

**Liberty Utilities (EnergyNorth Natural Gas) Corp.****Docket DG 17-048 General Rate Case****Record Request (Exhibit No. 85)****Explanation of Differences between Order No. 26,122 Appendix 5 and Exhibit No. 80**

- **GENERAL**

- Please note that amounts based on temporary rates in Exhibit Nos. 79, 80 and 84 entered into the record have been corrected. These exhibits used 7/1/2017 rates that included the 2017 CIBS rate increase as well as the temporary rate increase. The rates have been changed to the temporary rates approved in Order No. 26,035 (6/30/2017). See Attachment 2\_1ALT.
- Please note that amounts based on permanent rates in Exhibit Nos. 79, 80, 81, 82 and 84 entered into the record have been corrected. These exhibits used the rate design model used to compute 5/1/2018 compliance rates filed with Commission on 7/9/2018. This rate design model did not include billing units associated with the year-end bill count adjustment included in the approved revenue requirement as shown in Order No. 26,122, Appendix 1, Schedule 1.1, p. 2. This omission resulted in calculated unit rates for the various rate schedules that recovered more than allowed rate increase prescribed in Order No. 26,122. The rate design model has been corrected.

The sections of the attached schedule are described below:

- **VARIANCE ANALYSIS: TEST YEAR REVENUES**

- This section shows a variance analysis between the development of target base rate and LDAC revenues for rate design and the corresponding values as calculated in the test year revenue analyses for rates in effect before the rate case (5/1/2017 Prior), for temporary rates (7/1/2017 Temp), and permanent rates (5/1/2018 Perm).
- The analysis shows that the calculated test year revenues and the design test year revenues differ by the revenues associated with the Year-End Bill Count adjustment.

- **VARIANCE ANALYSIS: TEMPORARY RATE REVENUES**

- This section shows a variance analysis between the development of target base rate and LDAC revenues for rate design and the corresponding values as calculated in the test year revenue analyses for temporary rates and a reconciliation to target values.
- The design basis for the temporary rates differed from the design basis for permanent rates. See Settlement Agreement-Temporary Rates, Attachment 1, 6/5/2017. For temporary rates, only revenues associated with legacy EnergyNorth customers without the revenue adjustment for Concord Steam were used. Further, the design intended that a portion of the temporary rate increase be recovered through the RLIAP adjustment factor of the LDAC.

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- The results of the analysis and reconciliation demonstrate that the Company did not change the RLIAP adjustment factor of the LDAC on 7/1/2017; thus, the Company did not recover the RLIAP portion of the temporary rate increase. Further, the temporary rate increase did not account for the Concord Steam revenue adjustment or the Year-End Bill Count revenue adjustment.
- **PERMANENT TO TEMPORARY RATE DIFFERENCE FOR RECOUPMENT**
  - This section shows the development of the baseline test year permanent to temporary rate revenue difference for use in the subsequent recoupment calculation.
  - The results show that revenue differences in the preceding two sections (Test Year Revenues and Temporary Revenues) flow through to the baseline test year permanent to temporary rate revenue difference. Thus, the effect of the Year-End Bill Count revenue adjustment for permanent and temporary rates, the RLIAP temporary rate adjustment and the Concord Steam temporary rate revenue adjustment are reflected in the reconciliation portion of the analysis.
  - In addition, the results show that the recoupment calculation takes into account the revenue shift that takes place between Keene customers and legacy EnergyNorth customers once permanent rates take effect. The design baseline test year permanent to temporary rate revenue difference includes the effect of the difference between Keene customer revenues at permanent rates and Keene customer revenues at former Keene that are recovered from legacy EnergyNorth customers.
- **VARIANCE ANALYSIS: RECOUPMENT**
  - This section shows the development of the recoupment calculation and the reconciliation to its calculated values in the test year and actual year revenue analyses. Recoupment is based on the permanent to temporary rate revenue difference for the period July 2017 through April 2018. To identify the effect of actual to test year billing units, a recoupment calculation based on test year determinants for July through April was performed. See Attachment 2\_1ALT.
  - The results show the Keene revenue shift effect of \$455,362 (26%), the rate design effect of the omitted May and June revenue months of \$655,274 (37%) on a test year basis, and the effect of the higher actual billing units compared to test year billing units of \$652,804 (37%). The total variance is \$1,763,440.

