

**STATE OF NEW HAMPSHIRE
BEFORE THE NEW
HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**Docket No. DE 23-035
Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
2022 Annual Storm Fund Report**

Technical Statement of Stephen R. Eckberg, Utility Analyst
Department of Energy, Division of Regulatory Support

November 30, 2023

The New Hampshire Department of Energy (“DOE”) has reviewed the [Calendar Year] 2022 *Annual Storm Fund Report* (“2022 Report”), filed May 15, 2023, by Liberty Utilities Corp. (Granite State Electric) d/b/a Liberty Utilities (“Liberty” or “the Company”), in the form of Direct Testimony of Anthony Strabone and Heather M. Tebbetts. DOE’s analysis also considers the “Final Audit Report” (“Audit Report”) issued by DOE’s Division of Enforcement on August 17, 2023, which is attached to this Technical Statement. *See* Attachment 1 (Audit Report). In its filing, Liberty is requesting to recover costs related to what the Company describes as four storm pre-staging events and to recover restoration costs for what the Company describes as two qualifying storm events through its Major Storm Fund (MSF). Liberty reported the total costs of these six events to be collected through the MSF as \$2,485,539.79. The Company’s 2022 Report provides weather forecast details, storm event specific discussion, and financial reconciliation detail on the Company’s MSF. There is no rate adjustment triggered by this filing as the Company’s collection of \$1.5 million annually for the MSF is included in base distribution rates, and any over/under spend of that amount is recorded in appropriate MSF-related accounts.

Summary

As described herein, in the opinion of DOE, the 2022 Report is accurate as filed on May 15, 2023 with the exception of the two issues identified in the Audit Report. Audit Issue #1 pertains to additional costs related to the 2022 storm events covered in the report but not included in the Company’s request for \$2,485,539.79, and Audit Issue #2 pertains to certain costs which, in the opinion of the DOE, should not be included in the MSF. *See* Attachment 1 at 26 and 27.

The DOE recommends that the Commission accept and approve the 2022 Report with the adjustment identified in Audit Issue #2 removing \$30,978 in costs related to Winter Storm Elliot, resulting in adjusted total new MSF costs for calendar year 2022 in the amount of \$2,454,561.79. The Company concurred with this recommendation but has not yet provided supporting journal entries. *See* Attachment 1, at page 27. The DOE also recommends that the Commission accept and approve the adjusted MSF balance as \$1,886,068.07 as of 12/31/2022. *See* Table 1 below for details.

In the opinion of the DOE, if the Commission accepts DOE's recommendation, and approves the balance of the MSF as stated, no further process is necessary, and the docket may be closed. However, the DOE is mindful that the Commission directed Liberty to notify the Commission whether additional process and/or a hearing will be required on or before December 18, 2023. *See Procedural Order Re: Proposed Revised Deadlines* (August 3, 2023) (Liberty's notice to the Commission regarding process and proposed procedural schedule(s) due on the same day).

Procedural Background

On May 15, 2023, Liberty filed its annual report for calendar year 2022 in this docket. The Company explained that this filing is made pursuant to the Settlement Agreement in Docket No. DE 13-063, as approved by Commission in Order No. 25,638 on March 17, 2014. The Commission requested that DOE provide its recommendation and the DOE Audit Report to the Commission by November 30, 2023.¹ This Technical Statement and the attached Audit Report, included as Attachment 1, address that request.

History of the MSF

The MSF was initially created to provide for recovery of advance preparation and/or recovery costs of qualifying major storms that meet certain criteria stipulated in the Settlement Agreement approved in Order No. 24,777 (July 12, 2007) in Docket No. DG 06-107.

The fund would be used to pay for all of the operations and maintenance costs incurred by Granite State as the result of major storms. A major storm is defined as a severe weather event or events causing 30 concurrent troubles (i.e., interruption events occurring on either primary or secondary lines) and 15 percent of customers interrupted or 45 concurrent troubles. Interest would accrue on positive or negative balances in the fund, calculated in accordance with the tariff provisions regarding interest expense on customer deposits. Commencing April 1, 2009, Granite State would file with the Commission a report detailing the collections credited to the fund, the details of qualifying storm costs that were charged to the fund during the preceding calendar year, a description of the storm, and a summary of the damage to the distribution system, including the number and length of outages. See Order No. 24,777 at 13-14.

The MSF was subsequently modified in Order No. 25,638 (March 17, 2014)² to permit recovery of pre-staging costs related to storms with qualifying weather forecast criteria.

The Company shall be entitled to recover planning and preparation activities in advance of severe weather if the weather forecast for the event shows a Schneider Electric Event Index ("EII") level of 3 or greater with a high probability of occurrence. The activities for which the Company may seek recovery include pre-staging of crews, standby arrangements with external contractors, incremental compensation of employees, and other costs that may be incurred to prepare for a qualifying major storm. See Order No. 25,638 at 13.

¹ See Procedural Order (August 3, 2023) (extending prior August 1, 2023 deadline).

² Set forth in Docket No. DG 06-107, Order No 24,777, dated July 12, 2007 and Docket No. DE 13-063, Order No. 25,638, dated March 17, 2014.

