STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DG 17-048

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP.
d/b/a LIBERTY UTILITIES

Distribution Service Rate Case

Motion to Clarify Order No. 26,122

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("EnergyNorth" or the "Company"), through counsel, respectfully moves the Commission to clarify certain portions of Order No. 26,122 (April 27, 2018) (the "Order").

In support of this motion, the Company states as follows:

1. The Order resolved the major issues in this docket, including decoupling, Keene consolidation, and the Company's distribution rate increase. Liberty does not contest or challenge the Order's conclusions in this motion, but Liberty does seek clarification of certain issues so that the Company can properly implement the Order.

2. Addressing the issues as they appear in the Order, Liberty seeks clarification on the following.

Average Service Lives

3. Liberty seeks clarification on two points related to the approved average service lives ("ASLs").

4. First, Section IV.F. of the Order and Appendix 6 addressed "Expenses, Depreciation – Average Service Lives." The Order accepted the Company's proposed average service lives ("ASL"): "The Commission is persuaded that Mr. Normand has developed

appropriate ASLs for Liberty in this matter." Order at 15. In Schedule 6, however, the Order lists a single ASL of 6.2 years for account 303.00, "Capitalized Software," rather than the three "buckets" proposed by the Company of 3-year, 5-year, and 10-year service lives for differing types of software. The ASL of 6.2 years was simply the weighted average of the three specific sub-accounts. *See* Prefiled Testimony of Paul M. Normand, Hearing Exhibit 10, at Bates 421 and 436.

5. Liberty asks the Commission to clarify that the Company should use the three more specific ASLs for capitalized software as stated at Hearing Exhibit 10, Bates 421.

6. Second, Appendix 6, which lists the ASLs by FERC account number, does not include Account 392, Transportation Equipment, and Account 396, Power Operated Equipment. Both of these accounts have 5-year lives in Mr. Normand's depreciation study. *See*, Hearing Exhibit 10, at Bates 464 and 468.

7. The Company seeks clarification that by approving Mr. Normand's ASLs, the Order intended to approve the 5-year ASLs for FERC Accounts 392 and 396.

<u>Depreciation</u>

8. Two issues related to depreciation for the former Keene Division were not addressed in the Order.

9. First, the OCA-Liberty settlement specified that (1) the Keene and EnergyNorth depreciation and amortization rates would be aligned for those accounts that were in use for both companies, and (2) the Keene assets would be subject to group depreciation. The Order was silent on both of these topics.

10. Second, Account 319 (used by Keene) was not included in Appendix 6 to the Order. It should have a 20-year life, no salvage value, and a 5.00% depreciation rate.

11. The Company seeks clarification that items related to the Keene assets were approved.

Training Center

12. In Section IV, at pages 19 through 26, the Order discusses the Training Center and, as to the issue raised here, concluded: "We will allow all test year operation and maintenance expenses related to the center, because we recognize that those costs will not diminish based on our rate base exclusion and are needed for successful operation of the facility." Order at 25.

13. The Order does not mention the lease agreement between EnergyNorth and Granite State, of which the subject is the Training Center, other than a sentence acknowledging its existence. Order at 19.. That affiliate agreement was filed in Docket No. DA 16-560, which docket was transferred to this case.

14. Given the above approval of the O&M expenses related to the Training Center and the Order's inclusion of "Granite State Lease Payments Concord Training Center" in the revenue requirement (Appendix 1, Schedule 3.4, line 7), Liberty requests clarification that the lease agreement may remain in effect under its existing terms and conditions.

iNATGAS

15. Section IV.I. addressed recovery of the costs to build the iNATGAS facility. In concept, the Order allowed the iNATGAS capital costs into rate base, but reduced the

revenue requirement by $400,391, the amount associated with the capital costs in excess of $2,245,000 (*see* Appendix 1, page 2, line 32). The Order also allowed Liberty to request recovery of the annual $400,391 reduction in the future if the iNATGAS revenue would justify such a request. The concluding sentences state as follows:

> Nevertheless, the plant has been built and, for purposes of the base rates set in this case, we will allow recovery of the plant up to the level of costs presented in DG 14-091 ($2,245,000) plus related O&M expense. We will re-evaluate this investment in Liberty's next rate case and may consider putting more of the investment in rate base at that time.

