

State of New Hampshire
Public Utilities Commission

Report of Proposed Rate Changes - Temporary Rates

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a/ Liberty Utilities

Date Filed: November 4, 2014

Tariff No. 7

Date Effective: December 1, 2014

Line	Rate Class	Effect of Proposed Change	Average Number of Customers	Distribution		Proposed Temporary Distribution Revenue	Distribution	Proposed Temporary Distribution Revenue	Percent Temporary Change in Distribution Revenue
				Revenue Under Current Rates	Revenue		Under Proposed Rates		
1	R-1 - Residential Non-Heating	Increase	3,657	\$ 688,745	\$ 92,244	\$ 780,989	\$ 92,244	13.39%	
2	R-3 - Residential Heating	Increase	67,087	\$ 28,134,110	\$ 3,768,032	\$ 31,902,142	\$ 3,768,032	13.39%	
3	R-4 - Low Income Residential Heat	Increase	4,835	\$ 1,932,591	\$ 258,834	\$ 2,191,425	\$ 258,834	13.39%	
4	G-41 - C&I Low Annual, High Winter	Increase	7,803	\$ 8,485,770	\$ 1,136,508	\$ 9,622,278	\$ 1,136,508	13.39%	
5	G-42 - C&I Medium Annual, High Winter	Increase	1,567	\$ 9,697,385	\$ 1,298,781	\$ 10,996,166	\$ 1,298,781	13.39%	
6	G-43 - C&I High Annual, High Winter	Increase	44	\$ 1,904,068	\$ 255,014	\$ 2,159,082	\$ 255,014	13.39%	
7	G-51 - C&I Low Annual, Low Winter	Increase	1,294	\$ 1,145,342	\$ 153,397	\$ 1,298,739	\$ 153,397	13.39%	
8	G-52 - C&I Medium Annual, Low Winter	Increase	312	\$ 1,362,209	\$ 182,442	\$ 1,544,651	\$ 182,442	13.39%	
9	G-53 - C&I High Annual, Load Factor <90%	Increase	38	\$ 1,144,163	\$ 153,239	\$ 1,297,402	\$ 153,239	13.39%	
10	G-54 - C&I High Annual, Load Factor >90%	Increase	22	\$ 713,678	\$ 95,584	\$ 809,262	\$ 95,584	13.39%	
11	Totals		86,659	\$ 55,208,061	\$ 7,394,075	\$ 62,602,136	\$ 7,394,075	13.39%	
				(*)		(*)			
12	less: Temporary Increase per Settlement						\$ 7,394,075		
13	Difference						\$ -		

(*) Total does not include distribution revenues from special contract customers as those rates are negotiated and not subject to tariff changes.

Signed By: _____

Title: Director, Regulatory and Government

T **Liberty Utilities (EnergyNorth)**vFiled **Temporary Rate Increase**RR **Test Year Ended Mar. 31, 2014**

Schedule T

Line	Account	Test Year Ended Mar. 31, 2014	Ref.	Line 116			
				Temporary Rate Adjustments	Distribution Operating Income	Proposed Temporary Increase	With Proposed Temporary Increase
1	Revenue						
2	Operating revenue	157,972,955	Line 39	(101,879,820)	56,093,135	7,394,075	63,487,210
3	Other revenue	1,022,058			1,022,058		1,022,058
4	Revenue	158,995,014		(101,879,820)	57,115,193	7,394,075	64,509,268
5							
6	Operating Expenses						
7	O&M- Gas	100,621,978	Line 44	(101,635,073)	(1,013,094)		(1,013,094)
8	O&M- Distribution	9,455,735			9,455,735		9,455,735
9	Customer Accounting	4,766,598			4,766,598		4,766,598
	Settlement Adjustment			(590,087)	(590,087)		(590,087)
10	Sales & New Business	588,814			588,814		588,814
11	Administrative And General	12,366,566	Line 49	2,002,385	14,368,951		14,368,951
12	Depreciation Expense	10,147,810	Line 52	(933,588)	9,520,228		9,520,228
13			Line 65	306,006			
14	General taxes	9,094,407	Line 70	(823,396)	8,271,011		8,271,011
15	Income taxes	3,162,166	Line 107	(61,931)	3,100,235	2,928,793	6,029,028
16	Operating expenses	150,204,073		(101,735,684)	48,468,389	2,928,793	51,397,183
17							
18	Utility Net Income	8,790,941		(144,137)	8,646,804	4,465,282	13,112,086
19	Check	8,790,941					
20							
21	Rate Base		Line 82		179,322,839		179,322,839
22							
23	Rate of Return on Rate Base				4.82%		7.31%
24							

25 **Adjustments**

26 Operating revenue- Computed separately

27 Distribution- billed	Attachment RATES-1, page 2, line 15	54,984,777
28 Distribution- unbilled	Attachment RATES-3 page 1, line 30	325,700
29 Special contracts		782,658
30 Total Distribution revenue- Computed	Agrees to Line 2	56,093,135

32 Cost of Gas (COG)		100,096,780
33 Local Distribution Adjustment Charge (LDAC)		4,327,051
34 Total COG/LDAC Revenue – Computed		104,423,831
35 Total Operating revenue- Computed		160,516,966
36 Operating revenue per books	From Line 2	157,972,955
37 Adjustment to Operating revenue		2,544,011
38 Remove COG/ LDAC revenue	From Line 34	(104,423,831)
39 <u>Adjustment to Operating revenue</u>	To Line 2	(101,879,820)