# Exhibit No. 85

## Liberty Utilities (EnergyNorth Natural Gas) Corp.

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	Per Rate Design	As Calculated	Difference
<b>VARIANCE ANALYSIS: TEST YEAR REVENUES</b>			
1. Test Year Revenues at Prior Rates .....	\$ 70,118,842		
2. Adjustment to Test Year Revenues for Year-End Bill Count .....	929,551		
3. Test Year Revenues at Prior Rates w/Year-End Bill Count Adjustment .....	\$ 71,048,393	\$ 71,048,393	
4. Additional Keene Revenues at Keene Prior Rates .....	536,161	536,161	
5. Test Year Revenues at Prior Rates w/Keene Adjustment .....	\$ 71,584,555	\$ 71,584,555	
6. Additional Rate R-4 Revenues at Rate R-3 Prior Rates (RLIAP) .....	1,614,079	1,614,079	
7. Adjusted Test Year Revenues at Prior Rates .....	\$ 73,198,633	\$ 73,198,633	\$ -
8. Approved Temporary Rate Increase .....	6,750,000	6,713,994	(36,006)
9. Approved Incremental Permanent Rate Increase .....	1,310,117	1,346,122	36,005
10. Test Year Revenues at Permanent Rates .....	\$ 81,258,750	\$ 81,258,750	\$ (0)
11. less: Additional Rate R-4 Revenues at Rate R-3 Perm Rates (RLIAP) .....	1,785,094	1,785,094	-
12. Test Year Base Rate Revenues at Permanent Rates .....	\$ 79,473,656	\$ 79,473,656	\$ (0)

<b>VARIANCE ANALYSIS: TEMPORARY RATE REVENUES</b>			
13. Test Year Revenues at Temporary Rates .....	\$ 77,372,450	\$ 79,912,627	
14. Adjusted Test Year Revenues at Prior Rates .....	70,622,450	73,198,633	
15. Temporary Rate Increase .....	\$ 6,750,000	\$ 6,713,994	\$ (36,006)
16. less: Temporary Rate Increase: EnergyNorth Only .....	6,588,906	6,588,906	-
17. less: Increase for Additional Rate R-4 Revenues at Rate R-3 Rates (RLIAP) .....	161,094	-	(161,094)
18. less: Temporary Rate Increase: Concord Steam Only .....	-	36,252	36,252
19. less: Temporary Rate Increase: Adjustment for Year-End Bill Count Only .....	-	88,835	88,835
20. Net Difference .....	\$ -	\$ 0	\$ 0

<b>PERMANENT TO TEMPORARY RATE DIFFERENCE FOR RECOUPMENT</b>			
21. Test Year Revenues at Permanent Rates .....	\$ 81,258,750	\$ 81,258,750	\$ (0)
22. less: Keene Revenues at Permanent Rates .....	876,472	876,472	-
23. Test Year Base Rate Revenues at Permanent Rates w/o Keene .....	\$ 80,382,278	\$ 80,382,278	\$ (0)
24. Test Year Revenues at Temporary Rates .....	\$ 79,948,633	79,912,627	\$ (36,006)
25. less: Keene Revenues at Keene Rates .....	1,331,835	1,331,835	-
26. Test Year Base Rate Revenues at Temporary Rates w/o Keene .....	\$ 78,616,799	\$ 78,580,793	\$ (36,006)
27. Difference-Test Year Base Rate Revenues (Pemanent-Temporary) .....	\$ 1,765,479	\$ 1,801,485	\$ 36,005

<b>VARIANCE ANALYSIS: RECOUPMENT</b>			
28. Approved Incremental Permanent Rate Increase .....	\$ 1,310,117	\$ 1,346,122	\$ 36,005
29. Difference-Keene Revenues (Permanent-Temporary) for Full Year .....	455,362	455,362	-
30. Difference-Test Year Base Rate Revenues (Permanent-Temporary) for Full Year .....	\$ 1,765,479	\$ 1,801,485	\$ 36,005
31. less: Difference-Test Year Base Rate Revenues (Permanent-Temporary) for May-June .....		(655,274)	
32. Recoupment on Test Year Basis for July-April .....		\$ 2,456,759	
33. Recoupment Difference due to Actual v. Test Year Billing Units .....		652,804	
34. Recoupment on Actual Basis for July-April .....		\$ 3,109,563	
35. Calculated Recoupment on Actual Basis for July-April .....		3,109,563	
36. Net Difference .....		\$ 0	

SOURCES: <Attachment 2\_1ALT.xlsx>, <Attachment RATES-4, 5, 6, 7, 8 and WPs - Perm\_wo\_TxRefrmALT.xlsx>,  
 <Test Year Revenues (Perm Rates)\_2ALT.xlsx>, <Test Year Revenues (Prior Rates)\_2ALT.xlsx> and  
 <Test Year Revenues (Temp Rates)\_2ALT.xlsx>