

**Liberty Utilities (Granite State Electric) d/b/a Liberty Utilities
 Procedure for Adjusting Distribution Rates
 Docket No. DE 16-383 2018 Compliance
 Rates Effective May 1, 2018**

(1) Increase in Revenue Requirement - Section II.B of the Settlement Agreement	\$314,404
(2) Annual Base Distribution Revenues	\$42,391,045
(3) Percentage of Adjustment to Distribution Rates	0.74%
(4) Additional Rate Case Expenses - Section II.D of the Settlement Agreement	\$72,058
(5) Annual Base Distribution Revenues	\$42,391,045
(6) Percentage of Adjustment to Distribution Rates	0.17%
(7) Adjustment to Distribution Rates May 1, 2018, Line (3) + Line (6)	0.91%

Notes

- (1) Annual Revenue Requirement related to the 2017 Pelham Substation Capital Investment
- (2) Test year billing determinates multiplied by current distribution rates
- (3) Line (1) ÷ Line (2)
- (4) Additional Rate Case Expense of \$48,039 referenced in Staff's 3/5/18 audit report, annualized ($\$48,039 / 8 * 12 = \$72,058$)
- (5) Test year billing determinants multiplied by current distribution rates
- (6) Line (4) ÷ Line (5). Total Rate Case Expense, along with Recoupment, will be removed from rates 1/1/19.
- (7) Line (3) + Line (6)

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Step Adjustment - 2017 Pelham Substation Capital Investment
Docket No. DE 16-383 Compliance

Line	Description	Substation			
	<u>FERC Account</u>	362			
1	<u>Deferred Tax Calculation</u>				
2	Capital Spending	2,400,000			
3					
4	Tax method	MACRS20			
5	Tax Depr. Rate, 20-year MACRS	3.75%			
6					
7	Annual Tax Depreciation- Year 1	90,000			
8	Bonus Year 1	1,155,000			
9	Book Depreciation Rate- Year 1	2.80%			
10	Annual Book Depreciation	67,200			
11	Tax over (under) Book- Fed	1,177,800			
12	Tax over (under) Book- State	22,800			
13	Deferred Tax Balance	<u>401,685</u>			
14					
15	<u>Rate Base Calculation</u>				
16	Plant in Service	2,400,000			
17	Accumulated Depreciation	(67,200)			
18	Deferred Tax Balance	(401,685)			
19	Rate Base	<u>1,931,115</u>			
20					
21	<u>Revenue Requirement Calculation</u>				
22	Return on Rate Base @ 10.04%	193,924			
23	Depreciation Expense	67,200			
24	Property Tax, Insurance @ 2.22%	53,280			
25	Annual Revenue Requirement	<u>314,404</u>			
26		<u>314,404</u>			
27					
28	<u>Rate of Return Calculation</u>	Portion	After-Tax Cost	WACC	Pre-Tax WACC
29	Equity	50.0%	9.40%	4.700%	7.76%
30	Debt	50.0%	4.57%	2.29%	2.29%
31		<u>100.0%</u>		<u>6.99%</u>	<u>10.04%</u>
32					
33	Property Taxes and Insurance as % of Plant Cost				2.22%

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 5, 2018
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor

SUBJECT: Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
DE 16-383 Rate Case Expense Review-updated with costs after 3/31/2017
FINAL Audit Report

TO: Tom Frantz, Director, Electric Division
Les Stachow, Assistant Director, Electric Division
Suzanne Amidon, Staff Attorney
Paul Dexter, Staff Attorney
Jay Dudley, Utility Analyst IV
Rich Chagnon, Utility Analyst IV

Background

Liberty filed for an increase in base rates, which was docketed as DE 16-383. A stipulated settlement agreement was documented on March 17, 2017 and approved by Commission Order 26,005 on April 12, 2017. Within that agreement, was a requirement to file actual incurred rate case expenses with the Commission on or before April 10, 2017. The agreement further stipulated that \$444,700 was authorized for recovery beginning May 1, 2017, with any adjustment to the recovery figure to be made May 1, 2018. Audit reviewed the April 2017 filing with an audit report issued on May 2, 2017. The audited figure was noted to be \$459,362. On February 21, 2018, the Company provided Audit with three additional invoices for review prior to filing for a change in distribution rates to be effective May 1, 2018.

