

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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

Request for Change in Rates

Docket No. DG 20-105

SETTLEMENT AGREEMENT ON PERMANENT RATES

This Settlement Agreement on Permanent Rates (“Settlement Agreement”) is entered into this 29th day of June, 2021, by and among Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (“Liberty” or the “Company”), the Staff of the Public Utilities Commission participating in this proceeding (“Staff”), and the Office of the Consumer Advocate (“OCA”) (together, “Settling Parties”). This Settlement Agreement resolves all issues among the Settling Parties regarding the Company’s request to establish permanent rates in Docket No. DG 20-105, with the exception of Liberty’s request to recover costs incurred to investigate, evaluate, and assess the development of the Granite Bridge Liquefied Natural Gas tank and related gas pipeline (“Granite Bridge Project”).

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 On July 1, 2020, Liberty filed with the New Hampshire Public Utilities Commission (“Commission”) a Notice of Intent to File Rate Schedules pursuant to N.H. Code Admin. Rules Puc 1604.05. On July 31, 2020, the Company filed its Petition for Permanent and Temporary Rates (“Petition”), including proposed tariffs and rate schedules, testimony, attachments and other information supporting the Petition. Liberty’s Petition requested that the Commission grant: (1) a permanent increase in Liberty’s distribution rates effective with service rendered on or after September 1, 2020, designed to yield an increase of \$13,497,250 in annual revenue above the then

total Distribution Revenue of \$86,698,260¹; (2) temporary rates effective with service rendered on or after October 1, 2020, designed to yield an increase of \$6,500,000 in annual revenue pending the Commission's final determination on the Company's request for a permanent rate increase; and (3) a step adjustment in rates designed to yield an increase of \$5,680,641 in annual revenue to recover costs associated with approximately \$38 million of capital expenditures projected to be placed in service during 2020, to be effective no earlier than August 1, 2021, and two additional step adjustments for capital expenditures projected to be placed in service in 2021 and 2022. The Petition requested approval of a 10.51 percent return on equity ("ROE"), and a capital structure consisting of 50.15 percent equity and 49.85 percent debt.

1.2 On July 8, 2020, the OCA filed a letter of participation in this docket pursuant to RSA 363:28. The Commission received no petitions for intervention in this docket by other parties.

1.3 On August 19, 2020, the Commission issued Order No. 26,395 suspending Liberty's proposed gas service tariff for temporary and permanent rate increases pending further investigation.

1.4 On September 16, 2020, the Commission held a hearing on temporary rates at which Liberty amended its request such that temporary rates would be set at current rates, and to approve a revenue requirement for temporary rates of \$92,890,325, with the \$4,994,290 increase in allowed revenues accomplished by adjusting the allowed revenue per customer ("RPC") amounts for each of Liberty's rate classes.² On September 30, 2020, the Commission issued Order No. 26,412

¹ The Distribution Revenue of \$86,698,260 does not include revenue from Indirect COG Revenue and Other Revenue although both are included in total revenue requirement for the purpose of a distribution base rate case.

² The approved temporary rates revenue requirement of \$92,890,325 does not include \$1,993,588 from Indirect Cost of Gas (COG) Revenue.

approving Liberty's request for temporary rates effective with service rendered on and after October 1, 2020.

1.5 On October 5, 2020, the Commission approved an initial procedural schedule for adjudication of the Company's permanent rate request that included multiple rounds of discovery, technical sessions, settlement conferences, Staff and intervenor testimony, Company rebuttal testimony, and hearings. On November 20, 2020, the Company filed a motion to amend the Petition and supplemental pre-filed direct testimony in support of recovery of Granite Bridge Project costs.³ The Commission subsequently amended the procedural schedule to accommodate the motion to amend the petition. On March 2, 2021, the Company filed an update to its proposed permanent rate request, including a total revenue requirement of \$99,786,984⁴ and a proposed permanent rate increase of \$4,933,718⁵. Staff and OCA each filed testimony on March 18, 2021, and the Company filed rebuttal testimony on April 29, 2021.

1.6 Staff's testimony recommended the following: (1) an ROE of 9.0 percent and a capital structure of 49.21 percent equity and 50.79 percent long term debt; (2) a permanent decrease to revenue requirement of \$2,240,114 below the temporary rate level; (3) one step increase for 2020 of \$5,157,187 subject to audit, and no step adjustments for future years; and other proposed adjustments. OCA's testimony recommended an ROE of 8.9 percent, did not include a

³ The motion to amend the Petition was filed pursuant to the Commission's order in Docket No. DG 17-198 in connection with the Granite Bridge Project, in which the Commission held: "Requests for authority to recover capital project and supply planning costs are appropriately reviewed in a full rate case." Order No. 26,409 at 13 (Oct. 6, 2020).

