

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 18-016

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

Petition for Authority to Sell Electric Water Heater Rental Program

Order *Nisi* Approving Petition

ORDER NO. 26,148

June 15, 2018

In this order *nisi*, the Commission approves Liberty's sale of its Electric Water Heater Rental Program. This order is being issued on a *nisi* basis to ensure that all interested persons receive notice of the Commission's determination and have the opportunity to request a hearing prior to the effective date.

I. BACKGROUND

On February 8, 2018, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company), filed for authority pursuant to RSA 374:30 to sell its Electric Water Heater Rental Program (Rental Program or Program) to Grand HVAC Leasing USA, LLC (GHL), which sells and rents water heaters and related products. Under the Rental Program, Liberty buys water heaters, installs and services the water heaters, and charges its customers a rate that is included in the customer's monthly utility bills. Liberty is responsible for repair and, if necessary, replacement of each water heater.

Approximately 1,500 customers are enrolled in the Rental Program. The Company also holds a number of new water heaters in inventory for replacement purposes. According to its

petition, Liberty has decided to sell its Rental Program for the following reasons: (1) operating a water heater rental program is not a core business for the Company and thus takes resources away from core tasks; (2) the Company is having trouble locating contractors to provide services to customers under the Program; and (3) the Rental Program currently operates at a loss.

Liberty states that, after reviewing offers from several companies, it has decided to sell the Rental Program to GHL. GHL has agreed to buy the Rental Program at a price equivalent to Liberty's net book value of the water heater portfolio as of the date the transaction closes.

Although the Program is not implemented under the Company's tariff, revenues and expenses associated with the Rental Program have always been recorded "above the line" as utility operating revenue or expenses, and, therefore, included in rates. As a result, the Company is required to seek Commission approval of the sale under RSA 374:30. Liberty submitted the joint direct testimony of Eric M. Stanley and Steven E. Mullen, and supporting documentation with its petition.

The petition and subsequent docket filings, other than 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/2018/18-016.html>.

II. STAFF RECOMMENDATION

Believing that the proposed sale would be for the public good, Staff recommended approval of the sale without a hearing. Staff further recommended that Liberty be required to submit a final report within three months of the date of the sale, detailing the resulting net book value of the Rental Program assets on the date the transaction closed.

As part of its review, Staff determined that the rental of water heating equipment is not a core utility function. In Staff's view, Liberty is ensuring through its sale agreement with GHIL that customers will be able to continue to receive for 12 months, an affordable equipment rental option that offers dependable and reliable maintenance service.

Staff's primary concern was to ensure that affected Rental Program participants receive sufficient notification of the sale, including information on how to opt in to or opt out of the Program under the new ownership, and that those participants are provided at least 12 months of protection from rental cost increases. According to Staff, the proposal filed by Liberty to transfer ownership of the Program assets to GHIL satisfies Staff's concerns.

Staff recommended that the sale price paid by GHIL be the net book value of existing Program assets on the date of the sale. According to Staff, the sale amount, which Liberty maintains is a break-even transaction, will result in a credit to plant for accounting purposes.

III. COMMISSION ANALYSIS

RSA 374:30 requires Commission approval of a transfer of any part of a utility's franchise, works, or system located in the state. Such approval must be based on a finding that the transfer will be for the public good. According to Liberty's filing, GHIL will provide the same level of service to existing Program participants at the customer's current monthly rental fee for at least 12 months. That will provide Program participants enough time to weigh future options regarding their continued participation in the Rental Program. Based on Liberty's petition and Staff's recommendation, we find that the proposed sale of Liberty's Rental Program as filed, is for the public good.

Liberty has committed to ensuring, through its sale agreement with GHL as presented in the petition, that current participating customers will continue to receive the same level of maintenance service through GHL. In addition, the sale agreement ensures that: (1) affected Program participants receive sufficient notification of the sale, including information on how to opt in to or opt out of the Program, and (2) participants who choose to opt in to the Program are provided at least 12 months of protection from rental cost increases. Within three months of the close of the sale transaction, Liberty shall file a final report detailing the resulting net book value of the Program assets on the closing date.

The Company's accounting treatment of the sale will be reviewed by Staff. It is the Commission's understanding, based on the Company's filing, that any operational and maintenance costs generated by the Program shall be deemed non-recurring and will end with the sale, and that the sale transaction will result in a credit to plant for the full amount claimed for that plant on Liberty's books for accounting purposes. Any significant impacts that may arise with respect to the sale can be addressed in the Company's next rate case.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that, subject to the effective date below, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty) is granted authority to sell its Electric Water Heater Rental Program (Program) to Grand HVAC Leasing USA, LLC (GHL); and it is

FURTHER ORDERED, that Liberty shall provide notification of the Program sale, including information on how to opt in to or opt out of the Program, to all current Program participants in a form acceptable to Commission Staff; and it is

FURTHER ORDERED, that Liberty shall file with the Public Utilities Commission a final report within three months of the date of the transaction closing that provides details of the resulting net book value of the Program assets on the date of the closing; and it is

FURTHER ORDERED, that the Petitioner shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than June 25, 2018, and to be documented by affidavit filed with this office on or before July 12, 2018; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than July 2, 2018, for the Commission's consideration; and it is

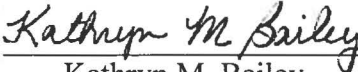
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than July 9, 2018; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective July 16, 2018, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.


By order of the Public Utilities Commission of New Hampshire this fifteenth day of June,
2018.



Martin P. Honigberg
Chairman




Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary