

STATE OF NEW HAMPSHIRE
Before the
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 Charles J. Underhill
Regarding Liberty's Proposed 2024 Vegetation Management Plan
On Behalf of the Office of the Consumer Advocate

April 19, 2024

The Office of the Consumer Advocate has reviewed testimony and exhibits submitted by Liberty related to Liberty's Vegetation Management Program ("Program") experience in 2023 and Liberty's Vegetation Management Program Plan ("Plan") for Fiscal Year 2024. These materials were submitted to the Public Utilities Commission via Liberty's Calendar Year 2023 Reconciliation and Rate Adjustment Filing made in this docket on March 15, 2024. This Technical Statement summarizes OCA's review for the Commission's consideration during the regulatory review process of the Vegetation Management Plan for 2024.

As a result of its review, the OCA has several concerns with the Plan that require further and more in-depth consideration. In the OCA's opinion, these concerns are likely to result in recommended changes to the Program parameters and processes, impacting the structure and budget of the annual Vegetation Management Program Plans.

Procedural Background:

On March 15, 2024, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty) submitted testimony and attachments of Heather Green, Jeffery Faber, and Robert Garcia which comprise Liberty's 2023 Vegetation Management Program Plan. On March 29, 2024, The Commission issued a Notice of Commencement of Adjudicative Proceeding which included reference to previously adjudicated budget constraints on Liberty and Liberty's commitment to a four-year cycle of vegetation management.

The OCA's Review and Analysis:

In its Notice, the Commission made specific reference to its Order 26,376 (tab 80) in Docket DE 19-064, which provides for a baseline budget of \$2,200,000 annually for vegetation management, with an annual additional allowance of up to *ten percent for unforeseen, but necessary effort, or uncertain impacts*. The Commission also explicitly approved the Settlement Agreement containing a commitment by Liberty to a four-year vegetation management cycle via that same order. Liberty recognized those same commitments in its pre-filed testimony on page 9.

Liberty is in non-compliance with the Settlement Agreement approved by Order 26,376 and cannot simply achieve compliance using the existing Vegetation Management Plan annual budget constraints. In Table 3 of Liberty's Attachment, filed with its pre-filed testimony, Liberty indicates

that it would require \$3,086,423 to perform vegetation management on a five-year cycle basis. The difference between the budget for a five-year cycle and the capped budget of \$2,420,000 is \$666,423.

Liberty has requested the Commission to allow Liberty to carry forward \$50,240 from 2023 to complete the 2024 work. If that amount is carried forward, as requested, it would reduce the amount necessary to complete enough work to keep Liberty on a five-year cycle of vegetation management, as called for in Rule Puc 307.10, to \$616,183. The OCA believes that the five-year cycle of vegetation management is the minimum level of compliance for distribution utilities to maintain and recommends that the Commission set that as the threshold level of compliance for Liberty.

It appears to the OCA that Liberty is operating on something approximating a five-year cycle of vegetation management and that has, in and of itself, not been sufficient to keep the vegetation management process on track. Liberty is reporting a current 214-mile backlog of unmaintained line clearing that is equal to slightly in excess of a year's worth of line clearing.

According to Liberty, again from Table 3 on page 8 of the Attachment, the estimated cost of the additional work effort to clear the backlog of 214 miles is \$2,937,534. This appears to be in addition to the annual budgets developed with a cap of \$2,420,000. Further, Liberty has lost the revenues from Consolidated for line clearing. The OCA also notes the cost per line mile reported in previous Annual Reports by Liberty post-Covid 19 are significantly higher than the same pre-Covid 19 costs experienced by Liberty. The OCA believes that an investigation by the Commission is likely to conclude that Liberty will be unable to achieve a four-year cycle of vegetation management under the current budget constraints.

Liberty reported approximately \$100,000 of unanticipated administrative expenses equal to between 4 and 5 percent of the annual tree clearing budget, due to the need to engage the vendor in administrative management when internal resources were impacted by the software conversion to SAP. The OCA believes the amount associated with the vendor's engagement for administrative activities is not an appropriate vegetation management expense and should be removed from the balancing calculation for the VMP Adjustment Factor.

Liberty tried an innovative approach to vegetation management in Salem that stationed a work crew there for the entire clearing season and made the crew available for storm and unplanned work. As a result of heavier than expected storm recovery activity, 20 miles of unmaintained lines in Salem remained at the end of the 2023 season; while the storm activity was more quickly addressed and the OCA appreciates Liberty's efforts to reduce storm recovery times, the OCA suggests that an additional crew should have been considered for addressing the line clearing efforts in Salem, rather than deferring the work.

This issue has the potential to exacerbate a problem Liberty is experiencing with the availability of qualified crews to perform vegetation management and the lack of success Liberty is having with obtaining long-term contracts to stabilize the vegetative management process and its attendant expense to ratepayers within its service territory. Liberty has indicated it is pursuing alternatives, including the use of more mechanized equipment to facilitate the process. Again, the OCA

appreciates these efforts, but would like the opportunity to consider the cost, benefits, and risks attendant with these strategies.

Liberty had a budget item in the 2023 budget for planting canopy vegetation, but the planting did not occur. If Liberty has determined that planting canopy vegetation to retard growth is no longer a viable approach to vegetation management, the OCA would like to know that information and then request funds for that purpose be reallocated in current and future Plans. If that approach is still viable, then the OCA would like to understand the impact of at least a one-year deferral and whether and when Liberty expects to be able to carry out canopy planting going forward; specifically, should that be addressed near-term to accelerate the acquisition of the benefit.

Conclusions:

Based on the OCA's review and analysis of Liberty's filing, the OCA believes it would be imprudent to hold up the implementation of the 2024 Liberty Vegetation Management Plan to adjust the Plan to correct what OCA believes are program deficiencies, including non-compliance with standing orders of the Commission. Given the need to begin groundwork for implementing this year's edition of the Liberty Vegetation Management Plan, it would be detrimental to Liberty's retail customers to degrade system reliability to delay or defer action on the Plan.

The OCA recommends that the Commission approve this year's edition of the Vegetation Management Plan as filed, with the addition of \$666,423 of funding for the Plan to come from Liberty shareholders. Should the Commission decide to recognize Liberty's request to carry the 2023 residual funds forward as an offset, the shareholder contribution to funding would be reduced to \$616,183. This supplemental funding would be used to bring the Plan into compliance with the five-year maintenance cycle standard in PUC 307.10. It still leaves to be resolved by the Commission the issue of the four-year cycle stipulated to by Liberty in the Settlement Agreement in Docket DE 19-064, approved by the Commission in Order 26,376. The OCA further requests that the Commission require Liberty to file the supporting calculations for the \$3,086,423 budget as the new basis for the 2024 Plan.

The OCA further recommends the Commission immediately open an investigation into the issues identified by the OCA, so that formal direction from the Commission can then be integrated into next year's (and subsequent) Liberty Vegetation Management Plans.