⁴ The \$99,786,984 includes \$4,027,585 of Indirect COG Revenue and \$1,207,376 of Other Revenue.

⁵ Bates II-132R. The requested rate increase of \$4,933,718 plus the revenue increase at temporary rates of \$4,994,290 equates to a revenue increase of \$9,928,008.

recommendation for a capital structure different from the Company's proposal, and included other proposed adjustments and rate design elements.

1.7 In the weeks prior to and following the Company's submission of rebuttal testimony, the Company, Staff, and the OCA engaged in settlement discussions. Based upon these discussions, the Settling Parties agreed to the terms of this Settlement Agreement, subject to Commission approval. The Settling Parties recommend and request that the Commission approve this Settlement Agreement without modification.

SECTION 2. REVENUE REQUIREMENT

2.1 The Revenue Requirement consists of three subparts: (1) allowed revenue from distribution rates ("Distribution Revenue"); (2) allowed revenue from cost of gas rates ("Indirect COG Revenue"); and (3) revenue outside of rates such as special contract revenue and property leases ("Other Revenue"), (collectively referred to as the "Revenue Requirement").

In a decoupling framework a key metric is the increase in the Distribution Revenue. Distribution rates are then set to best achieve this Distribution Revenue and are reconciled through the revenue decoupling adjustment factor each year.

The following table summarizes the revenue requirement and revenue allocation agreements of the Settling Parties.

	A	B	C	D
	Proposed Approved Revenue Calculation			
1	Distribution Revenue (\$84,591,458+\$2,106,802)	\$ 86,698,260		(Exhibit 5, line 1+3)
2	Indirect COG Revenue	\$ 1,993,587		(Fixed Indirect)
3	Other Revenue	\$ 1,197,776		(Exhibit 5, line 5)
4	Total Approved Revenue from Test Year		\$ 89,889,623	(B1+B2+B3)
5	Increase to Distribution Revenue via Temp Rates Settlement	\$ 4,994,290		(Exhibit 5, line 2+4)
6	Total Approved Revenue After Temp Rates Settlement		\$ 94,883,913	(C4+B5)
7	Order 26,412 did not include COG of \$1,993,587	\$ (1,993,587)		Existing Indirect COG Allocation
8	Temp Rate Order 26,412 rev requirement for temp rates		\$ 92,890,326	(C6+B7) Temp Rate Order 26,412
9	Settlement Increase to Approved Rev above Temp Rates	\$ 1,300,000		Perm Rates Settlement Agreement
10	Total Proposed Approved Revenue Increase from Test Year	\$ 6,294,290		(B5+B9)
11	Total Approved Revenue per Settlement for the Test Year		\$ 96,183,913	(C6+B9)
12	Approved Distrib Revenue (Target Revenue on Rates 5)	\$ 91,082,950		(C11-B13-B14) (tie to Rates 5)
13	Approved Indirect COG Revenue	\$ 3,893,587		(B17)
14	Other Revenue	\$ 1,207,376		(B3+\$9,600 from Audit Issue 6)
	Proposed Approved Revenue Allocation			
15	Total Increase in Approved Revenue	\$ 6,294,290		(B5+B9)
16	Amount of increase allocated to Indirect COG 11/1/21*	\$ 1,900,000		Perm Rates Settlement (COSS)
17	Total Indirect COG Revenue	\$ 3,893,587		(B16-B7)
18	Remainder of increase allocated to Dist Rates	\$ 4,394,290		(B15-B16)
19	Adj to Rates (Permanent Increase less Temp Increase)	\$ (600,000)		(B18-B5)
20	Total Revenue Increase Above Temp per Settlement	\$ 1,300,000		(B16+B19)
21	Indirect COG increase to be Allocated to EN & Keene	\$ 1,900,000		(B16)
22	Indirect COG Allocation to Keene (Production Cost)*	\$ 208,129		Perm Rates Settlement Agreement
23	Indirect COG Allocation to Energy North*	\$ 1,691,871		(B21-B22)
	*Reconciled to 10/1/2020			

The Company shall be allowed a Revenue Requirement increase of \$6,294,290, which is a \$1.3 million increase above the level provided by temporary rates. Based on the cost of service study the Settling Parties agree that \$1,900,000 of the \$6,265,231 revenue increase shall be applied to the next COG proceeding as described in Section 13.3, effective for service rendered on and after November 1, 2021. In addition, a surcharge shall be added through the LDAC to reconcile this \$1,900,000 addition to the Indirect COG Revenue back to the effective date of temporary rates of October 1, 2020. The remaining \$4,394,290 in revenue requirement shall be collected from distribution rates effective for service rendered on and after August 1, 2021, to be reconciled back to October 1, 2020, the effective date of temporary rates, consistent with Order No. 26,412 (Sept.

