

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-035

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

Petition for Approval of Step Adjustment

Order Approving Petition

O R D E R N O. 26,661

July 29, 2022

In this order, the Commission authorizes Liberty to apply a reduction in its revenue requirement, to be applied as an offset credit to distribution rates, associated with its investments placed in service in 2021. This offset credit would result in lower distribution rates for Liberty customers over the coming year, and results from the sun-setting of distribution rate recovery items for recoupment and rate case expenses assessed by the Company. This adjustment is subject to reconciliation pending further review by the Department of Energy and by the Commission.

I. PROCEDURAL HISTORY

On May 26, 2020, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (Liberty or the Company) filed a Settlement Agreement in Docket No. DE 19-064, the Company's most recent full distribution rate case, which contained a provision for three step adjustments for capital investments made in calendar years 2019, 2020, and 2021, effective on July 1 of 2020, 2021, and 2022 respectively, and subject to further review by the Commission. This Settlement Agreement was approved by the Commission on June 30, 2020, in Order No. 26,376.

Liberty filed its current step adjustment petition relating to its 2021 calendar year investments on April 6, 2022. The Company presented the written testimony of Anthony Strabone, Senior Manager of Electrical Engineering, and Heather M. Tebbetts,

Manager of Rates and Regulatory Affairs, both employed with Liberty's service company affiliate, Liberty Utilities Service Corp., in support of its petition, together with supporting accounting schedules. *See* Hearing Exhibit 1.

As part of its petition, Liberty requested a Commission waiver of the tariff filing requirements of New Hampshire Code of Administrative Rules, Puc 1603.05(a)(1), pertaining to the filing of illustrative tariff pages.

On June 2, 2022, an adjudicative proceeding was commenced by a procedural order, scheduling a hearing on the Company's petition for July 19, 2022, granting the Company's waiver request, and requesting that Liberty file proposed tariff pages for a rate adjustment effective on August 1, 2022, by the close of business on July 8, 2022. Liberty filed these proposed tariff pages, together with a technical statement of Ms. Tebbetts, on July 8, 2022. *See* Hearing Exhibit 2.

A hearing on the merits of the Company's filing was held as scheduled on July 19, 2022. No petitions to intervene were filed; the Office of the Consumer Advocate did not file a letter of participation. Representatives of the New Hampshire Department of Energy (DOE) appeared at the July 19 hearing and provided testimony.

At the request of the Commission, the DOE and Company filed written Position Statements regarding this matter on July 21, 2022, and July 27, 2022, respectively.

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 <https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-035.html>

II. POSITIONS

A. Liberty

In Ms. Tebbetts' Technical Statement of July 8, 2022, the Company indicated that the revenue requirement associated with the in-service 2021 investment projects

included in its step adjustment calculations, \$1,751,403, was offset completely by the July 1, 2021 sunsetting of the collections for recoupment of \$1,939,679 and rate case expenses of \$565,077. When applied to the currently effective revenue requirement of \$48,394,903, a reduction of (\$962,083) effective on August 1, 2022, would result, producing a revised revenue requirement of \$47,432,820, or an overall reduction of 1.99%.

In response to the DOE's recommended project exclusions, discussed below, the Company argued at hearing, and presented in its written position statement filed on July 27, 2022, Liberty's counter arguments. See Liberty Position Statement, July 27, 2022. Liberty argued that the projects for which it sought inclusion in this step adjustment were appropriately included pursuant to the terms of the DE 19-064 Settlement Agreement, and furthermore, that if it were not able to rely on these projects for this petition, Liberty would be compelled to submit a list of alternative projects for the Commission's consideration. *Id.* at 1-2. Regarding the LED project issue discussed below, the Company noted that the project was being reviewed by the DOE Audit Division and recommended that the Commission approve recovery of the LED costs, subject to reconciliation as part of a future rate change proceeding. *Id.* at 3.

