

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 21-049

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
d/b/a LIBERTY**

**Calendar Year 2020
Reliability Enhancement and Vegetation Management Plan
Results and Reconciliation**

Order Approving Reconciliation

ORDER NO. 26,478

April 30, 2021

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty; and Paul B. Dexter, Esq., on behalf of Commission Staff.

In this order, the Commission approves Liberty's reconciliation of costs and revenues associated with the 2020 reliability enhancement program (REP) and vegetation management plan (VMP), effective May 1, 2021. The net result of approving the reconciliation is a 0.46 percent increase to Liberty's base distribution rates for reliability enhancement and a 0.064 cents per kilowatt hour (kWh) REP/VMP expense adjustment factor.

In Order No. 26,476, issued concurrently with this order, the Commission approved another rate change for Liberty for effect on May 1, 2021. The cumulative effect of the two rate changes will be to increase monthly bills by \$7.33 cents, or 6.38 percent, for residential consumers using 650 kWh per month.

I. PROCEDURAL HISTORY

On March 15, 2021, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company) filed a report describing the results of its REP and VMP for calendar year 2020. Liberty filed the report pursuant to a settlement agreement (Settlement) approved in Order

No. 26,376 (June 30, 2020), which ends REP prospectively and continues VMP, but with a larger amount put into base rates than previously approved in Order No. 26,005 (April 12, 2017). The Company also filed supporting testimony and related schedules which detailed the reconciliation of the REP and VMP cost and revenue.

The Commission issued an order of notice on April 8, scheduling a hearing for April 20. At the hearing, Liberty presented the testimony of the following employees of its affiliate, Liberty Utilities Service Corp.: Joel Rivera, Director of Electric Control and Dispatch; Heather Green, Program Manager of Inspections and Vegetation; David B. Simek, Manager of Rates and Regulatory Affairs; Adam M. Hall, Analyst; and Anthony Strabone, Senior Manager of Electrical Engineering.

The report, testimony, schedules, and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at <https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-049.html>.

II. POSITIONS

A. Liberty

According to Liberty, the REP and VMP are premised on the understanding that annual spending on both capital and operations and maintenance (O&M) activities is necessary to maintain the safety and reliability of its electric distribution system. Hearing Exhibit (Exh.) 1 at 8. Liberty presented statistics demonstrating that the reliability of its system has steadily improved since the REP and VMP were implemented, although 2020 showed somewhat reduced reliability over 2019. *Id.* at 25. The Settlement set an annual target REP investment amount of \$1.5 million, and increased the base rate amount to \$2.2 million (*i.e.*, the amount included in base rates) for VMP O&M expense. *Id.* at 38-39.

Liberty filed the REP and VMP reconciliations of 2020 estimated and actual expenditures. The vegetation management activities undertaken in 2020 included planned cycle tree trimming, interim and spot tree trimming, and hazard tree removal. *Id.* at 27. Liberty reported actual spending of \$2,461,057 for VMP O&M in 2020. Liberty reported receiving no contributions by Consolidated Communications (Consolidated), stating that Consolidated had exercised the option to discontinue payment under the Joint Ownership agreement with Liberty after 2019. *Id.* at 12, 27. The Company requested recovery of \$570,000 of O&M costs in 2020. That amount equals the cap on recovery of \$2,420,000 established in DE 19-064, less the base rate amount of \$1,850,000. Accounting for a prior period over-recovery of \$6,259, Liberty requested a proposed REP/VMP expense adjustment factor of 0.064 cents per kWh.¹ *Id.* at 64.

With respect to REP investments, Liberty stated that it develops a safety and reliability work plan each year that incorporates spending for proposed infrastructure replacement, system capacity, performance initiatives, individual capital projects, and work activities required to comply with franchise or tariff requirements. Required work activities include pole relocations, response to unit damage and failures, and new business construction. Liberty then prioritizes those projects and reviews the plan to arrive at a budget that will improve performance in a cost-effective manner. *Id.* at 10-11.

Most of the 2020 REP capital budget was associated with reconductoring² approximately 1.2 miles on Bridge St in Salem; another 1.3 miles on Nashua Rd in Pelham; and another 1.5 miles along Burns Rd and Mammoth Rd in Pelham. *Id.* at 29. Due to higher than budgeted costs

¹ See Exh. 1, p 64, \$0.00064/kWh.

² Reconductoring consists of replacing bare conductor with spacer cable, which is more resistant to tree related outages.

for the Bridge St project, the Company deferred the Burns Rd /Mammoth Rd project to 2021. *Id.* at 13.

Total capital spending for which recovery is sought in this case is \$1,566,370, consisting of the Bridge St and Nashua Rd projects. *Id.* at 29. Liberty calculated the annual revenue requirement to recover this \$1,566,370 in capital investments to be \$213,246, which would result in a base rate increase of 0.46 percent. *Id.* at 47, 63.

In response to questions by Staff, Liberty stated that the cost overruns for the Bridge St, Salem reconductoring project in the REP program were due primarily to four reasons: 1) Liberty revised its general per-mile estimate of reconductoring from \$380,000 per mile to \$450,000 after it submitted the REP budget under review in this docket; 2) Liberty reconductored 1.38 miles on Bridge St instead of the 1.2 miles estimated; 3) increase in materials costs; and 4) incremental, unforeseen tree trimming costs. Liberty stated that its entire investment in the Bridge St project was prudent and appropriate for recovery in the REP program. Exh. 2 at 1-3.

