

State of New Hampshire
Public Utilities Commission

DG 17-048

Liberty Utilities (EnergyNorth Natural Gas) Corp.
Petition for Permanent and Temporary Rates

Objection to Liberty Utilities' Motion for Rehearing

On May 25, 2018, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a/ Liberty Utilities (Liberty or the Company) filed a Motion for Rehearing in this matter. Staff of the Public Utilities Commission (Staff) hereby Objects to this Motion and states as follows:

1. RSA 541:4 requires that a motion for rehearing “shall set forth fully every ground upon which it is claimed that the decision or order complained of is unlawful or unreasonable.” The Commission’s order is neither unlawful nor unreasonable. Order 26,122 (the Order) issued April 27, 2018 in this docket approved rates for Liberty designed to produce an additional \$8.06 million in revenues on an annual basis through an increase in permanent rates, based on a revenue requirement that Liberty does not contest in its Motion.¹

Concerning the central issue raised in Liberty’s Motion (implementation dates for new rates and decoupling), the Order grants Liberty precisely what it requested, as described more fully below.

¹ The Order also approved a step increase to permanent rates effective May 1, 2018 designed to collect an additional \$4,729,953 annually. Order at 51 and Appendix 4.

2. New rates were filed in this docket on April 28, 2017 and these rates were proposed for effect July 1, 2017. Petition for Permanent and Temporary Rates dated April 28, 2017 at 1. The Commission suspended the proposed rates pursuant to RSA 378:6, which allows suspension for a period not to exceed 12 months. Order No. 26,015 (May 8, 2017). The Order approved rates effective May 1, 2018 (as Liberty requested - *see* Exh. 29 (Liberty/OCA Settlement) at 3, 8, 10 and 12), approved a decoupling mechanism effective November 1, 2018 (as Liberty requested – *see id.* at 12) and approved recoupment of an amount equal to what would have been collected if the permanent rate increase had been in effect during temporary rate period (as Liberty requested – *see id.* at 8-9 and 20). Had Liberty wished to push back the effective date of its proposed rates (or move up the date of its decoupling mechanism in order to synchronize these dates - as Liberty now claims is essential to the order being lawful) Liberty could have requested such relief during the proceeding. Liberty’s claim now that the effective date of the proposed and approved rates is unclear should be flatly rejected.

3. Liberty states at p. 1 of its Motion that

“[i]f the rate design changes are effective May 1, 2018, rather than November 1, 2018, then it is impossible for the Company to recover in 2018 the \$8.06 million annual permanent distribution revenue increase that was also approved in the Order, which is grounds for rehearing and may amount to an unconstitutional taking.” (emphasis added).

Further, in its Motion at p. 2, Liberty states that

“[w]hat is important here is that the Order plainly authorized Liberty to collect an additional \$8.06 million in calendar year 2018, compared to the revenue level in the test year.” (emphasis added).

Later, at p. 9, Liberty states that

“solely due to the May 1, 2018, effective date of the Rate Design, it is impossible for the Company to collect the approved \$8.06 million rate increase this year.” (emphasis added).

These statements are misguided. The Order authorized rates designed to collect an additional \$8.06 million in revenues on an annual basis, not in 2018. The approved rates are designed to collect the additional \$8.06 million over a 12 month period beginning May 1, 2018, the effective date of the new rates. The amount collected in 2018 is not relevant to this case, because calendar year 2018 is not the rate year (also sometimes referred to as the rate effective period).

4. Even assuming that the approved rates were supposed to provide Liberty an additional \$8.06 million of revenue in 2018, Liberty has not demonstrated that a revenue shortfall exists because Liberty has not adequately quantified the impact of the approved rates on 2018 revenues. The Attachment to the Motion that purports to show a \$3,079,391 revenue loss in 2018 due to rate design changes is flawed for at least three obvious reasons. First, Liberty looks only at the months of May through October, off peak months when lower customer charges paired with higher volumetric charges will show the greatest negative impact on revenues because heating sales are down in warm weather. Inexplicably, Liberty ignores November and December, 2018 when the higher volumetric charges will significantly increase its revenues. Second, the Attachment does not show the revenue from the temporary rates that were approved effective July 1, 2017 and remained in effect during January, February, March and April of 2018. Third, the Attachment fails to account for the temporary rate recoupment (which is the difference between the revenue collected under temporary rates and what would have been collected

under permanent rates) which began on May 1, 2018 continues until December 31, 2019.