30, 2020) in this proceeding. Because the temporary rate revenue increase was an increase of \$4,994,290, the result is that the permanent rate change shall be a decrease of \$600,000 from temporary rates. In addition, the reconciliation from temporary rates to permanent rates shall be a reduction to account for the over-collection of distribution rates that occurred from October 1, 2020, to the implementation of permanent rates.

2.2 The agreed Revenue Requirement increase of \$6,265,231 includes the following cost of service elements: (1) recovery of costs associated with the New Hampshire Department of Administrative Services special contract of \$1,047,589 over three years (\$349,196/year); (2) amortization of excess accumulated deferred income tax (“EADIT”) for protected property over 28.93 years and for non-protected property over 20 years as further described in Section 3.3; (3) amortization of remaining ‘costs to achieve’ from Docket No. DG 06-107 of \$48,197 over three years (\$16,066/year)⁶; (4) continued amortization of \$1,657,796 per year for the depreciation reserve imbalance amortization, subject to adjustment based upon updated cost of removal and average service life information to be determined pursuant to Section 3.2 of this Settlement Agreement; and (5) the cost of capital provided in Section 4 of this Settlement Agreement.

2.3 The agreed revenue increase reflects adjustments that have been made in order to reach settlement and shall not establish precedent for future rate proceedings.

⁶ As referenced in Schedule RR-EN-3-6, adjustment 6 from the March 2, 2021, Corrections and Update filing.

SECTION 3. RATE BASE

3.1 The lead/lag days in Cash Working Capital shall be 25.72.

3.2 The Company shall perform a study during calendar year 2021 based on a sampling of different sized 2021 mains and services capital projects to determine the cost of removal percentages that should be applied to mains and services. The Company shall also obtain a new full depreciation study based on 2021 end of year plant balances, which study shall review and incorporate the results of the cost of removal study. The depreciation study shall be used to assess and update the depreciation reserve imbalance by making the necessary adjustments to the annual amortization amount of \$1,657,796. The determination of the depreciation lives and rates applicable to various plant accounts shall adjust the annual depreciation expense amounts. Liberty shall file the updated depreciation study along with a report on its findings by May 1, 2022, for review by Staff and the OCA as part of the second step adjustment review. Any adjustments based on the updated depreciation study shall be reflected in the second step increase to take effect on August 1, 2022.

3.3 As a result of tax law changes from the Tax Cuts and Jobs Act of 2017, Liberty has a total of \$37,855,214 of excess accumulated deferred income tax liabilities that will be amortized as credits to the benefit of customers as follows: (i) protected items totaling \$33,434,927 will be amortized as annual credit of \$1,155,718 over 28.93 years; and (ii) unprotected items totaling \$4,420,287 will be amortized as an annual credit of \$221,014 over 20 years.

SECTION 4. COST OF CAPITAL

4.1 The Company shall be allowed a return on equity of 9.3 percent.

4.2 The Settling Parties have agreed that a capital structure of 52.0 percent equity and 48.0 percent debt shall be used for purposes of determining the Company's revenue requirement in this proceeding, which results in the following pre-tax and after-tax weighted average costs of capital based on the current federal and state tax rates and the Company's current cost of long-term debt:

Description	Capital Structure	Cost of Capital	Weighted Cost of Capital	Tax Rate	Pre-Tax
Common Stock	52.00%	9.30%	4.84%	27.08%	6.64%
Long-Term Debt	48.00%	4.420%	2.12%		2.12%
Total	100.00%		6.96%		8.76%

SECTION 5. STEP ADJUSTMENTS

5.1 The Company shall be allowed two step adjustments as follows:

- (a) Step 1 shall reflect an increase to account for certain capital projects placed in service during calendar year 2020 and shall be implemented on August 1, 2021. This first step adjustment reflects adjustments that have been made to the revenue requirement in order to reach settlement. The first step shall be subject to the following conditions:
 - i. The revenue requirement for this step shall be capped at a \$4.0 million increase to annual Distribution Revenue.
 - ii. The step shall be based on the projects closed to plant in 2020, and shall exclude new business/growth-related projects.