B. Staff

Staff questioned Liberty's reconductoring project on Bridge St because the project was originally budgeted to cost \$500,000, while the actual cost to complete the project was \$933,795, which is 87 percent more than budgeted. Exh. 1 at 29. Staff reviewed several documents provided by Liberty concerning the Bridge St project. Liberty submitted one Capital Project Business Case (a form Liberty uses to obtain and document initial management approval for a capital project) for all three reconductoring projects presented in the 2020 REP budget. Exh. 2 at 4-6. Staff noted that the Business Case was based on investment grade cost estimates, which were done before any detailed engineering-based cost estimates were made.

Staff noted that the Change Order Form (a form Liberty uses to obtain and document additional funds for approved projects that require additional funding to complete) was not signed by Liberty's regional president, as required according to the instructions on the form.³ *Id.* at 10-11. In addition Staff stated that the Change Order Form was confusing because it requested an additional \$800,000 for reconductoring. However, as Liberty stated at the April 20 hearing, most of the additional funds were not related to the three reconductoring projects listed in the Business Case for 2020, but concerned other reconductoring projects undertaken the prior year.

Staff stated that the Project Close-Out Report (a document Liberty prepares at the end of each year for capital projects (whether or not a project is complete)) was not credible, because the Bridge St project was graded three out of a possible high score of five for all five criteria: quality, performance, scope, cost, and schedule. Staff stated that it was understandable that the Bridge St project was graded three out of five for cost, because Bridge St went 87 percent over-budget. But, Staff questioned how Liberty could also grade Bridge St three out of five for both performance and schedule when the project was installed per company specifications, was built within the 2020 timeframe, and is performing as designed.⁴

Finally, Staff argued that Liberty should be able to budget reconductoring projects more accurately because they have been undertaking similar projects annually in the REP program for almost a decade. Staff noted that the Nashua Rd project did not experience similar, significant cost overruns, and the project was similar in scope.

³ Liberty later produced a version of the form that bore the regional president's undated electronic signature. Exh 5.

⁴ During the hearing, Liberty stated that, upon reflection, the project should have been graded five out of five for performance and schedule.

Staff recommended that, for the Bridge St project, only the originally budgeted amount of \$500,000, scaled up by 15 percent to account for the additional distance installed, or \$575,000, be recovered through the REP base rate adjustment in this docket. Staff recommended that the remainder of the Bridge St project costs be afforded standard rate case recovery (and not in the step adjustments established by the settlement approved in DE 19-064, Order No. 26,376, Liberty's most recent rate case). Staff did not recommend a strict disallowance from rates, because the project is in service and is used and useful.

Otherwise, Staff stated that Liberty's 2020 REP and VMP activities are appropriate for cost recovery as proposed, and that the method used to calculate the proposed rates is appropriate.

III. COMMISSION ANALYSIS

We find that Liberty's annual REP and VMP report and its REP/VMP activities during 2020 are consistent with the program goals and parameters authorized by the Commission. Under the Settlement, Liberty is required to present a detailed budget of proposed REP investments for Staff to review prior to undertaking the projects, which it has done here.

Concerning the Bridge St project, Liberty experienced costs in excess of the budgeted amount presented to Staff. Liberty provided explanations for those cost increases. Exh. 2 at 1-3. Liberty testified that the investments are in service and are performing as designed. Therefore, we will allow recovery through the REP rate adjustment as proposed by Liberty. We share Staff's concerns that Liberty's capital project documents need to be complete, understandable, and accurate in order to allow for robust review by the Commission, Staff, and any intervenors. We direct Liberty to continue to improve its project documents to achieve that objective.

Based on the evidence presented, we approve a base rate increase for REP investments of 0.46 percent and an REP/VMP expense adjustment factor to be included in distribution rates of 0.064 cents per kWh for effect on May 1, 2021. We find that rate to be just and reasonable, as required by RSA 374:2 and RSA 378:7.

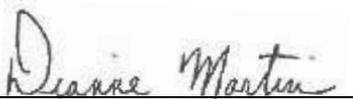
Based upon the foregoing, it is hereby

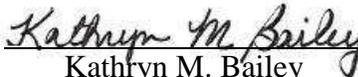
ORDERED, that Liberty is authorized to increase its base rates by 0.46 percent, effective on and after May 1, 2021, which increase allows recovery of \$213,246 in revenue requirement associated with reliability enhancement program capital investments as described in Exhibit 1; and it is

FURTHER ORDERED, that Liberty is authorized to recover an REP/VMP expense adjustment factor of 0.064 cents per kWh for costs associated with reliability enhancement program and vegetation management expense in 2020, as described in Exhibit 1, effective with rates on and after May 1, 2021; and it is

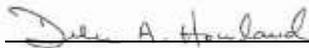
FURTHER ORDERED, that Liberty shall file tariff pages conforming to this order pursuant to N.H. Admin. R., PART Puc 1603, within 15 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2021.


Dianne Martin
Chairwoman


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 21-049

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