

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-043

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
d/b/a LIBERTY UTILITIES**

**Calendar Year 2016 Reliability Enhancement and Vegetation Management Plan
Results and Reconciliation**

Order Following Hearing

ORDER NO. 26,009

April 20, 2017

APPEARANCES: Michael J. Sheehan, Esq., on behalf of Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities; the Office of Consumer Advocate by D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq. on behalf of Commission Staff.

In this Order, the Commission approves Liberty's Reliability Enhancement Plan ("REP") and Vegetation Management Plan ("VMP") Report and Reconciliation for calendar year 2016. The Commission approves an adjustment factor credit of 0.004 cents per kilowatt hour (kWh) associated with an over-collection of expenses associated with the VMP, to be effective on a service-rendered basis on and after May 1, 2017. The Commission also authorizes Liberty to recover through distribution rates an additional amount of \$120,019 in revenue requirement associated with REP capital investment placed in service in 2016. For a residential customer taking service from Liberty and using 646 kWh per month, monthly bills will decrease by 16 cents per month.

I. PROCEDURAL HISTORY

On March 15, 2017, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities ("Liberty") filed a report describing its REP and VMP for calendar year 2016. The filing was

made pursuant to a Settlement Agreement approved by the Commission in Order No. 25,638 (March 17, 2014) in Liberty's 2013 distribution rate case. With its filing, Liberty provided testimony with related schedules and exhibits of Christian Brouillard, Director of Engineering; Jeffrey Carney, Vegetation Supervisor; and Heather M. Tebbetts, Utility Analyst.¹

The Office of Consumer Advocate ("OCA") filed a letter of participation in this docket pursuant to RSA 363:28 on March 21, 2017. An Order of Notice was issued on March 27 scheduling a hearing for April 11, 2017.

On April 10, 2017, Liberty filed the revised testimony of Ms. Tebbetts. The testimony was revised to more clearly describe the change to the VMP adjustment factor.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-043.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

Liberty testified that the Settlement Agreement approved in Order No. 25,638 specifies that the VMP Operation and Maintenance ("O&M") expense base amount of \$1,360,000 be included in distribution rates each year. To the extent that the Company spends more or less than the base amount included in distribution rates, the difference is reflected in rates through the reconciliation process. The Settlement Agreement also provides that \$1,000,000 should be the base amount for REP capital investments on an annual basis, and that the Company should be allowed to recover the revenue associated with the actual investments after Commission

¹ Mr. Brouillard, Mr. Carney and Ms. Tebbetts work for Liberty Utilities Service Corp., an affiliate of Liberty that provides various services to the Company.

approval. Each November, the Company submits a budget and plan for Staff's review. The budget can exceed the base amount provided that the Staff supports the spending levels.

The REP capital and VMP O&M budgets are premised on the idea that specified spending levels are necessary to maintain the safety and reliability of the Company's electrical distribution system. The instant filing constitutes a report of the 2016 REP/VMP activities, and reconciles the budgeted dollars with those actually spent during that calendar year.

B. VMP O&M Expense

Liberty initially budgeted \$1,348,000² for 2016 VMP activities. Actual O&M spending for 2016 totaled \$1,283,896 related to VMP. With the exception of trimming planned for the Enfield 7L2 feeder, where the work was deferred to 2017, Liberty completed all of the vegetation management work contained in the 2016 plan. Spending variances were caused by significantly less actual costs for anticipated traffic control resulting from the deferral of the Enfield feeder, and the Town of Pelham's modification of its traffic control requirement to apply only to roads with a double yellow line in the center. Although more was spent on hazard tree removal and unplanned non-storm related trouble calls, the net result was that less money was spent for VMP O&M in 2016 than was budgeted by Liberty.

Pursuant to a Memorandum of Understanding with FairPoint, FairPoint pays a share of Liberty's VMP O&M expense. Liberty includes the amount of FairPoint's obligation in preparing its vegetation management plan and budget, and bills FairPoint for those costs. For 2016, FairPoint's share of VMP expense was \$350,000. Liberty invoiced FairPoint and received \$70,374 in July 2016. The balance of \$279,626 was invoiced in January 2017, but had not been paid as of April 11, 2017. Ratepayers are held harmless from paying any FairPoint obligation pursuant to Order No. 25,785 (April 30, 2015).

