

CGM/MRS-T Granite State Electric Company
vPost1 Temporary Rates Revenue Deficiency
Date prepared: April 29, 2013

Line	Description	Source	12 Months Ended June 30,
1	Rate Base (using 5-quarter average)	3686 Form F-1 Supp. 6/30/2012, line 23	64,568,740
2			
3	Authorized Rate of Return	Per Order 24,777	8.61%
4	Operating income requirement	Line 1 X Line 3	5,559,369
5			
6	Operating income at present rates	Sch. T-1, Line 21	431,097
7			
8	Operating income deficiency	Line 4 - Line 6	5,128,272
9	Additional income taxes and Bad Debt expense	Line 11 - Line 8	3,541,656
10			
11	Revenue deficiency	1.6906 (Schedule RR-1-1) X Line 8	8,669,928
12			

10

#N/A **Granite State Electric Company**
vPost1 **Temporary Rates Revenue Requirement- Historic Data for 12 Months Ended June 30, 2012**
Date prepared: April 29, 2013

Line	Account	Source	12 MONTHS ENDED JUNE 30, 2012
			3686 Form F-1 Supp. 6/30/12
1	Operating Revenue		
2	Distribution	Line 4 - Line 3	24,819,306
3	Flow-through revenue	Line 7 + Line 8	57,642,448
4		3686 Form F-1 Supp. 6/30/12, P. 1. Line 1	<u>82,461,754</u>
5			
6	Operating Expenses		
7	Purchased Power	3686 Form F-1 Supp. 6/30/12, P. 1. Line 4	42,664,794
8	Transmission Expenses-O&M	3686 Form F-1 Supp. 6/30/12, P. 1. Line 7	14,977,654
9	Distribution O&M	3686 Form F-1 Supp. 6/30/12, P. 1. Line 6	5,757,394
10	Customer Accounting	3686 Form F-1 Supp. 6/30/12, P. 1. Line 8	1,492,122
11	Customer Service & Information	3686 Form F-1 Supp. 6/30/12, P. 1. Line 9	194,901
12	Administrative & General	3686 Form F-1 Supp. 6/30/12, P. 1. Line 10 + Line 12	9,291,717
13	Depreciation Expense	3686 Form F-1 Supp. 6/30/12, P. 1. Line 11	4,848,091
14	General Taxes	3686 Form F-1 Supp. 6/30/12, P. 1. Sum Lines 14-16	3,367,986
15	Income Taxes	3686 Form F-1 Supp. 6/30/12, P. 1. Line 13	(564,002)
16	Total Expenses		<u>82,030,657</u>
17			
18	Net operating income (loss)		<u>431,097</u>
19			

11

DE 13-063 Liberty Utilities Temporary Rates

Date Request Received: May 3, 2013
Request No. Staff 1-1

Date of Response: May 10, 2013
Witness: ChristiAne G. Mason
Dr. Michael R. Schmidt

REQUEST:

Reference Mason/Schmidt temporary rate testimony.

- a. Please confirm that the revenue deficiency for temporary rates is calculated using the twelve-month period ended June 30, 2012 rather than calendar year 2012 that is being used for permanent rate purposes.
- b. Please explain why two different twelve-month periods are being used for temporary rates versus permanent rates.
- c. Please confirm that, consistent with Schedules T-1 Rev1 and T-1A Rev1 dated April 29, 2013, the requested increase for purposes of temporary rates will be revised from \$9,215,479 to \$8,669,928. If this is incorrect, please explain.

RESPONSE:

- a. The Company's proposed temporary rates are based on the twelve month period ending June 30, 2012.
- b. Temporary rates must be based on the books and records on file with the Commission as stated in RSA 378:27. At the date of the filing, the most recent books and records on file with the Commission was the Company's Form F-1 Supplemental Quarterly Financial for the 2nd Quarter dated June 30, 2012.
- c. The requested increase for purposes of temporary rates was revised from \$9,215,479 to \$8,669,928.

