

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-383

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

Request for Step Increase in Distribution Revenue Requirements

Order Approving Step Increase

ORDER NO. 26,242

April 30, 2019

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

In this order, the Commission authorizes Liberty to recover an additional \$183,432 through distribution rates effective May 1, 2019. This amount includes the revenue requirement of \$169,912 associated with \$1,250,000 in capital investment placed in service in 2017, and \$13,520 to correct an error in the 2018 step adjustment. In total, this will result in an increase in monthly bills of 0.16 percent, or 20 cents, for residential default service customers using 650 kWh per month.

Concurrent with the issuance of this order, the Commission approved two additional rate changes for Liberty for effect May 1, 2019. The cumulative effect of the three orders (Order Nos. 26,242, 26,243, and 26,244) is a decrease in monthly bills of \$4.65 or 3.76 percent for residential default service customers using 650 kWh per month.

I. PROCEDURAL HISTORY

On March 12, 2019, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed for approval of a distribution rate adjustment pursuant to the

Settlement Agreement (Settlement Agreement) approved by the Commission in Docket No. DE 16-383, Liberty's most recent distribution rate case. *See* Order No. 26,005 (April 12, 2017). Liberty's request was for a 0.44 percent increase to distribution rates effective May 1, 2019. In this filing, Liberty also implemented a rate design change approved by Order No. 26,005, which eliminates the two-part block rate for Rate Class D and replaces it with a single rate block.

The Office of the Consumer Advocate (OCA) previously filed a letter of participation in this docket on May 2, 2016. The Commission issued a Supplemental Order of Notice on March 25, 2019, scheduling a hearing for April 11. At that hearing, Liberty presented the testimony of the following employees of Liberty Utilities Service Corp.: Heather M. Tebbetts, Manager of Rates and Regulatory Affairs; Anthony Strabone, Manager of Electrical Engineering; and David B. Simek, Manager of Rates and Regulatory Affairs.

The petition and subsequent docket filings, other than any information for which confidential treatment has been requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-383.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Liberty

Liberty proposed the rate increase pursuant to Section II, subsections B and G, of the Settlement Agreement. The Settlement Agreement provides for two annual step adjustments, effective May 1, 2018, and May 1, 2019. The step adjustments allow Liberty to recover the revenue requirement associated with the Pelham and Charlestown substation capital additions that are in service. The Settlement Agreement limited the amount of recovery in step adjustments to the amount budgeted in Exhibit 20, Attachment 2 at 28. The total amount

budgeted for the Pelham substation project including the 14L4 getaway cable, was \$3,650,000. The 2019 step increase for the Pelham project is subject to an investment cap of \$1,250,000. Liberty stated that, although the work was completed at both substations, it did not request recovery for the Charlestown substation project in this step adjustment. According to Liberty, it would be more efficient to request recovery of that investment as part of a distribution rate case, which it plans to file in 2019. Hearing Exhibit (Exh.) 28 at Page 5.¹

The Pelham work has two components: an overhaul of the existing substation, and the addition of the 14L4 feeder getaway cable that connects the substation to the distribution system. Liberty provided a schedule detailing the annual spending on the Pelham substation and getaway cable projects between 2014 and 2018. Exh. 33. The substation overhaul cost \$4,375,862 and the 14L4 getaway cable cost \$638,628. The cumulative costs of these two components is \$5,014,490.

The plant investments were placed in service in 2017. Exh. 27. The 2018 step adjustment approved in Order No. 26,141, dated May 31, 2018, permitted recovery for \$2.4 million of that investment. The remainder of the investment shown on Exhibit 33 exceeds the Settlement Agreement cap for recovery through the step adjustments. Liberty stated that it would seek recovery of the amounts in excess of the cap in its upcoming rate case. Liberty noted that the Commission Audit Staff conducted an audit of the Pelham investments and did not recommend any disallowances. Exh. 28 at 7-8.

Liberty calculated the revenue requirement associated with the plant additions (capped at \$1,250,000) as \$169,912.² Liberty also requested an additional \$13,520 in revenue requirement

¹ Unless otherwise noted, all exhibit page references will be to Bates pages.

² The difference between \$183,432 and \$13,520.

to correct an error it made in last year's step adjustment, when Liberty used an incorrect cost of debt in calculating the revenue requirement. Exh. 29 at 12R and Exh. 28 at 8. Liberty proposed a forward looking correction (effective May 1, 2019) and did not seek to recover amounts not collected in last year's step increase.

Consistent with the Settlement Agreement, Liberty completed the transition to a flat rate for Domestic Service Rate D. Liberty stated that no approval was required because the rate design was approved in Order No. 26,005. Here, Liberty simply implemented that pre-approved rate design in compliance with the Settlement Agreement and Order. Exh. 28 at 13-14 and 25.

B. OCA

The OCA stated that it supported the requested step increase as being consistent with the terms of the Settlement Agreement.

C. Staff

At the hearing, Staff asked Liberty whether the Pelham substation work and the getaway cable addressed the objectives that were established in Liberty's prior rate case, which set up the step adjustment mechanism. Liberty asserted that the plant investments were performing as expected. In response to Staff questioning of Liberty's testimony that the projects were completed under budget, Liberty testified that the Pelham substation project was over budget, whereas the getaway cable project was under its revised budget.

Staff stated it was satisfied that Liberty provided support for the investments, thus allowing Staff to conduct an adequate review. Staff supported the proposed rates as just and reasonable, stating that they were based on investments that were recoverable up to the cap established in the Settlement Agreement, and that they were properly calculated. Staff stated that it would review the investment amounts above the step increase cap in the upcoming rate case.

III. COMMISSION ANALYSIS

Based on our review, we conclude that Liberty properly calculated the revenue requirement associated with capital investments up to the cap of \$1,250,000. Liberty provided detailed information supporting its claim that the capital investment exceeded the \$1,250,000 cap in the Settlement Agreement for the Pelham work and that more than \$1,250,000 of the investment was in service as of December 31, 2018. Exhs. 27 and 33. Based on that information, we find that the investment is used and useful and authorize Liberty to recover through distribution base rates the revenue requirement of \$169,912 associated with the \$1,250,000 investment. In addition, going forward, we approve the collection of the \$13,520 that was omitted in last year's step adjustment. We find the proposed flat rate for Rate D consistent with the Settlement Agreement and approve it. We find that the resulting rates are just and reasonable, as required by RSA 374:2, RSA 378:5, and RSA 378:7. We approve the proposed rates for effect with services rendered on and after May 1, 2019.

Based upon the foregoing, it is hereby


ORDERED, that the step increase to be added to distribution rates, as calculated by Liberty's filing and supplemented by testimony and record request responses, is hereby APPROVED; and it is

FURTHER ORDERED, that Liberty's proposed Rate D flat block rate is approved herein on a service-rendered basis effective May 1, 2019; and it is

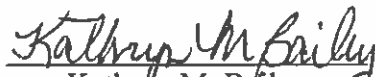
FURTHER ORDERED, that Liberty is authorized to implement the rates approved herein on a service-rendered basis effective May 1, 2019; and it is

FURTHER ORDERED, that Liberty shall file tariff pages as required by N.H. Code Admin. Rues Puc 1603 conforming to this order within 15 days hereof.


By order of the Public Utilities Commission of New Hampshire this thirtieth day of
April, 2019.



Martin P. Honigberg
Chairman




Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Lori A. Davis
Assistant Secretary



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