

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

ORIGINAL	
D.N.P.U.C. Case No.	13-063
Exhibit No.	# 13
Witness	Panel # 3
DO NOT REMOVE FROM FILE	

RE: GRANITE STATE ELECTRIC COMPANY D/B/A LIBERTY UTILITIES

DOCKET NO. DE 13-063

SETTLEMENT AGREEMENT – STEP INCREASE AND RATE CASE EXPENSES

This Settlement Agreement (“Agreement”) is entered into as of the 30<sup>th</sup> day of October, 2014, by and among Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (“Granite State” or the “Company”), the Staff (“Staff”) of the New Hampshire Public Utilities Commission (the “Commission”), and the Office of Consumer Advocate (the “OCA”) (hereinafter referred to collectively as the "Settling Parties"). This Agreement resolves all issues regarding Liberty’s request for a step increase and the recovery of rate case expenses in this proceeding.

**I. INTRODUCTION**

On March 17, 2014, the Commission issued Order 25,638 approving the Company’s request for a permanent increase in distribution rates in the amount of \$9.760 million. In addition, the Commission also approved the Company’s request for a step increase in distribution rates effective April 1, 2014, the same date that the Company’s permanent rate increase was scheduled to take effect. Specifically, the Commission approved an estimated \$1.115 million step increase. Per Order 25,638, “[t]he amount of the step increase would be subject to a final audit by Staff and would take effect with service rendered on and after April 1, 2014.” Order 25,638, page 11. The Order also approved recovery of \$390,000 of rate case expense over two years subject to an audit by Staff.

On July 8, 2014, the Commission Staff issued its Final Audit Report on the step adjustment approved by Order 25,638. The report noted that the plant additions identified in the settlement agreement approved by Order 25,638 were originally anticipated to cost \$7,462,500. The Company's actual costs of those capital investments as of December 31, 2013 were \$5,947,984. The Final Audit report concluded that of the total plant additions included in the step adjustment, \$677,827 was posted to the FERC plant accounts while the remaining balance remained in account 107, Construction Work in Progress, as opposed to account 106, Completed Construction Not Classified. In response, on July 29, 2014, Staff filed a memorandum recommending that the Commission order the Company to reduce its current rates for the step adjustment from \$0.00121/kWh to \$0.00011/kWh and refund the revenues over-collected since April 1, 2014. On August 6, 2014, the Company responded to the Staff's recommendation, stating that all of the capital additions in the step increase were used and useful as of December 31, 2013 despite the account in which they resided, and requested a hearing on Staff's proposed rate decrease. OCA also filed a response on August 6, 2014 requesting a hearing on the issue.

On September 25, 2014, the Commission Staff issued its Final Audit Report on Follow up Review. In that report, the total plant costs were revised to \$5,896,598 after certain adjustments. From that total, the Company has removed costs related to a portion of a project that was not included in the original request for a step adjustment, resulting in final total agreed-upon capital costs to be recovered through the step adjustment of \$4,803,459. (See Attachment 1).

On April 29, 2014, the Commission Staff issued its Final Audit Report on Rate Case Expenses. That audit confirmed that the actual expense incurred by Liberty was \$318,944.

On October 7, 2014, the Settling Parties engaged in a settlement discussion at which agreement was reached on the amount of step increase as well as the amount of rate case expense to be recovered by Granite State.

## **II. TERMS OF AGREEMENT**

### **A. Revenue Requirement for Step Increase**

The Settling Parties agree that the Commission should authorize an annual distribution revenue requirement of \$719,224, as calculated on Attachment 1, effective December 1, 2014. In addition, Granite State should refund to customers an overcollection of \$263,919 that accrued from April 1, 2014 through November 30, 2014, plus carrying charges.

In order to incorporate such changes, Granite State's annual revenue level will be reduced by \$395,878 on December 1, 2014 on a going forward basis to reduce the step increase revenue requirement to an annual level of \$719,224. That reduction will be accomplished by adjusting all rates and charges by the same percentage, since the step increase was included in rates using that methodology. The refund of the \$263,919 overcollection will be combined with a refund of rate case expenses (see Section B below) and accomplished by a per kWh reduction to rates for the months of December 2014 through April 2015. The calculation of that reduction is shown on Attachment 2.

### **B. Rate Case Expense**

The Settling Parties agree that the Commission should authorize a temporary reduction to the current rate level of rate case expense authorized by Order 25,638 to refund the difference between the actual rate case expense of \$318,944 and the estimated amount of \$390,000 that is being recovered through rates over a two-year period. The refund will be combined with the refund described in Section A above and accomplished by a per kWh reduction to rates for the

months of December 2014 through April 2015. The calculation of that reduction is shown on Attachment 2.

### **III. CONDITIONS**

This Agreement is expressly conditioned upon the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, shall not be relied upon by Staff or any party to this proceeding or by the Commission for any other purpose.

The Settling Parties agree that the Commission's approval of this Agreement will not constitute continuing approval of or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the adjustments and provisions set forth herein in their totality are just and reasonable and consistent with the public interest and that the revenues contemplated will be just and reasonable under the circumstances.

