



Docket No. DG 17-048  
Liberty Utilities (EnergyNorth Natural Gas) Corp. Request for Change in Rates  
Supplemental Testimony of Staff Witnesses Jayson P. Laflamme and Donna H. Mullinax

1 **Q. What is shown on Schedule 4?**

2 A. Schedule 4 presents Staff's adjustment to the Company's proposed Step Increase.

3

4 **Q. What changes were made to Schedule 4?**

5 A. The following updates were made to Schedule 4 to reflect Staff's updated recommended Step  
6 Increase:

7 (1) The revenue requirement calculation reflects the updated weighted cost of capital.

8 (2) The tax gross-up associated with the Manchester/Concord Legal and Degradation Fees  
9 that were incurred after the end of the test year was removed to reflect that error  
10 identified in the Company's rebuttal testimony.<sup>6</sup> In addition, the fee amounts were  
11 changed to appropriately reflect the amortized portion instead of the full amount.

12 (3) The Step Increase was updated to reflect the effects of the federal and state tax changes.  
13 This update included changing the federal tax rate from 35% to 21%, changing the state  
14 tax rate from 8.20% to 7.90%, and eliminating bonus depreciation that is no longer  
15 available for regulated utilities. The pre-tax WACC was updated to reflect the change in  
16 the effective tax rate. These changes reduced the accumulated deferred income taxes  
17 (ADIT). These tax-change effects are shown on Schedule 4.3.

18 The Company proposed a Step Increase of \$4,317,133. Staff recommends a Step Increase of  
19 ~~\$4,141,304~~, subject to the conditions proposed in our Direct testimony. Staff's recommended  
20 Step Increase is provided in Schedule 4.

Deleted: 4,760,985

21 **Q. What is the impact of Staff's recommended adjustments to the Company's updated rate**  
22 **base?**

Deleted: \*

<sup>6</sup> Rebuttal Testimony of David B. Simek and Daniel S. Dane, Bates 010, lines 2-8.

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 17-048  
 Schedule EN 4  
 Page 1 of 1

Liberty Utilities (EnergyNorth)

Step Adjustment

Adjustment to Step Increase-Modified (Corrected to Reflect Amortized Amounts)

