

STATE OF NEW HAMPSHIRE BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 22-019 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty 2021 Annual Storm Fund Report

Technical Statement of Mark P. Toscano and Elizabeth R. Nixon
Department of Energy, Division of Regulatory Support

September 12, 2022

The New Hampshire Department of Energy (DOE) has reviewed the *Calendar Year 2021 Storm Fund Report* (2021 Report) filed by Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty (“Liberty,” or “the Company”) on April 1, 2022 in Docket No. DE 22-019. Liberty is requesting to recover costs related to three pre-staging storm events from the Company’s Storm Fund account. Liberty is *not* seeking recovery for any Major Storm events in 2021. The total cost of the three identified events is reported to be \$704,426. No rate change is triggered by this filing.

DOE analysts have reviewed Liberty’s storm cost filing and the recommendations made by DOE Audit Staff (Audit) in the Final Audit Report¹ regarding the Company’s filing. DOE has verified that the three pre-staging events meet the criteria for recovery of pre-staging costs from the Storm Fund account.

As described below, DOE recommends that the Commission approve the 2021 Storm Fund expenses as offset to the revenue collected, for the costs associated with the three pre-staging events that meet the definition of qualifying events. DOE also recommends that the adjustments recommended by Audit be removed from the total represented costs. The total revised expenses recommended for approval are \$695,673 (\$704,426 - \$8,753).

Background

On April 1, 2022, Liberty submitted the 2021 Report that complies with Commission requirements compelling Liberty to file an annual report on the Storm Fund. The Storm Fund was initially created to recover approved costs associated with qualifying major storms that meet certain criteria stipulated in the Settlement Agreement approved in Order No. 24,777. The Storm Fund was subsequently modified in Order No.

¹ See Attachment 1 to this recommendation, *Liberty Utilities (Granite State Electric) Corp. 2021 Storm Fund Report, DE 22-019, Final Audit Report* (Final Audit Report) dated September 9, 2022.

25,638² to permit recovery of pre-staging costs related to storms with qualifying weather forecast criteria. A storm that meets the following criteria qualifies as a major storm and costs related to pre-staging and/or recovery may be recovered through the Major Storm Fund:

“A major storm is defined as a severe weather event or events causing 30 concurrent troubles (i.e., interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted or 45 concurrent troubles.”³

The criteria for a storm pre-staging event to qualify for Storm Fund cost recovery are outlined in the Settlement Agreement in DE 13-063, filed January 23, 2014 and approved in Order No. 25,638.⁴ Recoverable costs related to pre-staging may include pre-staging of crews, standby arrangements with external contractors, incremental compensation of employees, and other costs that may be incurred to prepare for a qualifying major storm. The prediction level of storm impact is represented in the Energy Event Index (EEI) level in the company’s meteorological prediction provided by DTN,⁵ a meteorological forecasting and analysis service provider. A prediction of EEI Level 3 with a high confidence (*60% or greater*) is the minimum threshold required for a pre-staging event to qualify for Storm Fund cost recovery under the Settlement Agreement approved by the Commission, as described above.

DOE’s Analysis

On September 9, 2022, the DOE Audit Staff completed its Final Audit Report providing its detailed audit review for accounting and proper charging of Liberty’s 2021 storm related costs associated with three (3) pre-staging events for forecasted storms that did not materialize as major storms. Liberty’s total reported costs for the three pre-staging events were \$704,426.

DOE analysts reviewed the weather forecast information related to each storm event provided in the Company filing and the DOE Final Audit Report. The information supports the conclusion that recovery of the pre-staging costs for each of the three 2021 weather events is eligible to be recovered through the Major Storm Fund account.

² Set forth in Docket No. DG 06-107, Order No. 24,777, dated July 12, 2007 and Docket No. DE 13-063, Order No. 25,638, dated March 17, 2014).

³ Docket No. DG 06-107, Order No. 24,777, pages 13 and 14.

⁴ Docket No. DE 13-063, Settlement Agreement at Bates Page 007 filed January 23, 2014, states in relevant part “The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index (“E[E]I”) level of 3 or greater with a high probability of occurrence.” See Order No. 25,638 at 13 (March 17, 2014).

⁵ <https://www.dtn.com/> DTN weather services formerly provided by Telvent DTN which acquired this line of business from Schneider Electric (<https://www.se.com/ww/en/>) in 2017.

The Final Audit Report identified three audit issues, each with a recommended adjustment to allowed expenses regarding the storm related charges. These adjustments include the following:

1. Lack of supporting documentation for certain reported expenses. Audit recommended a reduction of \$211 in recovery of pre-staging costs.
2. Audit identified certain costs which were erroneously billed to a qualified pre-staging storm event, but which were actually related to a different non-qualifying storm event. Audit recommended a reduction of \$6,261 in recovery of pre-staging costs.
3. Audit identified certain costs which were outside of the eligible date range related to pre-staging for a particular storm event. Audit recommended a reduction of \$2,281 in recovery of pre-staging costs.

These three audit issues and related recommendations total \$8,753 in reduction of pre-staging costs to be recovered through the Major Storm Fund account. See Final Audit Report, Attachment 1. The Company agreed with DOE Audit's Recommendations. DOE recommends, therefore, of the \$704,426 costs offset to the collected revenue, \$8,753 be reversed and expensed, resulting in the adjusted total of \$695,673 of 2021 storm related pre-staging costs eligible for collection through the Company's Major Storm Fund account.

DOE's Recommendation

DOE recommends allowance of the pre-staging costs in the storm fund as presented and accounted for as required in Liberty's 2021 Report, as provided in the Direct Testimony of Anthony Strabone and Heather M. Tebbetts, filed April 1, 2022, subject to the recommended adjustments included in DOE's Final Audit Report dated September 9, 2022. The total revised expenses recommended for allowance in the storm fund are \$695,673 (\$704,426 - \$8,753). If the Commission accepts DOE's recommendation, then DOE recommends that no further process is needed. Therefore, DOE recommends cancellation of the hearing scheduled for October 20, 2022 and closure of this docket.