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**Via Hand Delivery and Electronic Mail**

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429

**Re: DE 16-383 Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities  
Distribution Service Rate Case Compliance**

Dear Ms. Howland:

Enclosed for filing please find Liberty Utilities' distribution rate adjustment for rates effective May 1, 2018. This rate adjustment is provided pursuant to Section II, subsections B and D of the Settlement Agreement in Docket No. DE 16-383 and approved by Order No. 26,005. As shown on Attachment A, the net result is a 0.91% adjustment to distribution rates effective May 1, 2018. Section II G of the Settlement Agreement includes a three-step annual phase-out of the blocked rate design of Domestic Service Rate D. Tariff pages to implement the rate adjustment and rate design change will be filed on or before March 30, 2018. The distribution rate adjustment included in this filing and the rate design component that will be included in the March 30, 2018, filing all have an effective date of May 1, 2018.

Section II B of the Settlement Agreement provides for two annual step adjustments, effective May 1, 2018, and May 1, 2019, to allow Liberty to recover the revenue requirement associated with capital additions related to the Pelham and Charlestown substations that are in service and used and useful as of December 31, 2017, and December 31, 2018, respectively. As shown on Attachment 2 of the Settlement Agreement, the 2017 amount of capital additions to be recovered are limited to the 2017 budgeted spending of \$2 million for the Pelham substation and \$400,000 for the Pelham 14L4 feeder. There was no amount for the Charlestown substation that was to be included in the May 1, 2018, step adjustment. Instead of doing a phased approach over two years, as budgeted, for the Pelham substation work, Liberty performed all the necessary construction associated with the substation project in 2017. This approach was taken to remain on the same schedule as National Grid, which was responsible for completing construction on the 115kV portion of the substation. Thus, the 2018 budgeted spending shown on Attachment 2 was accelerated to 2017. This approach to the project was discussed with Commission Staff during a meeting held in June 2017. The Company fully acknowledges that despite the accelerated spending schedule, the capital spending to be included in the May 1, 2018, step adjustment is limited to \$2.4 million, and recovery of what was originally budgeted for 2018 will be included in the May 1, 2019, step adjustment. The total costs that were placed in service

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for the Pelham Substation and the two getaway cables for the 14L4 feeder as of December 31, 2017, were \$4,464,414 and \$446,562, respectively, which includes costs that began as early as 2014 for both projects that had previously been included in Construction Work in Progress and, therefore, were not encompassed in Attachment 2 to the Settlement Agreement. As shown on Attachment B to this filing, the calculated revenue requirement for the \$2.4 million limit is \$314,404.

Section II D of the Settlement Agreement allows Liberty to recover all actual rate case expenses through distribution rates from May 1, 2017, through December 31, 2018. An estimated rate case expense amount of \$444,700 was included in rates effective May 1, 2017, in accordance with the Settlement. Additionally, the Settlement provides that any difference between the actual rate case expenses and the estimated amount will be included in rates and recovered beginning May 1, 2018, through December 31, 2018. Actual rate case expenses were \$48,039 higher than the estimated amount of \$444,700, as verified through review by the Commission's Audit Staff. A copy of the Staff Audit Report for the \$48,039 of additional expenses is included in this filing as Attachment C. Because the additional \$48,039 will be recovered over eight months, that amount was annualized in order to determine the percentage increase to overall rate level that needs to be in effect for the months of May through December 2018.

Section II H of the Settlement Agreement allows Liberty to recover "actually incurred" costs to hire additional personnel to perform trench inspections and for line work necessary to install and maintain new underground services related to the ownership of all new single-phase underground services to residential customers. Although the positions have been created and Liberty is actively recruiting, the positions have not yet been filled, although they are expected to be by May 1, 2018. However, since the incremental costs have not yet been incurred, they are not included in this filing.

Liberty is also filing under separate cover today its annual reconciliation filing for the Reliability Enhancement Program/Vegetation Management Program ("REP/VMP"). The filing of compliance tariff pages for the REP/VMP following the issuance of an order in that proceeding will include distribution rate adjustments shown in this filing and the rate design change included in the March 30, 2018, filing, since all of the distribution rate changes will be effective on May 1, 2018.

Thank you for your assistance with this matter. Please do not hesitate to call if you have any questions.

Sincerely,



Steven E. Mullen

Enclosure

cc: Paul Dexter, Esq.  
D. Maurice Kreis, Consumer Advocate