- iii. The projects that may be included in the step are identified in the listing attached as Appendix 1.
 - iv. Local property taxes shall not be included in the calculation and will be recovered through the Property Tax Adjustment Mechanism in Section 6 of the Settlement Agreement. State utility property taxes for all projects listed in Appendix 1, calculated using the statutory tax rate in RSA 83-F:2, shall be included in the step adjustment calculation, shall count toward the cap, and shall be given first priority of recovery.
- (b) Step 2 shall reflect an increase to account for certain capital projects placed in service during calendar year 2021 and shall be effective August 1, 2022. This second step adjustment reflects adjustments that have been made to the revenue requirement in order to reach settlement. The second step shall be subject to the following conditions:
- i. The revenue requirement for this step shall be capped at a \$3.2 million annual increase to Distribution Revenue from the projects referenced in iii. below.
 - ii. The step shall be based on the projects closed to plant in 2021, and shall exclude new business/growth-related projects.
 - iii. The projects and programs that may be included in this step are identified in the listing attached as Appendix 2, including Keene CNG Phase 1 costs as further described in Section 7.2. The Settling Parties agree that the Company may substitute other similar non-growth projects prior to the

commencement of the review period if projects identified in Appendix 2 are not deployed.

- iv. Local property taxes shall not be included in the calculation and will be recovered through the Property Tax Adjustment Mechanism in Section 6 of the Settlement Agreement. State property taxes for all projects listed in Appendix 2 as it may be adjusted pursuant to iii. above, calculated using the statutory tax rate in RSA 83-F:2, shall be included in the step adjustment calculation and shall be given first priority of recovery.
- v. The step adjustment shall include adjustments resulting from the updated depreciation study as provided in Section 3.2 of the Settlement Agreement.

5.2 For the second step, the Company shall make a filing on or before April 8, 2022, with rates effective August 1, 2022. The filing shall include, at least, the following documentation and process steps:

- (a) The Company shall provide the amount of the investments to be included in the step increase (by project) and detailed project descriptions including the initial budget, the final cost, the treatment of any related retirements, and the date each project was booked to plant in-service.
- (b) For each project Liberty shall provide all Company project documents including, but not limited to, Business Cases, Capital Project Expenditure Applications, Change Order Forms, Project Close Out Reports, and work orders.
- (c) Staff and/or the OCA may request additional information after reviewing the initial filings.

(d) The Company shall propose a rate increase effective August 1, 2022, to recover the revenue requirement associated with the second step adjustment up to the \$3.2 million cap.

5.4 For the second step, if the actual cost of the capital additions is less than the budgeted amounts, the actual amounts shall be used to calculate the step adjustments. If the actual cost of the capital additions exceeds the budgeted amounts for a particular project, the Company may seek recovery of the excess through this step adjustment process, subject to the cap. The Company may otherwise seek recovery in its next rate case for any above-budget investments not approved in a step adjustment described here. The revenue requirement for the step adjustments will be calculated in a manner similar to that used in the Company's filing seeking approval of the first step adjustment. The step increase shall be subject to Staff audit and reconciliation based on the results of the audit, as approved by the Commission.

5.5 Nothing in this Settlement Agreement shall preclude Staff or the OCA from contesting the prudence of individual investments requested for recovery within the step increases.

5.6 The Company shall not request recovery of any capital costs associated with plant placed in service outside of the above-described step adjustments until the Company's next distribution rate case filing, which shall be based on a test year ending no sooner than December 31, 2022.

SECTION 6. PROPERTY TAX ADJUSTMENT MECHANISM

6.1 The Company shall be authorized to implement a Property Tax Adjustment Mechanism ("PTAM") to allow the Company to request recovery or refund of local property tax expenses, as compared to the amount in base rates, beginning with the April 1, 2020, through March 31, 2021, property tax year. Consistent with RSA 72:8-e, property tax over- or under-recoveries as

compared to the amount in base distribution rates shall be adjusted annually through the PTAM. The amount included in base distribution rates for local property tax expense shall be \$8,924,897, as shown in Appendix 3.

6.2 The PTAM shall be a fully reconciling property tax adjustment mechanism except for the exclusion of State of New Hampshire utility property taxes. The State of New Hampshire utility property taxes levied on the step eligible investments shall be collected as part of the step revenue requirement as detailed in Section 5 above.

