

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-034

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

**Calendar Year 2017 Reliability Enhancement and Vegetation Management Plan
Results and Reconciliation**

Request for Approval of Reconciliation

Order Approving Reconciliation

ORDER NO. 26,138

May 31, 2018

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

In this order, the Commission approves Liberty's reconciliation of costs and revenues associated with the reliability enhancement program and vegetation management plan, effective June 1, 2018. The resulting rate is 0.059 cents per kilowatt hour (kWh), an increase of 0.063 cents per kWh from the current rate credit of 0.004 cents per kWh.

The Commission also approves three additional rate changes for Liberty, all for effect June 1, 2018, in Docket Nos. DE 18-051, Annual Rate Reconciliation; DE 16-383, Step Increase to Distribution Rates; and DE 18-050, Calculation of the Effect of Reduced Corporate Income Tax on customer rates. The cumulative effect of the four changes is an increase in monthly bills between 5 and 6 percent for residential consumers using 650 kWh per month.

I. PROCEDURAL HISTORY

On March 16, 2018, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed the results of its reliability enhancement program (REP) and vegetation management plan (VMP) for calendar year 2017. Liberty filed the results pursuant to a settlement agreement (Settlement Agreement) approved in Order No. 25,638 (March 17, 2014) and Order No. 26,005 (April 12, 2017). The Company also filed supporting testimony and related exhibits.

The Office of the Consumer Advocate (OCA) filed a letter of participation on April 2, 2018, pursuant to RSA 363:28. An order of notice, issued on April 23, 2018, scheduled a merits hearing for May 9, 2018. At the hearing, Liberty agreed to file a record request response (designated as Exhibit 5), illustrating proposed customer rate impacts effective June 1, 2018. The Company filed Exhibit 5 on May 11, 2018.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-034.html>.

II. POSITIONS

A. Liberty

The Settlement Agreement sets a base amount of \$1.5 million for operations and maintenance (O&M) associated with the VMP from May 1 through April 30, 2017. According to the Company, the REP and VMP are premised on the understanding that annual spending on both capital and O&M activities is necessary to maintain the safety and reliability of Liberty's

electric distribution system. Consistent with that understanding, the REP program also includes a targeted annual budget of \$1.525 million for capital investments.

Liberty stated that it develops a safety and reliability work plan each year. In that plan, the Company incorporates spending for proposed asset replacement, system capacity, performance initiatives, and individual capital projects and work activities required to comply with franchise or tariff requirements. Those required work activities include pole relocations, response to unit damage and failures, and new business construction. Liberty then prioritizes the projects and reviews the plan to arrive at a budget that will improve performance in a cost-effective manner.

Along with the petition, Liberty filed the REP and VMP reconciliations of their estimated and actual expenditures in the prior year. After deducting FairPoint's contribution, Liberty reported actual spending of \$2,052,414 million for VMP O&M activities in 2017. Liberty requests the recovery of \$552,414 of O&M costs which consists of two components: \$245,902 representing the 2017 incremental spending above the \$1.5 million base amount, and \$306,512 incurred during 2016 but paid in 2017. Liberty calculated the REP/VMP adjustment factor to be 0.059 cents per kWh.

The capital budget for 2017 included the installation of five trip-saver units designed to increase reliability and reduce cost. A significant portion of the budget was associated with reconductoring of approximately three miles of line with spacer-cable. The vegetation management activities included planned cycle tree trimming, and interim, spot, and trouble tree trimming.

Total capital spending for calendar year 2017 was \$1,640,073, which was \$115,073 more than had been budgeted. Part of the variance stemmed from increased material costs for bare conductor replacement, resulting in a higher investment than forecasted. Liberty requested that \$166,322 be added to its revenue requirement to recover its 2017 capital investments. At hearing, Liberty recalculated that revenue requirement to \$76,833 based on changes to the tax law.

B. OCA

The OCA stated that based on its review of the filing, the rates proposed by Liberty are just and reasonable with the possible exception of an amount identified at hearing for an investment not in use by the end of December 2017. On that item, the OCA said it would concur with Staff's recommendation to ensure that Liberty appropriately accounted for its expenses.

C. Staff

Staff stated it reviewed the report and that it appeared to contain all the required information and the rate was appropriately calculated. Staff recommended that the expenditures be audited by the Commission Audit Division, which will determine whether the capital investment claimed by the Company was used and useful at the time Liberty seeks to place it in base rates.

III. COMMISSION ANALYSIS

We find that Liberty's annual REP and VMP report and its REP and VMP activities in Calendar Year 2017 are consistent with the program goals and parameters authorized by the Commission. Regarding cost recovery, we approve Liberty's proposal to change the adjustment factor to 0.059 cents per kWh, an increase of 0.063 cents per kWh from the current rate credit of

0.004 cents per kWh. In addition, we authorize Liberty to recover the revenue requirement of \$76,833 associated with Liberty's 2017 REP capital investments. We find the resulting rates to be just and reasonable, as required by RSA 374:1 and RSA 378:7, effective June 1, 2018.

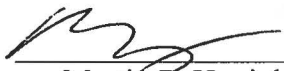
Based upon the foregoing, it is hereby

ORDERED, that Liberty is authorized to recover \$76,833 in revenue requirement associated with REP capital investment placed in service in 2017, effective with rates on and after June 1, 2018; and it is

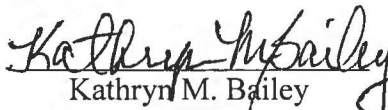
FURTHER ORDERED, that Liberty is authorized to recover an adjustment factor of 0.059 cents per kWh for costs associated with REP and VMP in 2017, effective with rates on and after June 1, 2018; and it is

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 thirty-first day of May, 2018.



Martin P. Honigberg
Chairman

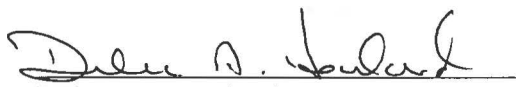


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director