The discussions that produced this Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

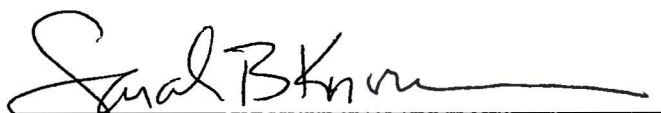
The identification of the resolution of any specific issue in this Agreement does not indicate any of the Settling Parties' agreement to such resolution for purposes of any future proceeding or constitute an admission by any party to this Agreement, nor does the reference to

any other document bind the Settling Parties to the contents of, or recommendations in, such document for purposes of any future proceeding.

This Agreement may be executed by facsimile and in counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all parties hereto.

Dated: October 30, 2014

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.



By its Attorney  
Sarah Knowlton

Dated: October 30, 2014


STAFF OF THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION



By its Attorney  
Suzanne Amidon

Dated: October \_\_, 2014

OFFICE OF CONSUMER ADVOCATE



By its Attorney  
Susan Chamberlin



DE 13-063 Liberty Utilities (Granite State Electric) Corp.  
Settlement Agreement on Step Adjustment and Rate Case Expenses  
Attachment 2  
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	Collections Through 11/30/2014
<b><u>Step Adjustment</u></b>	
Estimated Annual Revenue Requirement (per Settlement Agreement)	\$ 1,115,102
Adjusted Annual Revenue Requirement	\$ 719,224
Reduction to Annual Revenue Requirement	\$ (395,878)
Divide by 12	12
Monthly Reduction to Revenue Requirement	\$ (32,990)
Overcollection 4/1/14 - 11/30/14	\$ (263,919) a
Overcollection 4/1/14 - 12/31/14	\$ (32,990) b
<b><u>Rate Case Expenses</u></b>	
Estimated Rate Case Expenses	\$ 390,000
Actual Rate Case Expenses	\$ 318,944
Excess of Estimated over Actual Expenses	\$ (71,056) b
Amount to be Refunded to Customers	\$ (334,975) a+b
Interest Beginning April 2014 (see page 2)	\$ (1,412)
Total Amount to be Refunded to Customers	\$ (336,386)
Annual kWh Delivered (per Settlement Agreement)	924,629,419
Estimated kWh sales over five-month refund period	385,262,258
Per kWh reduction to Distribution Rates (12/1/2014 - 4/30/2015)	\$ (0.00087)

**Interest Calculation (Collections Through 11/30/2014)**

	<u>Apr-14</u>	<u>May-14</u>	<u>Jun-14</u>	<u>Jul-14</u>	<u>Aug-14</u>	<u>Sep-14</u>	<u>Oct-14</u>	<u>Nov-14</u>
Beginning Balance	0	\$ (35,951)	\$ (71,901)	\$ (107,852)	\$ (143,802)	\$ (179,753)	\$ (215,703)	\$ (251,654)
Step Adjustment	\$ (32,990)	\$ (32,990)	\$ (32,990)	\$ (32,990)	\$ (32,990)	\$ (32,990)	\$ (32,990)	\$ (32,990)
Rate Case Expenses *	\$ (2,961)	\$ (2,961)	\$ (2,961)	\$ (2,961)	\$ (2,961)	\$ (2,961)	\$ (2,961)	\$ (2,961)
Amount Refunded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ (35,951)	\$ (71,901)	\$ (107,852)	\$ (143,802)	\$ (179,753)	\$ (215,703)	\$ (251,654)	\$ (287,604)
Average Balance	\$ (17,975)	\$ (28,760)	\$ (43,141)	\$ (57,521)	\$ (71,901)	\$ (86,281)	\$ (100,661)	\$ (115,042)
Monthly Interest Rate	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%
Interest	\$ (49)	\$ (78)	\$ (117)	\$ (156)	\$ (195)	\$ (234)	\$ (273)	\$ (312)
								<u>Cumulative Interest Through 11/30/2014</u>
								<u>\$ (1,412)</u>

\* Rate case expenses are recovered over 24 months, so for interest purposes, the reduction in rate case expenses was divided by 24.



**Refund Schedule (December 2014 thru April 2015)**

	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>
Beginning Balance (incl. Interest)	\$ (334,828)	\$ (268,367)	\$ (201,453)	\$ (134,418)	\$ (67,262)
Amount Refunded	\$ 67,277	\$ 67,277	\$ 67,277	\$ 67,277	\$ 67,277
Ending Balance	\$ (267,551)	\$ (201,090)	\$ (134,175)	\$ (67,140)	\$ 16
Average Balance	\$ (301,190)	\$ (134,060)	\$ (89,450)	\$ (44,760)	\$ 10
Monthly Interest Rate	0.2708%	0.2708%	0.2708%	0.2708%	0.2708%
Interest	\$ (816)	\$ (363)	\$ (242)	\$ (121)	\$ 0
					\$ (1,542)