6.3 On an annual basis beginning with the property tax year that commenced April 1, 2020, actual local property tax amounts from the property tax bills received during a calendar year⁷ shall be compared against the amount in base rates as of the March 31 end of each property tax year, and any variances will be reconciled through the PTAM. With respect to the initial year of reconciliation, local property tax bills received during calendar year 2020 will be compared to the calculated amount in distribution rates through March 31, 2021, which includes the recoupment of the property tax amount reconciled between temporary and permanent rates. Reconciliation in subsequent years will be handled in a similar fashion. Annual property tax billed amounts shall be adjusted for any credits received due to abatement proceeds received for tax years preceding the test year. The PTAM shall reconcile and provide for recovery or credit for any over- or under-recoveries beginning with the April 1, 2020, through March 31, 2021, property tax year.

6.4 The PTAM shall be established annually based on a full reconciliation with monthly compounded interest for any over- or under-recoveries occurring in prior year(s). Interest shall be calculated at the prime rate, to be fixed on a quarterly basis and to be established as reported in

⁷ Property tax bills received during a calendar year cover the annual property tax year that begins on April 1 and runs through the following March 31.

The Wall Street Journal on the first business day of the month preceding the calendar quarter (“Prime Rate”).

6.5 The Company shall submit the initial PTAM filing covering the period described in Section 6.3 on or before August 20, 2021, and the PTAM distribution rate adjustment for that period shall be effective with service rendered on and after November 1, 2021. Filings covering subsequent property tax years shall be made on or before March 10 using property tax bills received during the prior calendar year for adjustments to distribution rates effective May 1.

6.6 Billing determinants used for adjusting the Revenue Per Customer (RPC) amounts for the initial PTAM adjustment, as described in Section 11, for the purpose of the PTAM adjustment, shall be the same as the calendar year 2020 billing determinants used for the purpose of the first step adjustment (see Section 5.1). Billing determinants used for subsequent PTAM adjustments shall be the annual billing determinants for the calendar year that corresponds to the year that the local property tax bills were received for that particular PTAM reconciliation.

SECTION 7. KEENE CONVERSION TO CNG

7.1 Keene Cost of Gas. The Company shall recover one-half of the incrementally higher CNG supply costs as compared to the propane supply cost,⁸ incurred from the commencement of CNG service through October 31, 2021, to be recovered through inclusion over one year in the next Keene cost of gas during the winter or summer periods consistent with the season in which the incremental costs were originally incurred. The Company shall provide the supporting calculations

⁸ Incremental CNG supply cost/savings shall be calculated by multiplying the CNG therm purchases by the difference between the average per therm CNG supply cost and the propane supply costs for the applicable summer/winter period. Average CNG supply costs shall include all CNG supplier charges properly allocated between summer and winter periods. Average propane supply costs shall include Mont Belvieu propane pricing, transportation costs, and Broker Fee.

in the Winter 2021-2022 Keene Cost of Gas filing. Incremental CNG supply costs through the 2020-2021 winter period are provided in Appendix 4.

(a) Beginning November 1, 2021, if the CNG supply cost is higher than the propane supply cost as described in footnote 8, the Company shall recover one-half of the incrementally higher CNG supply cost, as determined through the cost of gas reconciliation process. If the CNG supply cost is lower than the propane supply cost, the Company shall recover and retain the full amount of the incrementally lower CNG supply cost up to the amount of incrementally higher CNG costs accrued since the commencement of CNG service, which have not then been recovered from customers, at which point the Company shall recover and retain one-half of the incrementally lower CNG supply costs. Reconciliation of the incremental CNG supply costs shall occur semi-annually in the Winter and Summer Cost of Gas filings, as applicable. A sample calculation of incremental CNG supply costs/savings, using non-confidential, hypothetical pricing, is illustrated in Appendix 5.

(b) CNG demand costs shall be allocated 75% to the winter period and 25% to the summer period until such time as otherwise determined by the Commission in a future proceeding. Any change in allocation shall be implemented during a Winter Cost of Gas filing.

7.2 Keene Expansion. Phase 1 of the Keene conversion to natural gas shall consist of: (1) installation of the existing temporary CNG facility; (2) conversion of the propane-air customers premises at the Monadnock Marketplace to natural gas as of the date of this Settlement; and (3) acquisition of customers at any additional premises not currently physically connected to the gas utility system in Keene after the date of this settlement who would be served CNG from both the existing CNG temporary facility and through existing mains. An “existing main” is one that has

a Maximum Allowable Operating Pressure (“MAOP”) greater than 0.5 psig and that can be safely used to deliver natural gas, satisfying all applicable safety rules and regulations. Inclusion of additional customers in Phase 1 as described in this section (3) shall not change the time frame of the risk sharing mechanism. Revenue from new customers at existing premises converted from propane-air to CNG shall not be included in the discounted cash flow analysis of the risk sharing mechanism. The Settling Parties agree that the existence of Phase 1 shall not be used to justify any further development of CNG in Keene beyond Phase 1.