Granite State Electric Company
DE 13-063
Temporary Rates
Revenue Requirement

Rate Base (Sched. 2)	64,379,899
Rate of Return	<u>8.03%</u>
Operating Income Requirement	5,168,096
Operating Income (Sched. 3)	<u>1,431,582</u>
Revenue Deficiency Before Taxes	3,736,514
Gross Revenue Conversion Factor (Sched. 1A)	<u>1.6559</u>
Revenue Deficiency	6,187,306
Test Year Operating Revenue (Sched. 3)	<u>24,819,306</u>
Revenue Requirement	<u><u>31,006,612</u></u>
Percentage Increase to Distribution Revenues	24.93%

Granite State Electric Company
DE 13-063
Effective Tax Factor

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u><u>39.61%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>60.39%</u></u>
Gross Revenue Conversion Factor	<u><u>1.655903</u></u>

Granite State Electric Company
DE 13-063
Temporary Rates
Cost of Capital

<u>Component</u>	<u>Balance</u>	<u>Proforma Adjs.</u>	<u>Adjusted Balances</u>	<u>Weighted Component Ratio</u>	<u>Cost Rate</u>	<u>Average Cost Rate</u>
Common Equity				55.00%	9.67%	5.32%
Long-Term Debt				45.00%	6.02%	2.71%
				100.00%		8.03%

ROE from DG 06-107
Capital Structure as discussed in DG 11-040
Cost of Debt as of 12/31/12

Granite State Electric Company
DE 13-063
Temporary Rates
Rate Base
Twelve Months Ended June 30, 2012

	5 Quarter Average	Liberty Proforma Adjustments	Liberty Proforma 5 Quarter Average	Staff Adjustments	Adj#	Adjusted Rate Base
Utility Plant in Service	133,489,095		133,489,095			133,489,095
Less: Accumulated Depreciation	<u>55,730,559</u>		<u>55,730,559</u>			<u>55,730,559</u>
Net Plant in Service	77,758,536	0	77,758,536	0		77,758,536
Plus: Materials & Supplies	600,946		600,946			600,946
Cash Working Capital	3,680,192		3,680,192	(188,841)	1	3,491,351
Prepayments	418,159		418,159			418,159
CWIP			0			0
Deferred Tax Debit			0			0
Unamortized Debt Expense	32,018		32,018			32,018
Less: Accumulated Deferred Income Taxes	17,269,082		17,269,082			17,269,082
Other Deferred Credits			0			0
Deferred Tax Credit	0		0			0
Customer Deposits	<u>652,029</u>		<u>652,029</u>			<u>652,029</u>
TOTAL RATE BASE	<u><u>64,568,740</u></u>	<u><u>0</u></u>	<u><u>64,568,740</u></u>	<u><u>(188,841)</u></u>		<u><u>64,379,899</u></u>

Granite State Electric Company
DE 13-063
Temporary Rates
Rate Base Adjustments

PROFORMA ADJUSTMENTS TO RATE BASE:

Adj. #

CASH WORKING CAPITAL ALLOWANCE

1	Total Adjustments to Operation & Maintenance Expenses	(1,531,707)
	X 45 days/365 days	<u>12.33%</u>
	Cash Working Capital allowance adjustment	<u>(188,841)</u>

Granite State Electric Company
DE 13-063
Temporary Rates
Operating Income Statement
Twelve Months Ended June 30, 2012