Order at 31-32.

16. However, the Order does not state the basis on which the iNATGAS investment will be re-evaluated in that future rate case, nor how the Company should account for iNATGAS in the meantime.

17. To answer these questions, Liberty proposes that the Commission clarify the Order by stating as follows:

    a. That the Company annually defer the amount of $400,391 by debiting Account 186 – Misc. Deferred Debits, with an offsetting credit to Account 253 – Deferred Credits;

    b. That in order to recover the deferred iNATGAS costs in Liberty's next rate case (and to recover the full iNATGAS costs going forward from them), the Company shall demonstrate a positive net present value based on the same DCF analysis used to approve the iNATGAS contract in Docket No. DG 14-091 using the actual sales volumes for the years prior to the rate case filing and using the minimum take-or-pay volumes for the remaining years of the DCF analysis.

c. That any distribution revenue received from iNATGAS in excess of the revenue requirement that is included in distribution rates may be used to offset the deferred costs described above.

Fuel Inventory

18. Liberty, the OCA, and Staff agreed that costs related to EnergyNorth's fuel inventory should be removed from distribution rate base and included as a rate base item in the cost of gas rate. *See* Settlement Agreement at 5; Testimony of Mr. Mullen, Day 1, Mar. 6, 2018, at 27; Testimony of Ms. Mullinax, Day 3, Mar. 21, 2018, at 40-41.

19. The Commission removed the EnergyNorth fuel inventory out of rate base, *see* Appendix 1, Schedule 3.3, but did not clearly state that Liberty could include the fuel inventory as a rate base item in the COG rate, as was agreed in the Liberty-OCA settlement and supported by Staff. (Note that the Commission stated that Keene's COG will include the revenue requirement associated with fuel inventory, Order at 39.)

20. Liberty thus asks the Commission to clarify that the EnergyNorth related fuel inventory may be included as a rate base item in the EnergyNorth cost of gas rate.

WHEREFORE, Liberty respectfully asks that the Commission:

A. clarify that the Company should use the three more specific ASLs for capitalized software, Hearing Exhibit 10 at 421; and that the Order intended to approve the 5-year ASLs for FERC Accounts 392 and 396;

B. clarify that the Keene and EnergyNorth depreciation and amortization rates would be aligned for those accounts common to both companies;

C. clarify that the Keene assets would be subject to group depreciation;

D. clarify that Account 319 may be used and should be included in Appendix 6 to the Order (with a 20-year life, no salvage value, and a 5.00% depreciation rate);

E. clarify that the Training Center lease agreement may remain in effect under its existing terms and conditions;

F. for iNATGAS, clarify that the Company shall annually defer the amount of $400,391 by debiting Account 186 – Misc. Deferred Debits, with an offsetting credit to Account 253 – Deferred Credits;

G. clarify that in order for the Company to recover the net deferred iNATGAS costs in Liberty's next rate case (and to recover the full iNATGAS costs going forward from them), the Company shall demonstrate a positive net present value based on the same DCF analysis used to approve the iNATGAS contract in Docket No. DG 14-091 using the actual sales volumes for the years prior to the rate case filing and using the minimum take-or-pay volumes for the remaining years of the DCF analysis;

H. clarify that any distribution revenue received from iNATGAS in excess of the revenue requirement that is included in distribution rates may be used to offset the deferred costs described above;

I. clarify that the EnergyNorth related fuel inventory may be included as a rate base item in the EnergyNorth cost of gas rate; and

J. grant such other relief as is just and reasonable and consistent with the public interest.

Respectfully submitted,
Liberty Utilities (EnergyNorth Natural Gas) Corp.
d/b/a Liberty Utilities

By its Attorney,

Date: May 25, 2018 By: ___________________________

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Certificate of Service

I hereby certify that on May 25, 2018, a copy of this motion has been electronically forwarded to the service list and paper copies have been delivered to Commission Staff and counsel for the OCA.

By: ___________________________
Michael J. Sheehan