- (a) The Company shall be allowed to seek recovery of the Phase 1 costs as part of the second step adjustment (excluding the cost of the Production Avenue land), subject to the risk sharing mechanism established in Order No. 26,122 (April 27, 2018) at 39 as clarified in Order No. 26,274 (July 26, 2019). The Company retains the right to seek recovery of the cost of the Production Avenue land at a future time. As part of the second step adjustment, the Company shall be allowed to update the recovery of the Phase 1 costs to account for the revenue and costs associated with additional Phase 1 customers who began taking service or committed to take service on or before August 1, 2022, the effective date of the step adjustment, subject to the risk sharing mechanism established in the above orders. If a customer committed to take service does not actually take service prior to the next base rate case then the August 1, 2022, risk sharing adjustment calculation shall be recalculated and any shortfall shall be adjusted accordingly to reflect the actual service. The adjustment for the risk-sharing mechanism for the Phase 1 investments included in rate base as of December 31, 2019, is \$21,736 as outlined in Appendix 6, which amount is already taken into account in the revenue requirement described in Section 2.

- (b) Phase 2 shall not be implemented until Liberty satisfies the conditions of Order No. 26,122 (Apr. 27, 2018) as clarified in Order No. 26,274 (July 26, 2019), and the Company's tariff, as applicable. Incremental revenue from Phase 1 new customers may not be used to justify Phase 2. If a customer who committed to take service does not actually take service prior to the effective date of temporary rates in the next base rate case then the risk sharing adjustment calculation shall be recalculated and any shortfall shall be adjusted accordingly to reflect the actual service.
- (c) The Settling Parties agree that prior to the implementation of any future phase the ten year net present value of such phase shall not be negative.
- (d) The following definitions shall apply to Phase 2 and future phases of the conversion of Keene customers from propane-air to natural gas (including renewable natural gas):
- (i) A "phase" shall be one or more customer additions or conversions which require the installation of 100 feet or more of new main. The addition or conversion of new customers requiring less than 100 feet of new main shall not be a "phase," but shall comply with the Company's line extension tariff.
 - (ii) Converting existing main from propane-air to natural gas shall be considered a "new main" unless the existing main has an MAOP of greater than 0.5 psig and can be safely used to deliver natural gas, satisfying all applicable safety rules and regulations.

SECTION 8. PELHAM EXPANSION

8.1 The agreed revenue requirement includes a reduction of (\$61,871) pursuant to the risk sharing mechanism approved by the Commission in Docket No. DG 15-362, in Order 29,987,

based on the Company's discounted cash flow ("DCF") analysis that compares the revenue requirement of the take station on the Concord Lateral with the anticipated annual revenue from new Pelham customers. The anticipated revenue includes expected revenue from a large industrial customer who signed an agreement to take service in 2016, has not yet taken service for various reasons, but is still expected to take service from Liberty in the near future.

8.2 The Settling Parties agree to maintain this adjustment for the August 1, 2021 – July 31, 2022 rate year. If the large industrial customer has not taken service from Liberty on or before August 1, 2022, the anticipated revenue from this customer shall be removed from the DCF calculation and the adjustment to remove revenue from that customer shall be made in the second step adjustment.

SECTION 9. iNATGAS COSTS

9.1 Consistent with the Commission's determination in Docket No. DG 17-048, and in light of the increased capital costs associated with the iNATGAS CNG fueling facility, the Settling Parties agree that there will be a reduction of the overall revenue requirement of \$301,747 for ratemaking purposes, such amount already being reflected in the Revenue Requirement increase described in Section 2.1, until the time of the Company's next distribution rate case.

SECTION 10. GRANITE BRIDGE COST RECOVERY EXCLUDED FROM SETTLEMENT

10.1 The Company's Petition, as amended, requests Commission approval for recovery of the costs incurred to investigate, evaluate, and assess the development of the Granite Bridge Project, which the Company calculates as approximately \$7.5 million (the "Granite Bridge Project Costs"). The Settling Parties agree that the current rate case is the appropriate docket for adjudication of

the Granite Bridge Project Costs. The recovery of the Granite Bridge Project Costs are excluded from this Settlement Agreement and shall be litigated within this proceeding.