Line	Description	Company Proposed (A)	Adjustment (B)	Adjusted Amount (C)	As Filed Amount (D)	Supplemental Amount (E)
1	Step Increase - Application	\$ 5,920,512				
2	Step Increase - Revised 9/20/17	6,082,417				
3	Step Increase - Revised 11/21/17	4,317,133				
4	<u>Rate Base</u>					
5	Capital Spending	\$ 27,464,521	\$ (350,000)	\$ 27,114,521	\$ 27,114,521	\$ 27,114,521
6	Accumulated Depreciation	(1,305,603)	55,099	(1,250,504)	(1,250,504)	(1,250,504)
7	Deferred Tax Calculation	(3,796,939)	3,752,419	(44,520)	(3,760,909)	(44,520)
8	Total Rate Base	\$ 22,361,979	\$ 3,457,518	\$ 25,819,497	\$ 22,103,108	\$ 25,819,497
9	<u>Revenue Requirements</u>					
10	Return on Rate Base	\$ 2,394,968	(179,655)	\$ 2,215,313	\$ 2,022,434	\$ 2,543,220
11	Depreciation Expense	1,305,603	(55,099)	1,250,504	1,250,504	1,250,504
12	Property Tax	405,483	(7,193)	398,290	398,290	398,290
13	Insurance	50,001	(690)	49,311	49,311	49,311
14	Annual Revenue Requirements	4,156,055		3,913,417	3,720,539	4,241,325
15	Carry Over per DG-17-063					
16	Annual Revenue Requirement for FY16	5,375		5,375	5,375	5,375
17	Paving Costs for FY17	155,703		155,703	155,703	155,703
18	Total Carry Over	\$ 4,317,133		\$ 4,074,495	\$ 3,881,617	\$ 4,402,403
19	Manchester / Concord Legal Fees					
20	Legal Fees Outside Test Year					
21	McLane-Middleton Invoice # 2017070584 / 07/13/17		\$ 1,063	\$ 1,063	\$ 1,063	\$ 1,063
22	McLane-Middleton Invoice # 2017080512 / 08/08/17		2,379	2,379	2,379	2,379
23	McLane-Middleton Invoice # 2017091725 / 09/15/17		1,217	1,217	1,217	1,217
24	Superior Court Stipulation - City of Concord / 08/04/17		42,358	42,358	42,358	42,358
25	Supreme Court Stipulation - City of Concord / 08/04/17		5,714	5,714	5,714	5,714
26	Superior/Supreme Court Stipulation-City of Manchester / 08/04/17		119,785	119,785	119,785	119,785
27	Total Legal Fees Outside Test Year		\$ 172,517	\$ 172,517	\$ 172,517	\$ 172,517
28	Amortization Period		3,00	3		
29	Annual Manchester / Concord Legal Fee Recovery		\$ 57,506	\$ 57,506		
30	Degradation Fees					
31	Degradation Fees Outside Test Year					
32	City of Manchester Invoice # 1005802 / 01/31/17		\$ 8,015	\$ 8,015	\$ 8,015	\$ 8,015
33	City of Manchester Invoice # 1007948 / 03/31/17		6,075	6,075	6,075	6,075
34	City of Manchester Invoice # 1009325 / 05/12/17		29,165	29,165	29,165	29,165
35	City of Manchester Invoice # 1010222 / 05/31/17		90,310	90,310	90,310	90,310
36	City of Manchester Invoice # 1011164 / 06/30/17		52,500	52,500	52,500	52,500
37	Total Degradation Fees Outside Test Year		\$ 186,065	\$ 186,065	\$ 186,065	\$ 186,065
38	Amortization Period		20,00	20		
39	Annual Degradation Fee Recovery		\$ 9,303	\$ 9,303		
40	Manchester / Concord Legal and Degradation Fees (2017)	\$ -	\$ 66,809	\$ 66,809	\$ 358,582	\$ 358,582
41	NH Income Tax	8.20%			8.20%	
42	Effect on NH income tax expense	\$ -	\$ -	\$ -	\$ (29,404)	\$ -
43	Federal Taxable	\$ -		\$ 66,809	\$ 329,178	\$ 358,582
44	Federal Income Tax Rate	34%			34%	
45	Effect on Federal income tax expense	\$ -	\$ -	\$ -	\$ (111,921)	\$ -
46	Total Taxes	\$ -	\$ -	\$ -	\$ (141,325)	\$ -
47	Step Adjustment	\$ 4,317,133	\$ (66,809)	\$ 4,141,304	\$ 4,098,874	\$ 4,760,985

Notes and Sources

Column A, Line 1: Attachment DBS/DSD-2, Schedule STEP-EN (Revised 11/21/17)

Rebuttal Simek/Dan, page 6 (Bates 010) - Staff removed tax effect to reflect no gross up on revenue deficiency

Supplemental reflected full recovery of Legal/Degradation Fees instead of amortized amount. Modified to reflect amortized Fees.

Pre-Tax WACC updated to reflect new effective tax rate

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DG 17-048  
 Schedule EN 4.3 WP  
 Page 1 of 1

Liberty Utilities (Energy/North)