B. DOE

The DOE recommended exclusion of \$1,235,243 in 2021 investments in the Tuscan Village South project, and \$1,523,493 in the Golden Rock Feeder project, in their entirety. The DOE based the grounds for its recommended disallowances on the status of the Tuscan Village South Project as a "growth" project, and the Golden Rock Feeder project as a "growth-related project." According to the DOE, these categories of projects were excluded from recovery as part of the 2022 step adjustment for Liberty pursuant to the terms of the Settlement Agreement. The DOE also objected to the inclusion of \$114,064 in 2020 LED Street Light Conversion spending by the Company, based on the

allegation that this spending was not applied to 2021 plant additions by the Company, and thus was not eligible for inclusion in the 2022 step adjustment proposal. See Written DOE Statement, July 20, 2022, filed in Docket No. DE 22-035.

III. COMMISSION ANALYSIS

Step adjustments are a mechanism the Commission has approved for limited use between rate cases to allow a utility to collect additional revenue on investments that are generally non-revenue producing and are made to improve safe and reliable service. Step adjustments are generally limited in scope and allow recovery for investments similar to those that have been reviewed in the underlying rate case that established the step adjustment provision. Utilities have the burden of showing that capital investments included in step adjustment are prudent, in service, and used and useful. See *Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 26,504 at 5 (July 30, 2021). In order to approve this step adjustment, the Commission must determine whether the investments included in the calculation of the step adjustment are prudent, used, and useful under RSA 378:28. *Id.*

Liberty, therefore, has the burden to show that the requested step adjustment includes only investments that were placed in service, and were used and useful, in 2021, and that the rates proposed to collect the revenue requirement associated with these investments are calculated accurately. See *Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities*, Order No. 26,494 (July 1, 2021) at 5-6.

In this instance, the Commission is satisfied with the prudence of the listed investments (see Hearing Exhibit 2, Bates Page 3) made by the Company in calendar year 2021, and the calculation of the offset credit of (\$962,083) to the Company's revenue requirement, and will approve the reduction in Liberty's distribution rates effective August 1, 2022. However, in light of the dispute between the Company and the DOE regarding the interpretation of the DE 19-064 Settlement Agreement language, we

concur with DOE's interpretation that the two growth-related projects (Tuscan Village South and Golden Rock Feeder) should be excluded from the Step Adjustment.

We, however, find it reasonable that the Company be allowed to recover prudently incurred costs associated with non-growth investments made during 2021. The company asserted in its July 27, 2022 Position Statement sufficient non-growth investments were made in 2021 so as to fully replace the two growth-related investments, so that the resultant offset credit remains intact at (\$962,083). This determination, however, is made subject to any reconciliation arising from a review by the DOE and the Commission of a list of prudently pursued alternative non-growth projects – consistent with an offset credit of (\$962,083) – that the Company undertook, as indicated in its July 27, 2022 Position Statement. For ease of administration, we limit the filing of replacement assets to individual investment amounts of \$100,000 or above and placed into service in calendar year 2021. The Company and DOE shall submit a proposed procedural schedule for this review proceeding not later than August 15, 2022. Furthermore, we approve of the LED Street Light Conversion costs included in Liberty's step adjustment proposal subject to reconciliation, pending the outcome of the DOE Audit regarding same, which shall also be filed with the Commission when finalized for our consideration.

Based upon the foregoing, it is hereby

ORDERED, that the step adjustment to be applied as an offset credit to distribution rates, of (\$962,083), as calculated by Liberty's filing and supplemented by its July 8, 2022 Technical Statement, is hereby APPROVED, subject to reconciliation pending a Department of Energy review of the Company's alternative projects list discussed herein, with an investment value of \$100,000 or above, and with the LED Street Light Conversion costs subject to reconciliation pending the outcome of the DOE Audit, which is to be promptly filed with the Commission when finalized; and it is

FURTHER ORDERED, that Liberty and the Department of Energy are to submit a jointly assented-to procedural schedule for this review proceeding to the Commission no later than August 15, 2022; and it is

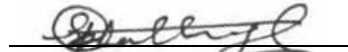
FURTHER ORDERED, that Liberty is authorized to implement the rates approved herein on a service-rendered basis, subject to reconciliation as discussed herein, effective August 1, 2022; and it is

FURTHER ORDERED, that Liberty shall file tariff pages as required by N.H. Code Admin. R., Puc 1603 conforming to this order within five (5) business days, or August 5, 2022.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of July, 2022.



Daniel C. Goldner
Chairman



Pradip Chattopadhyay
Commissioner

Service List - Docket Related

Docket# : 22-035

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