SECTION 11. RATES AND RATE DESIGN

11.1 **Decoupling**. As this is the first general rate case since the implementation of decoupling, the Settling Parties agree that this is an opportunity to clarify the process surrounding the decoupling mechanism and the associated tariff language. The Agreement consists of five points regarding decoupling:

- (a) The calculation of the revenue per customer (RPC) for permanent rates shall include:
 - i. the end of year calendar month bill count adjustment in the denominator of the calculation for the test year;
 - ii. the volumetric terms used for the calculation shall reflect the monthly bill counts adjusted for the end of year calendar month bill counts; and
 - iii. the RPC for the permanent rate increase shall not change until the next rate case.
- (b) The calculation of the incremental revenue per customer for subsequent non-rate case rate changes such as, but not limited to, step adjustments, property tax reconciliation, and temporary rates, shall (i) use actual calendar month bill counts for the same time period being used to determine the calculation of each new RPC, and (ii) add each incremental RPC to the RPC from the rate case.
- (c) Because the MEP Premium⁹ is not subject to decoupling, the RPC calculations that are used to calculate the allowed revenue and the Revenue Decoupling Adjustment Factor shall not include the MEP Premium.

⁹ MEP Premium is the premium charge to customers in the Managed Expansion Program. In Docket No. DG 17-048, the Commission approved the decoupling proposal in the settlement (Order 26,122 at 45) which states in part: “Managed Expansion Program customers are subject to decoupling, but the expansion surcharge dollars (i.e., the 30% distribution premium) are excluded from the decoupling calculation” (DG 17-048 Exhibit 29 at 11)

- (d) Each month the Company shall record a Revenue Decoupling Adjustment (RDA) in the balance sheet RDA Accounts in accordance with generally accepted accounting principles, including: (i) the Revenue Decoupling Adjustment which is the difference between the Monthly Allowed Revenue and the Monthly Actual Distribution Revenue; (ii) the reconciliation amounts collected or distributed through the RDAF recorded in the RDA Accounts for each Customer Class Group; and (iii) the accrued interest on the RDA Accounts calculated on the average monthly balance using the prime lending rate.
- (e) The RPC calculations, including equivalent bill calculations and associated usage per customer, shall be submitted with each rate increase filing and the associated tariff compliance filing.

The tariff has been amended as shown in Appendix 11 to effectuate the above understanding.

11.2 Revenue Calculations.

- (a) **Indirect Gas Costs.** The Settling Parties agree to include \$3,893,588 of Indirect COG Revenue for recovery through the COG which includes \$1,900,000 of the revenue requirement increase identified in 2.1. The Indirect COG Revenue shall not change until the next rate case. The Indirect COG Revenue collected through COG rates shall be included in the revenue calculation for all future filings. The Settling Parties agree that the \$3,893,588 of Indirect COG Revenue includes \$206,248 of propane production costs allocated to Keene and \$1,881 of Phase 1 conversion costs. The Keene COG tariff shall reflect the combined total of \$208,129 as indirect gas costs.
- (b) The Settling Parties agree that for purposes of calculating revenue in filings to the Commission the Company shall use the following guidelines:

- i. The revenue per customer for low-income customers shall not be different from customers not categorized as low-income. The discount provided to low-income customers shall not be included in the revenue calculation as it is reconciled separately through the Gas Assistance Program (GAP) portion of the LDAC.

11.3 The Company's customer charges shall be set at the levels identified in Appendix 8. Thereafter, the Company's residential customer charges shall remain as set until the Company's next rate case. Specifically, any base rate increase and any surcharges or sur-credits for residential customers provided for in this Settlement Agreement shall be collected solely through changes in consumption charges for residential customers.

SECTION 12. TEST YEAR

12.1 The test year for the Company's next general distribution rate case shall be no sooner than the twelve-month period ending December 31, 2022.

SECTION 13. OTHER ISSUES

13.1 On or before November 30, 2021, the Settling Parties shall meet to review a list of regulatory reports currently required by the Commission, and discuss areas for potential elimination, consolidation, decreased frequency, and other measures to streamline reporting requirements. The Settling Parties shall submit individual or collective recommendations to the Commission following such meeting.

13.2 Liberty agrees to include in its Form F-1 quarterly rate of return reports adjustments of iNATGAS and risk sharing disallowances as described above. Reporting to include Indirect COG Revenue. Until changed in a future rate proceeding, the adjustment amounts shall be as follows: iNATGAS of \$301,747, Keene risk sharing of \$21,736, and Pelham risk sharing of \$61,871.