40 *See also RR-3-05*

41 LPG Production	Account 717	(120,654)
42 Gas Supply	Account 804	(95,481,513)
43 Storage Gas	Account 808	(6,032,905)
44 <u>Adjustment for Cost of Gas</u>	To Line 7	(101,635,073)

45 *See also RR-3-15*

46 Amortize Pension / OPEB Valuation Allowance on Liberty Acquisition

47 Liberty Acquisition Deferred Debit	Portion of Account 182.6	21,625,753
---------------------------------------	--------------------------	------------

48 Average service life- years	10.80	
--------------------------------	-------	--

49 <u>Annual amortization expense</u>	See also RR-3-03	2,002,385
---------------------------------------	------------------	-----------

50 **Adjustments (continued)**

51 Amortize Surplus Accumulated Depreciation (Order

52 <u>Annual Surplus Amortization per Order 25,202</u>	See also RR-3-11	(933,588)
--	------------------	-----------

54 Monthly amount	Line 52 / 12 months	(77,799)
-------------------	---------------------	----------

56 Acquisition	07/01/12	
----------------	----------	--

57 End of Test Year	03/31/14	
---------------------	----------	--

58 Months	21	
-----------	----	--

59 <u>Adjustment- Reduction in Depreciation Allowance</u>	Line 54 X Line 58	1,633,779 To Line 75
---	-------------------	----------------------

60			
61	<u>Amortize Costs to Achieve (Order 24,777)</u>		
62	Monthly amortization expense per Order	Order 24,777	34,100
63	Annual amortization expense	Line 62 X 12 months	409,200
64	Recorded in Historic Test Year	Account 407	103,194
65	<u>Adjustment to amortization expense</u>	<u>See also RR-3-07</u>	<u>306,006</u>
66			
67	<u>Property Taxes</u>		
68	Property tax expense based on Tax bills	Detailed analysis at RR-3-14	7,359,842
69	Property tax expense, Historic Test Year	Account 408-P	8,183,238
70	<u>Adjustment to Property tax expense</u>	<u>See also RR-3-14</u>	<u>(823,396)</u>
71			
72	Rate Base, 3/31/2014		
73	Utility plant	Accounts 303-398	365,570,861
74	Depreciation Allowance	Account 108, Account 111	(130,977,997)
75	Reduction in Depreciation Allowance	Line 59	1,633,779
76	Materials and Supplies	13-month avg	9,620,327
77	Prepayments	13-month avg	2,060,672
78	Customer Deposits	13-month avg	(816,315)
79	Cash Working Capital	Line 90	4,253,206
80	Deferred Tax Asset- Current	Account 190.3	2,118,851
81	Deferred Tax Liability- Non-Current	Account 283	(74,140,546)
82			<u>179,322,839</u>
83	<u>Cash Working Capital</u>		
84	Operating expenses, General taxes	Sum Line 8 thru Line 11, Line 14	36,861,021
85	Less: Uncollectible accounts in Historic Test Year, Account 904	Account 904	(1,591,522)
86	Less: Amortize Regulatory assets in Historic Test Year, Pension	Account 926.7	(545,480)
87	Less: Amortize Regulatory assets in Historic Test Year, OPEB	Portion of Account 926.2	(229,243)
88			<u>34,494,776</u>
89	Cash Working Capital	45 days	<u>12.33%</u>
90			<u>4,253,206</u>
91	Normalize Income Tax Expense		
92	Net income before adjustments	Line 18	8,790,941
93	Add back: Income tax expense	Line 15	3,162,166
94	Adjust Pension / OPEB amortization	Line 11	(2,002,385)

95	Adjust Depreciation expense	Sum Line 12, Line 13	627,582
96	Adjust Property taxes	Line 14	823,396
97	Pre-tax operating income, adjusted	Check= 11,747,039	11,401,700
98			
99	Rate base	Line 21	179,322,839
100	Debt Portion	Testimony of Hevert	45.00%
101	Debt Component		80,695,277
102	Debt Cost	Testimony of Hevert	4.43%
103	Synchronized Interest expense		3,574,801
104	Pre-tax income		7,826,899
105	Income tax rates	Federal 34.00%	
106		New Hampshire 8.50%	39.61%
107	Income tax expense- Normalized		3,100,235
108			

109 **Temporary Increase Revenue Deficiency**

110	Rate Base	Line 21	179,322,839
111	Target Rate of Return on Rate Base		7.31%
112	Operating income requirement		13,112,086
113	Operating income at present rates	Line 18	8,646,804
114	Operating income deficiency		4,465,282
115	Gross-up for Income tax	From Line 106	1.6559
116	Revenue deficiency		7,394,075
117	Additional income tax expense	Line 116- Line 114	2,928,793

118		Testimony of Hevert
119	Target Rate of Return on Rate Base	Components
120	Common stock	55.00%
121	Long-term debt	45.00%
122		100.00%

Cost	Weighted Cost
Docket DG-10-017 9.67%	5.32%
Line 102 4.43%	1.99%
	7.31%

123			
124			% Increase
125	Proposed temporary increase	Line 2	7,394,075
126	Total Distribution revenue	Line 4	57,115,193
126A	Distribution Revenue subject to rate increase (excludes special contract revenues)		55,208,061
127	Total revenue	Line 4	158,995,014
128	Temporary / Permanent		55.0%