Slip Adjustment

Adjustment to Slip Increase - Staff Adjustment - Modified for Tax-Change Effect

Line	Description	Misc. Intangible Plant	LNG Plant	Mains	Station Equipment	General-Structures	Mains	Meas. & Reg. Station Equip.	Services	Meters	Structures and Improvements	Office Equipment	Vehicles	Tools	Total
1	Capital Spending	303	320	367	369	373	376	376	380	381	390	391	392	394	
		\$ 2,105,141	\$ 2,020,000	\$ 14,064,334	\$ 300,000	\$ 1,215,000	\$ 300,000	\$ 325,000	\$ 1,115,000	\$ 1,600,000	\$ 1,156,662	\$ 760,384	\$ 1,978,000	\$ 175,000	\$ 27,114,521
3	Deferred Tax Calculation														
4	Tax Method	MACRS15	MACRS20	MACRS20	MACRS20	MACRS39	MACRS20	MACRS20	MACRS20	MACRS20	MACRS39	MACRS7	MACRS5	MACRS7	
5	Tax Depreciation Rate	5.00%	3.75%	3.75%	3.75%	1.28%	3.75%	3.75%	3.75%	3.75%	1.28%	14.28%	20.00%	14.28%	
7	Bonus Depreciation @ 0.00%														0.00%
9	Tax Basis	\$ 2,105,141	\$ 2,020,000	\$ 14,064,334	\$ 300,000	\$ 1,215,000	\$ 300,000	\$ 325,000	\$ 1,115,000	\$ 1,600,000	\$ 1,156,662	\$ 760,384	\$ 1,978,000	\$ 175,000	\$ 27,114,521
10	MACRS Depreciation	\$ 105,267	\$ 75,750	\$ 527,413	\$ 11,250	\$ 15,577	\$ 11,250	\$ 12,188	\$ 41,813	\$ 60,000	\$ 14,829	\$ 108,826	\$ 395,600	\$ 25,000	\$ 1,404,552
11	Tax Depreciation - Federal	\$ 105,257	\$ 75,750	\$ 527,413	\$ 11,250	\$ 15,577	\$ 11,250	\$ 12,188	\$ 41,813	\$ 60,000	\$ 14,829	\$ 108,626	\$ 395,600	\$ 25,000	\$ 1,404,552
12	Tax Depreciation - State	\$ 105,257	\$ 75,750	\$ 527,413	\$ 11,250	\$ 15,577	\$ 11,250	\$ 12,188	\$ 41,813	\$ 60,000	\$ 14,829	\$ 108,626	\$ 395,600	\$ 25,000	\$ 1,404,552
15	Book Depreciation Rate	14.28%	2.86%	1.92%	2.86%	2.86%	1.92%	2.86%	3.56%	2.86%	2.86%	5.28%	20.00%	5.28%	
16	Book Depreciation	\$ 300,825	\$ 57,772	\$ 270,035	\$ 8,580	\$ 34,749	\$ 5,760	\$ 9,295	\$ 39,694	\$ 45,760	\$ 33,081	\$ 40,148	\$ 395,600	\$ 9,205	\$ 1,250,504
18	Tax over (under) Book - Federal	\$ (195,568)	\$ 17,978	\$ 257,377	\$ 2,670	\$ (19,172)	\$ 5,490	\$ 2,893	\$ 2,119	\$ 14,240	\$ (18,252)	\$ 68,478	\$ -	\$ 15,795	\$ 154,048
19	Tax over (under) Book - State	\$ (195,568)	\$ 17,978	\$ 257,377	\$ 2,670	\$ (19,172)	\$ 5,490	\$ 2,893	\$ 2,119	\$ 14,240	\$ (18,252)	\$ 68,478	\$ 0	\$ 15,795	\$ 154,048
20	Deferred Taxes - Federal @ 21.00%	\$ (41,069)	\$ 3,775	\$ 54,049	\$ 561	\$ (4,026)	\$ 1,153	\$ 607	\$ 445	\$ 2,990	\$ (3,833)	\$ 14,380	\$ 0	\$ 3,317	\$ 32,350
21	Deferred Taxes - State @ 7.90%	\$ (15,450)	\$ 1,420	\$ 20,333	\$ 211	\$ (1,515)	\$ 434	\$ 229	\$ 167	\$ 1,123	\$ (1,442)	\$ 5,410	\$ 0	\$ 1,248	\$ 12,170
22	Deferred Tax Balance @ 27.24%	\$ (56,519)	\$ 5,196	\$ 74,382	\$ 772	\$ (5,541)	\$ 1,587	\$ 836	\$ 612	\$ 4,115	\$ (5,275)	\$ 19,790	\$ -	\$ 4,565	\$ 44,520
24	Rate Base Calculation														
25	Plant in Service	\$ 2,105,141	\$ 2,020,000	\$ 14,064,334	\$ 300,000	\$ 1,215,000	\$ 300,000	\$ 325,000	\$ 1,115,000	\$ 1,600,000	\$ 1,156,662	\$ 760,384	\$ 1,978,000	\$ 175,000	\$ 27,114,521
26	Accumulated Depreciation	\$ (300,825)	\$ (57,772)	\$ (270,035)	\$ (8,580)	\$ (34,749)	\$ (5,760)	\$ (9,295)	\$ (39,694)	\$ (45,760)	\$ (33,081)	\$ (40,148)	\$ (395,600)	\$ (9,205)	\$ (1,250,504)
27	Deferred Tax Balance	\$ 56,519	\$ (5,196)	\$ (74,382)	\$ (772)	\$ 5,541	\$ (1,587)	\$ (836)	\$ (612)	\$ (4,115)	\$ 5,275	\$ (19,790)	\$ 0	\$ (4,565)	\$ (44,520)
28	Rate Base	\$ 1,860,835	\$ 1,957,032	\$ 13,719,917	\$ 290,648	\$ 1,185,792	\$ 292,651	\$ 314,869	\$ 1,074,694	\$ 1,550,125	\$ 1,128,856	\$ 700,446	\$ 1,582,400	\$ 161,210	\$ 25,819,497
30	Revenue Requirement Calculation														
31	Return on Rate Base @ 8.58%	\$ 159,660	\$ 167,913	\$ 1,177,169	\$ 24,938	\$ 101,741	\$ 25,110	\$ 27,016	\$ 92,209	\$ 133,001	\$ 96,856	\$ 60,098	\$ 135,770	\$ 13,834	\$ 2,215,313
32	Depreciation Expense	\$ 300,825	\$ 57,772	\$ 270,035	\$ 8,580	\$ 34,749	\$ 5,760	\$ 9,295	\$ 39,694	\$ 45,760	\$ 33,081	\$ 40,148	\$ 395,600	\$ 9,205	\$ 1,250,504
33	Property Tax @ 2.06%		\$ 41,312	\$ 289,010	\$ 6,165	\$ 24,969	\$ 6,165	\$ 6,679			\$ 23,770				\$ 398,290
34	Insurance @ 0.20%		\$ 3,983	\$ 27,711	\$ 592	\$ 2,396	\$ 592	\$ 641	\$ 2,198	\$ 3,155	\$ 2,281	\$ 1,499	\$ 3,900	\$ 345	\$ 49,311
35	Annual Revenue Requirement	\$ 460,484	\$ 271,180	\$ 1,763,964	\$ 40,274	\$ 163,854	\$ 37,626	\$ 43,630	\$ 134,101	\$ 181,915	\$ 155,987	\$ 101,746	\$ 535,270	\$ 23,384	\$ 4,074,495