SECTION 14. RECOUPMENT

14.1 Subject to Staff audit and adjustment for the difference between estimated and actual expense, the Company shall recover over one year \$856,864.64 in rate case expenses commencing on November 1, 2021, through the LDAC mechanism, as shown on Appendix 9. The Company agrees to submit by August 1, 2021, an accounting of its rate case expenses, with appropriate supporting documentation, for review by Staff and the OCA and subsequent approval by the Commission. 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 November 1, 2021. Any necessary adjustments to rate case expenses, including adjustments for any invoices received subsequent to the August 1, 2021, filing date, will be reviewed as part of the LDAC proceeding.

14.2 The permanent rate increase agreed to in Section 2.1 shall be effective for all service rendered on and after August 1, 2021.

14.3 **Distribution Revenue Reconciliation.** The difference between the Distribution Revenues obtained from the rates prescribed in the temporary rate order, Order No. 26,412, and the Distribution Revenues that would have been obtained under the rates designed to collect the Approved Distribution Revenue finally determined after review and approval of this Settlement Agreement, if applied during the period that the temporary rate order was in effect from October 1, 2020, to July 31, 2021, shall be returned to customers over a period of 12 months beginning with service rendered as of November 1, 2021. The total estimated amount of recoupment is (\$570,933), as shown on Appendix 10, and shall be reconciled through the LDAC mechanism. Any necessary adjustments to the recoupment amount will be reviewed as part of the LDAC proceeding.

14.4 **Indirect COG Revenue Recoupment.** The difference between the Indirect COG Revenues obtained in accordance with Exhibit 5, of \$1,993,587, and the Indirect COG Revenues that would have been obtained under the Approved Indirect COG Revenues finally determined after review and approval of this Settlement Agreement, if applied during the period since the temporary rate order, is \$1,900,000 and shall be recovered over a period of 12 months through the LDAC mechanism. Any necessary adjustments to the recoupment amount will be reviewed as part of the LDAC proceeding.

SECTION 15. EFFECTIVE DATE

15.1 This Settlement Agreement is subject to and shall become effective upon Commission approval, with new permanent distribution rates to become effective as of August 1, 2021. The Settling Parties shall use best efforts to obtain Commission approval on or before July 30, 2021.

SECTION 16. GENERAL PROVISIONS

16.1 A revised tariff intended to incorporate the provisions of this Settlement Agreement is included as Appendix 11.

16.2 This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, and shall not be relied on by Staff or any party to this proceeding or by the Commission for any other purpose.

16.3 Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission as a resolution of the issues specified herein only.

16.4 The Settling Parties agree that the Commission's approval of this Settlement Agreement shall not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the adjustments and provisions stated in their totality are just and reasonable and consistent with the public interest and that the rates contemplated will be just and reasonable under the circumstances.

16.5 This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to the Company's proposals in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings. The amounts associated with each of the settlement adjustments detailed herein are liquidated amounts that reflect a compromise of all the issues in this proceeding

16.6 With the exception of pre-filed testimony and supporting documentation related to Granite Bridge Project Costs, the pre-filed testimony and supporting documentation previously provided in this proceeding are not expected to be subject to cross-examination by the Settling Parties, which would normally occur in a fully litigated case. The Settling Parties agree that all such pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of consideration of this Settlement Agreement, and be given whatever weight the Commission deems appropriate. Consent by the Settling Parties to admit all such pre-filed testimony without challenge

does not constitute agreement by any of the Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. The resolution of any specific issue in this Settlement Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, that document for purposes of any future proceeding. The Commission's approval of the recommendations in this Settlement Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the rates resulting from, and other specific conditions stated in this Settlement Agreement are just and reasonable. The Settling Parties agree to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness

16.7 The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

16.8 The discussions that produced this Settlement Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice

to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

16.9 This Settlement Agreement may be executed by facsimile and in multiple counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

SECTION 17. CONCLUSION

17.1 The Settling Parties affirm that the proposed Settlement Agreement will result in just and reasonable rates and should be approved by the Commission.

Dated: June 29, 2021

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



By its Attorney, Michael J. Sheehan

Dated: June 29, 2021

Staff of the New Hampshire Public Utilities
Commission

/s/ Paul B. Dexter

By its Attorney, Paul B. Dexter

Dated: June 29, 2021

Office of the Consumer Advocate

A handwritten signature in blue ink, appearing to read "DKreis", written in a cursive style.

By the Consumer Advocate, Donald M. Kreis