² Excluding \$350,000 budgeted for FairPoint's share of VMP expenses.

C. Capital Costs

Liberty's capital budget for REP was \$1,550,000, which includes \$100,000 from previous CY 2015 carryover. Although Liberty's budget exceeded the base amount of \$1,000,000, Staff supported the alternate budget. The proposed capital plan included the installation of three single-phase reclosers, twelve units of trip savers, and replacement of two miles of bare primary conductor. The Company actually spent \$751,769 in 2016 for capital activities related to REP and spent \$97,621 for 2015 carryover capital activities related to REP, for a total spend of \$849,390. The variances resulted from several factors. First, the actual material cost of trip savers was less than the proposed budget. The primary cause for the variance, however, resulted from the fact that capital expenditures for the replacement of bare conductor were \$647,201 less than the budgeted amount of \$1.2 million. The variance for the replacement costs resulted from lower than expected bid prices for the work. Liberty said that those lower prices influenced its decision to replace additional miles of bare conductor in 2017.

D. Reliability Metrics

The Company said it met its System Average Interruption Frequency Index, or SAIFI, target of 1.33, and its System Average Interruption Duration Index, or SAIDI, target of 131.02 minutes, in 2016. Those targets were based on a five-year rolling average. While some level of variability is to be expected from year to year, typically resulting from weather pattern changes, Liberty said it continues to experience further positive impact in performance resulting from its reliability initiatives.

E. OCA

The Consumer Advocate expressed support for the reconciliation and said that he hopes that FairPoint will pay its share of the vegetation management costs incurred by Liberty.

F. Staff

Staff said that, based on its review, Liberty had appropriately calculated the Vegetation Management Adjustment Factor and the revenue requirements associated with REP capital investment. Staff concluded that the resulting rates are just and reasonable and recommended that the Commission approve the filing.

III. COMMISSION ANALYSIS

We find that Liberty's annual REP and VMP Report and the Company's REP and VMP activities in calendar year 2016 are consistent with the goals and parameters of the programs as authorized by the Commission.

Regarding cost recovery, we approve Liberty's proposal to credit customers 0.004 cents per kWh, for over-collection of VMP expenses, through distribution rates. In addition, we authorize Liberty to recover the revenue requirement of \$120,019 associated with 2016 REP capital investments. We find both proposed rate changes to be just and reasonable as required by RSA 374:1 and RSA 378:7. We understand that these changes will reduce monthly bills by 16 cents for a residential customer using 646 kWh per month. We recognize that changes to the REP and VMP program approved in Order No. 26,005 (April 12, 2017) in Liberty's most recent distribution rate case will be reflected in next year's REP/VMP filing by the Company.

Based upon the foregoing, it is hereby


ORDERED, that the 2016 Reliability Enhancement Plan and Vegetation Management Plan Report of Liberty is hereby Approved; and it is

FURTHER ORDERED, that Liberty is authorized to recover \$120,019 in revenue requirement associated with REP capital investment placed in service in 2016, effective with rates on and after May 1, 2017; and it is

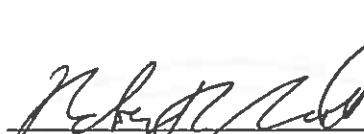
FURTHER ORDERED, that the VMP Adjustment Factor credit of 0.004 cents per kWh for effect with rates on and after May 1, 2017 is hereby APPROVED; and it is

FURTHER ORDERED, that Liberty shall file tariff pages conforming to this Order pursuant to Puc Part 1603, within 20 days hereof.

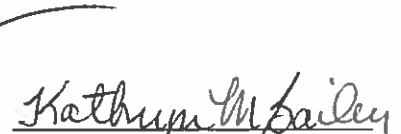
By order of the Public Utilities Commission of New Hampshire this twentieth day of April, 2017



Martin P. Honigberg
Chairman

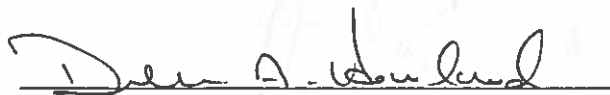


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director