Rate of Return Calculation				Check
	Position	After-Tax Cost	Tax	Pre-Tax WACC
Equity	48.21%	8.40%	27.24%	4.63%
Long Term Debt	49.85%	4.420%		2.20%
Short Term Debt	0.00%	2.480%		0.20%
	100.0%			6.85%

  

Description	Reference	Amount
Property taxes (Account 408-1)	RR-SlipWP2	\$ 9,386,306
Property insurance (Account 924)	RR-EN-2-I	\$ 38,113
Injuries and Damage (Casualty Insurance) (Account 925)	RR-EN-2-I	\$ 877,844
		\$ 9,386,306
Plant at Cost	RR-Slip-EN-WP2	\$ 456,742,424
As % of Plant Cost		2.06%

"Carry Over Cost Provision Adjustments" per DG 17-063, Knepper Direct Testimony

Unadjusted annual revenue requirement for FY 16	694,182
Adjusted annual revenue requirement for FY 16	688,807
Difference to be recovered	5,375
Estimated paving cost for FY 17	2,301,960
Recoverable paving cost for FY 17	899,390
Difference to be recovered	1,402,570
Revenue Requirement of the Difference, per CIBS model	155,703

Response to Staff Tech 3-10, Varnsey, Worthely, and Reiland Project removed

Modified to reflect revised WACC