Settlement Agreement in DE 16-383

The settlement agreement section D, regarding rate case expenses, is reflected below:

“D. Rate case Expenses

Subject to Staff audit and adjustment for the difference between estimated and actual expense, the Company shall recover \$444,700 in rate case expenses commencing on May 1, 2017. As shown on Attachment 4, the annual amount of rate case expenses to be recovered is \$266,820. The Company agrees to submit by April 10, 2017, an accounting of its rate case expenses, with appropriate supporting documentation, for review by Staff and OCA and approval by the Commission. The Company shall recover its just and reasonably incurred rate case expenses in the same manner as it recovers the temporary rate recoupment. Staff shall provide

its recommendation for rate case expense recovery to the parties as soon as reasonably possible, and the Company shall be authorized to recover the approved rate case expenses beginning with service rendered as of May 1, 2017. Once the final amount of actual, just and reasonable rate case expenses is determined, any difference between the amount recovered commencing May 1, 2017, and the final amount shall be recovered commencing May 1, 2018. Rate case expenses shall be recovered through an increase to the annual distribution rate level effective May 1, 2017 and adjusted for final costs effective May 1, 2018, and the adjusted increase will remain in effect until December 31, 2018, at which time the annual distribution rate level shall be decreased accordingly. Rate case expenses shall be recovered through an equiproportional increase to each component of rates for each rate class.”

Amortization

Of the approved \$444,700, the Company indicated that amortization over 20 months (May 1, 2017 – December 31, 2018) was booked monthly at \$22,235 with a debit to account 8830-2-0000-80-8640-4073 Regulatory Debits and a credit to 8830-2-0000-10-1930-1823 Other Regulatory Assets. The balance remaining of the \$444,700 as of 2/28/2018 was \$222,350.

Audit understands that the entire \$492,739 of rate case expense has been posted to the 182 account. The difference between the \$444,700 approved for recovery beginning in May 2017 and the final \$492,739 is \$48,039.

Additional Rate Case Expense Invoices

The additional invoices provided for Audit’s review were:

HSG Group 4/12/2017	\$30,000
Steven E. Patnaude, LCR 4/20/2017	\$ 542
Williams Consulting, Inc. 3/8/2017	\$ 2,835
Additional invoices	\$33,377

The \$30,000 HSG Group invoice was anticipated to be received by Liberty and paid when a Commission Order was issued in the docket and the case closed. Order #26,005 was issued on April 12, 2017, but the docket has yet to be closed. On 2/21/2018 Liberty provided the Commission Audit Staff with a copy of the \$30,000 invoice, dated 4/12/2017. The description on the invoice noted that the task was the achievement of milestones 6/7-close of record; order. The journal entry reflected a credit to 8830-2-0000-20-2810-2606 Due to Liberty Energy New Hampshire and a debit to 8830-2-0000-10-1930-1823 Other Regulatory Assets-Deferred Rate Case.

An invoice for transcription services provided by Steven E. Patnaude was provided. The \$542 represented the transcription of the hearing held on March 21, 2017.

The invoice for Williams Consulting, a consulting firm hired on behalf of the staff at the Commission, was submitted to Liberty by the PUC Business Office on March 8, 2017 and was not included in the original summary of rate case expenses.

Conclusion

Audit has reviewed the additional three invoices summing to \$33,377, verified their posting to the deferred account 8830-2-0000-10-1930-1823 Other Regulatory Assets-Deferred Rate Case, and when added to the previously audited total of \$459,362, concludes that the total recoverable rate case expense is \$492,739. The table below reflects the overall expenses, and identifies the difference from the \$444,700 stipulated for recovery beginning 5/1/2017. Those providers identified with an asterisk are those for which the updated invoices, described earlier, are included in the revised total:

<u>Service Provider</u>	<u>Expenses as noted to Audit on 2/21/2018</u>	<u>Expenses as Audited 2/21/2018</u>
<u>Liberty</u>		
HSG Group	\$105,000.00	\$ 105,000.00 *
Concentric Energy Advisors	\$ 41,405.74	\$ 41,405.74
Concentric Energy Advisors	\$136,357.91	\$ 136,357.91
Sussex Economic Advisors	\$ 44,286.50	\$ 44,286.50
Sussex Economic Advisors	\$ 38,275.00	\$ 38,275.00
Minuteman Press	\$ 2,570.56	\$ 2,570.56
Lawrence Eagle Tribune	\$ 1,249.88	\$ 1,249.88
Court Reported	\$ 1,822.00	\$ 1,822.00 *
Total Liberty	\$370,967.59	\$ 370,967.59
<u>PUC Staff Consultants</u>		
Innovative Alternatives, Inc.	\$ 42,930.87	\$ 42,930.87
Williams Consulting, Inc.	\$ 36,623.00	\$ 36,622.58 *
J. Randall Woolridge, Ph.D.	\$ 25,025.00	\$ 25,025.00
Liberty Consulting Group	\$ 17,192.50	\$ 17,192.50
GRAND TOTAL	\$492,738.96	\$ 492,738.54
Stipulated for Recovery 5/1/2017	\$444,700.00	\$ 444,700.00
	\$ 48,038.96	\$ 48,038.54