



THE STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Reliability Enhancement Plan and
Vegetation Management Plant Report

Docket No. DE 16-277

Technical Statement of Heather M. Tebbetts

March 30, 2016

A. Purpose of Technical Statement

This Technical Statement is being submitted to explain minor changes to Liberty Utilities' proposed distribution rate increase effective May 1, 2016, resulting in a decrease of the revenue requirement as compared to the original filing. This filing updates the Company's initial Reliability Enhancement Plan and Vegetation Management Plant Report (REP/VMP) filing submitted on March 15, 2016.

B. Proposed Rate

On March 13, 2015, Liberty Utilities filed its annual REP/VMP report with a request to increase distribution rates by 1.08% effective May 1, 2015, based on capital expenditures made in 2014. The formula in original Schedule HMT-1 at Page 11 of 11 in that filing incorrectly calculated bonus depreciation at 100% for 2014, rather than 50%. In addition, there was an incorrect cell reference, which resulted in the tax depreciation not being included in the rate base calculation. Tax depreciation is used for purposes of calculating deferred taxes for rate base calculations. This error created a capital program revenue requirement of \$377,950, which should have been \$333,851 for the May 1, 2015, REP/VMP rate calculation. This formula calculation error was carried over to the March 15, 2016 filing and was not identified until after the March 15, 2016 filing.

The difference between the March 13, 2015 filing error and the recalculation provided in this revised filing of \$44,099 has been reflected in revised Schedule HMT-2 Page 1 of 4, line (1). Revised Schedule HMT-1 Page 3 of 12, line 62 reflects a revised incremental revenue requirement for 2014 of \$333,851 versus the original incremental revenue requirement of \$377,950.

In the March 15, 2016, REP/VMP filing, the Company did not make an adjustment for bonus depreciation as allowed in the Protecting Americans from Tax Hikes (PATH) Act of 2015, which passed on December 18, 2015. Prior to the passage of the PATH Act, the special bonus depreciation allowance had expired at the end of 2014. This PATH Act extended bonus

depreciation rules to include plant put into service during calendar year 2015. Revised Schedule HMT-1 Page 3 of 12, line 62 provides for the updated 2015 revenue requirement of \$248,953, down from \$279,097 in the March 15, 2016 filing, a revenue requirement difference of \$30,144.

The total incremental revenue requirement reflected on Schedule HMT-2 Page 1 includes the revised revenue requirement of \$248,953 minus the error in the March 13, 2015 filing of \$44,099, for a revised total revenue requirement of \$204,854, a reduction of \$74,243 as compared to the March 15, 2016 filing.

The rate impact filed on March 15, 2016, for residential customers using the 2015 annual average of 650 kilowatt-hours was an increase of \$0.62 or 0.50% for distribution. The revised rate impact to customers is an increase of \$0.53 or 0.43%. The Company has also filed for rate changes in Docket No. DE 16-346 Annual Retail Rate Adjustment. The overall rate impact for both proceedings for May 1, 2016, is a decrease of (\$10.97), or (8.88%).

C. Schedule References

1. Incorrect calculation of depreciation for 2014 capital expenditures

- Original Filing March 15, 2016
 - HMT-1 Page 11 of 11, Line 13 - 100% Bonus Depreciation
 - Due to incorrect cell reference, was not included in calculation
- Revised Filing March 30, 2016
 - HMT-1 Page 11 of 12, Line 13 – 50% Bonus Depreciation
- Original Filing March 15, 2016
 - HMT-1 Page 3 of 11, Line 60 Actual CY 2014 column - \$377,950
- Revised Filing March 30, 2016
 - HMT-1 Page 3 of 12, Line 60 Actual CY 2014 column - \$333,851
 - Difference is \$44,099

2. Bonus depreciation adjustment for 2015 capital expenditures

- Revised Filing March 30, 2016
 - Addition of HMT-1 Page 12 of 12 to calculate depreciation for 2015
- Original Filing March 15, 2016
 - HMT-1 Page 3 of 11, Line 60 Actual CY 2015 column - \$279,097
- Revised Filing March 30, 2016
 - HMT-1 Page 3 of 12, Line 60 Actual CY 2015 column - \$248,953

3. Capital revenue requirement revision

- Original Filing March 15, 2016
 - HMT-2 Page 1 of 4, Line (1) - \$279,097
- Revised Filing March 30, 2016
 - This revision calculates a net revenue requirement of \$204,854 (a reduction of \$74,243) resulting from a revised CY2015 revenue requirement of \$248,953 and a reduction to the revenue requirement for CY 2014 of \$44,099.
 - HMT-2 Page 1 of 4, Line (1) - \$204,854