

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

Reply to Staff's Response to Liberty's Motion for Clarification

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities ("Liberty" or the "Company"), through counsel, respectfully responds to Staff's *Response to Liberty Utilities' Motion for Clarification* to note that Staff's suggested treatment of the iNATGAS issue is unworkable.

1. Liberty's *Motion to Clarify Order No. 26,122* sought clarification of several portions of the Order, mostly to make certain implied rulings in the Order explicit. Staff's response largely concurred with Liberty's requests, except for the iNATGAS issue.
2. 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 the opportunity to seek recovery of the \$400,391 annual reduction in a future rate case if the iNATGAS revenue justified such a request:

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.

3. The Order did 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. Liberty's motion for clarification proposed the ground rules for the interim accounting and for the future evaluation.
4. Staff's response recognized that the Commission did *not* disallow the costs incurred in excess of \$2,245,000.

The Commission concluded by adopting Staff's position which *had the effect* of allowing less than one-half of Liberty's investment in the facility in the rates set in this case, plus O&M expenses (for a revenue requirement reduction of \$400,391). The Commission recognized that the facility appears to be used and useful and has the potential to provide net benefits to customers in the future and thus, *rather than ordering a full, permanent rate base exclusion*, adopted Staff's proposal which put the customers in the position they were in when the special contract was approved.

Staff Response at 5 (citations omitted, emphasis added).

5. Despite this recognition, Staff objected to the Company's proposed clarification of how to reinstate the \$400,391 in annual revenue requirement by writing, contrary to its acknowledgement above, that the Order *did* intend to disallow the costs:

First, nowhere does the Order state that Liberty may seek to recover the \$400,391 *disallowed* in this case. The Order simply states that "[w]e 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 32. A future rate base restoration would be forward looking. The Commission should flatly reject any notion that *disallowance* in this case was not final and is somehow subject to "recall."

Staff Response at 6 (emphasis added).

6. Staff does not recognize that the Company cannot "restore" rate base in the future. If the Company must write off the "excess" iNATGAS costs, then those costs are gone, they are no longer on Liberty's books, and there would be nothing to "restore" in the next rate case. Once those costs are written off, there is no way to put "more" of a non-existent

investment (i.e., the portion that was written off) into rate base. Staff's procedural approach to this issue is thus unworkable.

7. In order to allow the Company to request recovery in the future, as the Order plainly intended (and the Company readily acknowledges that the Order did not guarantee any future recovery of these costs, only the opportunity to request recovery), the potential amount to be "restored" must remain on the Company's books but not currently included in rate base.
8. Liberty's proposed accounting and procedural method achieves the Order's intent to allow the opportunity to recover the iNATGAS costs if future revenues would support such a request. Staff's proposal to have the Company write off, then restore these costs in the future, violates accounting and ratemaking principles.

WHEREFORE, Liberty respectfully asks that the Commission:

- A. Grant the prayers for relief listed in Liberty's *Motion to Clarify Order No. 26,122*; and
- B. 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: June 11, 2018

By: _____
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Certificate of Service

I hereby certify that on June 11, 2018, a copy of this motion has been electronically forwarded to the service list.



By: _____
Michael J. Sheehan