Attachment SEM-3
Schedule 3

	GSEC Schedule T-1A Rev1		GSEC Adjusted Distribution Income Statement			Staff Adjusted Distribution Income Statement		PROOF	
	12 mos. Ended June 30, 2012 Total Company	Adjustments	Adjustments	Adj #	Statement	Revenue Deficiency	Test Year Proforma		
Distribution Revenue	24,819,306		24,819,306	125,000	2	24,944,306	6,187,306	31,131,612	
Flow-Through Revenue	57,642,448	(57,642,448)	0			0		0	
Total Operating Revenues	<u>82,461,754</u>	<u>(57,642,448)</u>	<u>24,819,306</u>	<u>125,000</u>		<u>24,944,306</u>	<u>6,187,306</u>	<u>31,131,612</u>	
Operating Expenses:									
Purchased Power	42,664,794	(42,664,794)	0			0		0	
Transmission	14,977,654	(14,977,654)	0			0		0	
Distribution	5,757,394		5,757,394			5,757,394		5,757,394	
Customer Accounting	1,492,122		1,492,122			1,492,122		1,492,122	
Customer Service & Information	194,901		194,901			194,901		194,901	
Administrative & General	9,291,717		9,291,717	(1,531,707)	3	7,760,010		7,760,010	
Operation and Maintenance Expenses	<u>74,378,582</u>	<u>(57,642,448)</u>	<u>16,736,134</u>	<u>(1,531,707)</u>		<u>15,204,427</u>	<u>0</u>	<u>15,204,427</u>	
Depreciation	4,848,091		4,848,091			4,848,091		4,848,091	
Amortization	0		0			0		0	
Taxes Other than Income	3,367,986		3,367,986			3,367,986		3,367,986	
Federal & State Income Tax	(564,002)		(564,002)	656,222	4	92,220	2,450,792	2,543,012	
Deferred Federal and State Income Taxes	<u>0</u>		<u>0</u>			<u>0</u>		<u>0</u>	
Total Operating Expenses	<u>82,030,657</u>	<u>(57,642,448)</u>	<u>24,388,209</u>	<u>(875,485)</u>		<u>23,512,724</u>	<u>2,450,792</u>	<u>25,963,516</u>	
Net Operating Income	431,097	0	431,097	1,000,485		1,431,582	3,736,514	5,168,096	
Less: Interest on Customers' Deposits			0			0		0	
Net Operating Income	<u>431,097</u>	<u>0</u>	<u>431,097</u>	<u>1,000,485</u>		<u>1,431,582</u>	<u>3,736,514</u>	<u>5,168,096</u>	

Granite State Electric Company
DE 13-063
Temporary Rates
Income Statement Adjustments

PROFORMA ADJUSTMENTS TO REVENUES:

<u>Adj#</u>		
	<u>DISTRIBUTION REVENUE</u>	
2	Include full year of cross-border sales (based on response to OCA Follow-up 1-3 annualized)	125,000
	Total Adjustments to Distribution Revenue	125,000
	<u>O&M EXPENSES - ADMINISTRATIVE & GENERAL</u>	
3	Remove pre-June 30, 2012 "Day 1 IT Transitioning Costs"	(1,531,707)
	Total Adjustments to Distribution Expenses	(1,531,707)

Granite State Electric Company
DE 13-063
Proforma Adjustments to Income Taxes
(\$000s)

<u>Adj #</u>	<u>INCOME TAXES</u>		
	To reflect the income tax effect of proforma adjustments to revenue and expenses:		
	Total proforma adjustments to Distribution Revenue	125,000	Schedule 3A
	Total proforma adjustments to Other Operating Revenue	0	Schedule 3A
	Total proforma adjustments to Transmission expenses		Schedule 3A
	Total proforma adjustments to Distribution expenses	0	Schedule 3A
	Total proforma adjustments to Customer Accounting expenses	0	Schedule 3A
	Total proforma adjustments to Customer Service expenses	0	Schedule 3A
	Total proforma adjustments to Administrative & General Expenses	(1,531,707)	Schedule 3A
	Total proforma adjustments to Depreciation expenses	0	Schedule 3A
	Total proforma adjustments to Amortization expenses	0	Schedule 3A
	Total proforma adjustments to Return on Customers' Deposits	<u>0</u>	Schedule 3A
	Increase in Income Subject to New Hampshire Business Profits Tax	1,656,707	
	New Hampshire Business Profits Tax @ 8.5%	<u>140,820</u>	
4	Increase to New Hampshire Business Profits Tax		140,820
	Amount Subject to Federal Income Tax	1,515,887	
	Federal Income Tax @ 34%	515,402	
4	Increase to Federal Income Tax		<u>515,402</u>
	Total Adjustments to Current Income Taxes (to Schedule 3)		<u><u>656,222</u></u>