

STATE OF NEW HAMPSHIRE
BEFORE THE NEW
HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 24-044

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
2023 Vegetation Management Program Plan

Technical Statement of Jay E. Dudley
Department of Energy, Division of Regulatory Support

April 19, 2024

On March 15, 2024, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company) filed its Calendar Year 2023 Reconciliation and Rate Adjustment request related to its 2023 Vegetation Management Program (VMP Rate Request) with testimony and attachments with the Public Utilities Commission (PUC or Commission). On March 29, 2024, the Commission requested that the New Hampshire Department of Energy (DOE or Department) submit its response to the VMP Rate Request on April 12, 2024, and scheduled a hearing for Liberty's rate request on April 16, 2024. On April 3, 2024, Liberty filed an assented-to request to reschedule the hearing to April 24, 2024, and extend the filing date for DOE's response to April 19, 2024. On April 5, 2024, the Commission issued an Order approving Liberty's assented-to request generally and rescheduled the hearing date to April 25, 2024.

The Department has reviewed the VMP Rate Request and cannot recommend that the Commission approve Liberty's requested increase in rates as filed. Instead, DOE recommends that the Commission delay ruling on the Company's rate request until the Audit Division has completed its audit of Liberty's filing, and the Department has reviewed the audit report, as further explained below.

The VMP Rate Request contains the Direct Testimony of Heather Green, Jeffrey Faber, and Robert Garcia with attachments, including live Excel spreadsheets.

Department Analysis

The Department finds that Liberty's implementation of the 2023 VMP was generally consistent with the program goals set out in the settlement agreement approved by the Commission in Liberty's last rate case in Docket DE 19-064. However, the Department remains concerned about the ongoing lack of progressive achievement in terms of reducing the growing backlog for hazard trees, failure to meet goals for miles cut, and lack of prioritization of cuts (in particular involving the Charlestown circuit). These concerns, and others, are described in greater detail in the Department's testimony filed in Liberty's rate case in Docket DE 23-039.¹

The Department has reviewed the Company's 2023 O&M expenses and the methodology and calculations for the resulting VMP Adjustment Factor rate of \$0.00000 per kWh, which amounts to an increase of \$0.00002 per kWh after applying the adjustment factor to the credit of (\$0.00002) approved in Docket No. DE 23-031, to be effective May 1, 2024 through April 30, 2025.² Also, the Department confirms the overcollection in the amount of \$50,240 between 2023 budgeted and actual expenditures. The DOE finds that Liberty's spreadsheets appear to support their calculation of the VMP Adjustment Factor and carryover amount, and concludes that the calculations appear to be correct on a mathematical basis.

The Company's filing provides a monthly bill impact for a typical residential customer using a total of 650 kilowatt hours to be an increase of \$0.01 per kWh or an increase of 0.01%.³

Department's Recommendation

On December 13, 2023, in Docket No. DE 23-039, the Department filed a Motion to Dismiss Rate Filing effectively requesting the Commission to dismiss Liberty's rate case based in large part on the findings of the Audit Division contained in its Final Audit Report dated October 25, 2023, which states, "The Audit Report contains many indications that Liberty's test year books and records do not form a reliable basis for setting rates in this case."⁴ As the audit report outlines in detail, this issue arose in part from mapping errors of accounting data experienced by Liberty in converting the new SAP operating system in 2022. In two subsequent hearings related to DOE's motion held by the PUC on January 4, 2024, and January 23, 2024, the Commission learned that corrections to these mapping errors had been made throughout 2023 on the Company's 2023 books and that corrections were continuing into 2024,⁵ calling into question the reliability of the 2023 numbers. Further, as part of Liberty's proposed scope for its proposed accounting review of the 2022 test year to be conducted by PricewaterhouseCoopers

¹ See Docket No. DE 23-039, Tab 91, Direct Testimony of Jay E. Dudley, Ronald D. Willoughby, and Joseph DeVirgilio at Bates 60-64.

² Direct Testimony of Heather Green, Jeffrey Faber, and Robert Garcia at Bates 18, Attachment 1 at Bates 21, and Attachment 4 at Bates 41-45.

³ *Id.* at Bates 19 and Attachment 4 at Bates 45.

⁴ See Docket No. DE 23-039, Tab 90, Department of Energy Motion to Dismiss Rate Filing at Bates 6.

⁵ See Docket No. DE 23-039, Tab 110, Transcript dated 01/04/2024 at 19-20, 37-39, and 77-79. Also, Tab 116, Transcript dated 01/23/2024 at 197-202, 242, and 258-259.

LLP, the Company included a review of 2023 accounting data that may have been impacted by the SAP mapping issues.⁶

In the present docket, Liberty relies on the prior year's actual costs (2023) as a basis for its reconciliation calculations and in setting the VMP Adjustment Factor and its proposed 2024 rate. It is important to note that all of the invoicing and expense data associated with the various costs incurred as part of the 2023 VMP and included for recovery in the VMP Adjustment Factor are run through the SAP accounting system. The Department's analysis above involved only mathematical verification of the rate calculations provided by Liberty in their spreadsheets and did not include whether the posting of certain expenses to Liberty's general ledger were performed correctly or processed correctly by the SAP system. We rely on the Department's Audit Division to review Liberty's general ledger and confirm the numbers serving as the basis for Liberty's proposed VMP rate. Consequently, the Department is unable to confirm that the proposed rate is just and reasonable and recommends that the Commission postpone its ruling on approval or disapproval of the Company's VMP rate request until such time as the PUC rules on the reliability of all 2022 and 2023 accounting data and the Department's Audit Division has completed its review of this filing. In the interim period until the Commission's ruling, given that Liberty's proposed VMP rate was to take effect on May 1, 2024, the Department recommends that the Commission continue and extend the existing credit of (\$0.00002) to remain in effect until the Commission issues its final decision. In addition, the Department recommends that the Commission approve the Company's proposed carryover amount of \$50,240 on the condition that this amount can only be applied toward the costs of hazard tree removal.

⁶ See Docket No. DE 23-039, Tab 126, Response to Department of Energy Motion for Clarification, Attachment 1.