In order to present a more complete analysis of 2018 revenues, Liberty should have analyzed all the months in 2018 that were affected by the new rate design (May through December, 2018), Liberty should have taken into account the substantial revenues it received from the temporary rates during January through April, 2018, and Liberty should have recognized the recoupment of the permanent/temporary revenue difference, which it will collect from May through December, 2018.

5. Liberty states at p. 8 of its Motion that

“[a] May 1, 2018 effective date contradicts the express rationale in the Order because the Company cannot ‘recover its fixed costs’ with the ‘significant decreases to the residential customer charges’ if decoupling and Rate Design are not implemented together.”

This claim is misplaced on two fronts. First, both the May, 2018 implementation date for new rates and the November 1, 2018 implementation date for decoupling were proposed by Liberty in the Settlement it filed with the OCA. Second, while decoupling will protect Liberty from revenue losses due to energy conservation (both utility sponsored and other), economic downturns, warmer than normal weather, and other unforeseen circumstances that may cause customers to use less gas than they did during the test year, nowhere has it been suggested or demonstrated that decoupling will protect Liberty from short term revenue shortfalls due to lower customer charges. Importantly, as part of the overall rate design approved, the lower customer charges are offset by higher volumetric charges, so that, on an annual basis, Liberty has opportunity to collect the approved

revenue requirement, including the \$8.06 million in additional revenues. Also, any decoupling adjustment will be most influenced by weather during the winter and the lag between the implementation of the new rate design and decoupling mechanism occurs in the summer.

Thus, Liberty's claim that its alleged harm is caused by the Commission's failure to synchronize the effective date of the approved rates and its proposed decoupling mechanism is misguided. If the Commission seeks to explore synchronization further, Staff suggests that the Commission require Liberty to calculate the impact of moving decoupling forward to May 1, 2018.

6. The Commission should not grant Liberty the authority to collect \$3,079,391 through the LDAC to cover its perceived 2018 revenue loss. The Motion for Rehearing should be rejected.

7. Alternatively, should the Commission wish to further explore the issues raised, it should require Liberty to provide at least the following:
 - a calculation comparing its 2018 projected revenues under the approved rates to what its revenues would have been in 2018 under the previous rates using test year weather normalized billing determinants for both calculations. In this calculation, the projected revenues should reflect the temporary rates for January through April, 2018, the new rate design for the months of May through

December, 2018, and the recoument of the permanent/temporary revenue difference from May through December, 2018; and

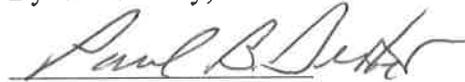
- a calculation of the impact of decoupling for the 12 month period May 1, 2018 through April 30, 2019 (assuming a May 1, 2018 decoupling implementation date, and assuming revenue per customer targets based on test year data, and assuming normal weather in the test year and the year ending April 30, 2019).

WHEREFORE, for the reasons set forth hereinabove, the Staff respectfully requests that the Commission deny Liberty Utilities' Motion for Rehearing in this matter, or alternatively, should the Commission wish to further explore the issues raised by Liberty, Staff respectfully requests that the Commission require Liberty to file, at a minimum, the revenue comparison and the decoupling impact analysis described in Section 7 above.

Respectfully submitted,

Staff of the Public Utilities Commission

By its Attorney,



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I hereby certify that, on June 4, 2018, a copy of this Objection has been hand delivered to the Commission and has been sent electronically to the Service List in this matter.


Paul B. Dexter