related to the RDAF - namely, that the schedules filed on July 5 and July 14, 2023 in DE 23-039 included an RDAF charge that was not included in the Company's June 26, 2023, temporary rate schedule filing or their May 5, 2023, filing requesting a permanent rate increase; and that the Company included a new attachment in its July 5, 2023, compliance tariff filing that included revenue decoupling information and targets that were not part of the June 26, 2023, filing reviewed by the Department.²

On August 10, 2023, the Commission issued an order in DE 23-039 directing Liberty to respond to the issues raised in the DOE's August 3, 2023, letter, including a detailed explanation on the changes to the RDAF in the revised tariffs associated with the filing as compared to the May 5, 2023, proposed tariff pages. Liberty filed its response on August 16, 2023, in which it disagreed with the DOE's concerns regarding the RDAF and stated that it was never the Company's intent to suspend the RDAF during the temporary rate period. These issues in the temporary rate phase of DE 23-039 remain unresolved, and need to be resolved before Liberty recovers any Decoupling Year 2 revenue in this docket.

The DOE also raised concerns regarding tariff filings in Docket No. DE 22-035, which remain unresolved. See Docket Tab 77 (September 18, 2023, letter filed by the DOE). As noted in the DOE letter, Liberty indicated that it had additional errors in the distribution rate calculations, specifically for the time of use rates and for Rate G-1. These errors are in addition to a fundamental error in distribution rates that was discovered and corrected in DE 22-035 concerning temporary rate and rate case expense recoupment.³ Each distribution rate change requires new revenue decoupling targets, thereby further complicating Liberty's decoupling request in this docket.

Substantive Questions:

In addition to the outstanding procedural issues discussed above, the Department's preliminary position on Liberty Decoupling Year 2 RDAF requests is that Liberty's request raises several questions:

- First, the Company's calculation uses monthly revenue amounts and monthly numbers of customers, by rate class. The variations in monthly number of customers are significant and are not explained. For example, in the General TOU G-1 rate class (which makes up over 20 percent of total company revenue), in Decoupling Year 2, the number of customers varies from a low of 104 to a high of 182. (Liberty's September 1, 2023, Decoupling Filing at Bates 22). This compares

² See Exh. 3 (Revised) Attachment KMJ/DSD/GHT-TEMP-2 (Settlement) Bates page II-083 (July 5, 2023 filing); and tariff pages filed on July 14, 2023

³ See Exh. 9 in DE 22-035 Attachment HMT-1 for a summary of various changes to the distribution revenue requirement and distribution rates that have occurred over the past year.

to the relatively stable figures used to set target revenue per customer where the range was from 131 to 145. (*Id.* at Bates 21).

- Second, the actual figures for number of customers presented in this case vary significantly from corresponding figures provided in Liberty's on-going electric distribution rate case (DE 23-039), especially in months since Liberty implemented its new accounting system (Customer First/SAP). Based on preliminary review, the DOE has concerns about the conflicting customer numbers between the RDAF filing and the rate case filing. Specifically, Lines 47-52 of the table on Bates 22 in the September 1, 2023, RDAF filing show actual equivalent bills for July 2022 – December 2022 for each customer class. A similar table in Docket No. DE 23-039 also includes billing numbers from July 2022 – December 2022 for each customer class.⁴ The numbers for July 2022 and August 2022 in the RDAF filing largely match the July 2022 and August 2022 numbers in the rate case filing. The numbers for September 2022 – December 2022, however, do not match between the two filings. It is the DOE's understanding that Liberty implemented its new accounting system in September 2022, which is when the two tables start to show inconsistencies. The DOE has concerns about the discrepancies in the September 2022 – December 2022 figures and whether this has any effect on Liberty's RDAF request overall.
- Third, it appears that the adjustment for Decoupling Year 2 would be significantly reduced if the actual versus target revenue comparisons were done on an annual, total company basis as opposed to the method used which disaggregates revenues by month and by rate class. While the DE 19-064 Settlement calls for monthly calculations, by rate class, the Department plans to explore an annual, total calculation as a means of comparison to the results presented by Liberty, to perhaps highlight any unintended consequences of using a monthly, by rate class calculation. On preliminary review, the Department believes that target annual aggregate revenues are \$46,020,950. (Liberty's September 1, 2023, Decoupling Filing at Bates 21, Line 30). Actual annual aggregate revenues are \$45,871,886. (*Id.* at Bates 22, Line 73). A revenue decoupling adjustment using these annual, total company figures would equal \$149,064 (0.3% of target revenues) as compared to the Company's request to collect \$3.4 million (more than 8% of target revenues) with much of the recovery being deferred due to the decoupling cap.

In summary, the DOE's preliminary position on Liberty's RDAF request is that outstanding tariff issues in other dockets, and Liberty's September 1, 2023, Decoupling Filing raise significant questions that should be resolved before any

⁴ See Docket No. DE 23-039, Tab 43, Attachment KMJ/DSD/GHT-TEMP-5 (Settlement) page 3 of 3, table titled "Revenue Decoupling Adjustment Calculation: Year 3 (7/1/2023-6/30/2024)."

Decoupling Year 2 revenue is approved. The DOE will plan to discuss these concerns further at the prehearing conference scheduled for October 10, 2023

Consistent with the Commission's current practices, this letter is being filed only in electronic form.

Sincerely,

/s/ Paul B. Dexter

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Senior Hearings Examiner

and

/s/ Alexandra Ladwig

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