The Commission-approved MSF annual amount of \$1,500,000 is included in the Company's base distribution rates. *See* Order No. 25,638 at 12.

In Order No. 26,724 issued November 18, 2022 in DE 21-073 (and DG 06-107), the Commission affirmed that Liberty's interpretation of "troubles" as the loss of power to any conductor service a customer or customers from the distribution system. Therefore, the Commission concluded that it was reasonable for Liberty to include or count as "troubles" or "outages" any outage on "primary or secondary lines" including outages on service lines which may serve only a single customer. The Commission further affirmed that Liberty's interpretation of "concurrent troubles" as the sum of all troubles from the start of the first trouble to the start of the last trouble within a storm event or events was a reasonable method of determining the relevant number of "troubles" i.e., 30 or 45. *See* Order No. 26,724 at 7. The following DOE analysis is consistent with Order No. 26,724.

DOE's Analysis and Recommendation

DOE Regulatory reviewed the 2022 Report and the Audit Report and discussed the Audit Report internally with the Enforcement Division Audit team.

The Company's 2022 Report includes storm preparation costs related to four pre-staging events in advance of predicted major storms which did not materialize and preparation and restoration costs for two major storm events included in the 2022 Report. In the opinion of DOE, each of the storm events was appropriately categorized by the Company as a major storm event for purposes of recovery of pre-staging, storm preparation and storm restoration expenses. Those expenses totaled \$2,485,539.79 as shown in Testimony of Strabone and Tebbetts, Attachment 2 Page 1 of 8 (Bates 34).

Audit Issue #1 addressed additional costs for 2022 storms which were reported by the Company to Audit after the Company's Testimony and Schedules were prepared and filed. These additional storm costs for 2022 storms amounted to \$42,690.87. The Company Response to this Audit Issue is that "[t]o avoid confusion within the docket, the Company will file for recovery of these additional storm costs in its 2023 storm fund filing along with the requested support..." DOE accepts the Company's proposal as a reasonable proposal and resolution to this issue.

Audit Issue #2 addressed certain costs which were inadvertently included in the expenses related to Winter Storm Elliot. The Audit Report recommended removal of \$30,978 from storm expenses, and the Company agreed to remove this amount from 2022 Storm Fund expenses.

Audit Issue #2, therefore, is the only recommended adjustment to the Company's reported 2022 Storm Fund expenses. This adjustment results in the 2022 Storm Fund expenses of (\$2,485,539.79 - \$30,978 =) \$2,454,561.79.

Table 1 provided below presents a summary of Liberty's 2022 Major Storm Fund expenses along with carry-forward storm expenses from the prior year and the adjustment related to Audit Issue #2.

Table 1. Liberty 2022 Storm Cost Accounting and Ending Balance Per the General Ledger (GL)

DE 23-035 as filed:		Prior Period Storm Costs booked in 2022	Actual Net GL 12/31/2022 Ending Balance	Recommended Audit Issue #2 Adjustment	Adjusted GL = Summary of Total Costs
Beginning Balance (over) collection	\$ (2,730,554.31)		\$ (2,730,554.31)		
Base Rate Contribution 2022	\$ (1,500,000.00)		\$ (1,500,000.00)		
SRA Factor	\$ -		\$ -		
Prior Period Adjustments	\$ (8,753.61)		\$ (8,753.61)		
Interest Income	\$ (114,384.94)	\$ 878.00	\$ (113,506.94)		
Storm Costs	\$ 2,485,539.79	\$ 12,185.00	\$ 2,497,724.79	\$ (30,978.00)	
2022 Ending Balance (over) collection	\$ (1,868,153.07)	\$ 13,063.00	\$ (1,855,090.07)	\$ (30,978.00)	\$ (1,886,068.07)
					(over)/under collection

It is DOE Regulatory Analyst’s understanding that as of November 28, 2023, Liberty has not yet forwarded the journal entries documenting the agreed to adjustment for Audit Issue #2, - removal of a requested \$30,978 in costs - to DOE’s Enforcement Division’s Audit Group. Accordingly, Audit Issue #2 is not yet fully resolved, and the Department expects that Liberty will make the agreed to adjustment to the proper General Ledger (GL) accounts and provide the necessary records to the Enforcement Division Audit team at its earliest convenience.

Conclusion

In conclusion, the DOE recommends that the Commission approve Liberty’s 2022 Storm Fund Report as adjusted by Audit Issue #2 which results in adjusted 2022 Storm Fund expenses of \$2,454,561.79, and thus an MSF balance as of December 31, 2022 as \$1,886,068.07. The \$1,886,068.07 MSF balance represents an over-collection in that amount.

In the opinion of the DOE, if the Commission approves this report and the 2022 year end MSF balance, no further process is necessary, and the docket may be closed. However, the DOE is mindful that the Commission directed Liberty to notify the Commission whether additional process and/or a hearing will be required on or before December 18, 2023. *See Procedural Order Re: Proposed Revised Deadlines* (August 3, 2023) (Liberty’s notice to the Commission regarding process and proposed procedural schedule(s) due on the same day).