

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 20-105

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty
Distribution Service Rate Case

SUPPLEMENTAL TESTIMONY

OF

HEATHER M. TEBBETTS

August 31, 2021



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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Ms. Tebbetts, please state your full name, business address, and position.**

3 A. My name is Heather M. Tebbetts. My business address is 9 Lowell Road, Salem, New
4 Hampshire. I am Manager of Rates and Regulatory Affairs for Liberty Utilities Service
5 Corp. and am responsible for providing rate-related services for Liberty Utilities
6 (EnergyNorth Natural Gas) Corp. (“Liberty”) and Liberty Utilities (Granite State
7 Electric) Corp. (“Granite State”).

8 **Q. Did you previously provide testimony in this docket?**

9 A. Yes. I am a co-sponsor of the Direct Testimony Brian R. Frost, Robert A. Mostone, and
10 Heather M. Tebbetts dated July 31, 2020, and of the Rebuttal Testimony of Messrs. Frost,
11 Mostone, and Ms. Tebbetts dated April 29, 2021, which were previously filed in this
12 docket and marked as Exhibits 33 and 48, respectively. My educational background,
13 professional experience, and prior testimony before the New Hampshire Public Utilities
14 Commission (the “Commission”) are provided in Exhibit 33.

15 **II. PURPOSE OF TESTIMONY**

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of this testimony is to support and reaffirm the Company’s request for
18 implementation of a step adjustment to distribution rates for recovery of 2020 plant
19 additions, as described in Section 5.1 of the Settlement Agreement dated June 29, 2021,
20 (“Settlement Agreement”) by and between the Company, the Commission Staff (now
21 Department of Energy (“DOE”) Staff), and the Office of the Consumer Advocate
22 (“OCA”). The Settlement Agreement was filed previously in this docket as Exhibit 49.

1 The Commission’s Order No. 26,505 (July 30, 2021) (the “Order”) accepted the
2 provision of the Settlement Agreement allowing for and capping the first step adjustment
3 at \$4.0 million, but rejected its implementation on August 1, 2021, pending additional
4 information to be filed by the Company.¹

5 **Q. What did the Order state with respect to additional information in support of the**
6 **first step adjustment?**

7 A. The Order directed Liberty “not to collect any revenue requirement associated [with] the
8 first step adjustment until it files a related request with the Commission containing the
9 same level of detail as specified in the Settlement Agreement for the second step increase
10 and specifically identifying which projects shall be considered for prudence
11 determinations up to but not in excess of the \$4 million dollar cap”² The Order
12 stated the Commission would hold a hearing and issue a further determination on the
13 2020 plant additions found to be necessary to support the revenue requirement cap to be
14 prudently incurred, used, and useful.³

15 **Q. Is this testimony provided in response to the Order?**

16 A. Yes. This testimony and the supporting attachments constitute the Company’s request
17 for implementation of the first step adjustment per the Order and includes the 2020

¹ On August 24, 2021, the Company filed a Motion for Rehearing on Implementation of Step Adjustment, which requests that the Commission approve the first step adjustment of \$4.0 million to go into effect as of August 1, 2021, per the terms of the Settlement Agreement. The Rehearing Motion is pending. This testimony is provided in compliance with the Order and subject to a reservation of rights as to the Rehearing Motion, and does not waive any claims relative to the Order and implementation of the step adjustment as of August 1, 2021.

² Order at 12–13.

³ Id. at 13.

1 project documentation as required by the Order. The Company's request provides for an
2 effective date for the step increase as of October 1, 2021, which, as required by the Order,
3 is no sooner than 30 days from the date of this filing.⁴

4 **Q. Are you presenting any attachments with your testimony?**

5 A. Yes. In addition to this testimony, I am presenting the following attachments:

Attachment	Description
Attachment 1	Liberty Utilities Capital Expenditure Policy
Attachment 2	Project Documentation for 2020 Non-Growth Capital Investments
Attachment 3	Bill Impacts

6
7 **III. 2020 CAPITAL PROJECT DOCUMENTATION**

8 **Q. Please explain the project documentation in support of implementation of the first**
9 **step adjustment.**

10 A. The Company seeks approval to commence cost recovery for the non-growth capital
11 projects identified on Appendix 1 to the Settlement Agreement ("Appendix 1"), all of
12 which are used and useful and were placed in service on or before December 31, 2020.
13 Attachment 1 provides the Company's capital expenditure policy that applied to the
14 projects listed in Appendix 1. Attachment 2 provides the detailed project documentation
15 for each of the projects listed in Appendix 1. Attachment 2 at page 1 (Bates 073) is an

⁴ The October 1, 2021, implementation date is intended to conform to the Order and does not constitute agreement by the Company to an implementation date later than August 1, 2021, or waiver of its claims in the Rehearing Motion.

1 update to Appendix 1 at page 1 (Exhibit 49 at Bates 028) and includes a breakdown of
2 budget and spending by year, as required by the Order.

3 **Q. Does Attachment 2 contain all the information required by the Order?**

4 A. Yes. As stated above, the Order directed the Company to provide “the same level of
5 detail as specified in the Settlement Agreement for the second step increase and
6 specifically identifying which projects shall be considered for prudence determinations
7 up to but not in excess of the \$4 million dollar cap.”⁵ Section 5.2 of the Settlement
8 Agreement addresses the documentation requirements for the second step adjustment and
9 requires the Company to provide: (a) the amount of the investments to be included in the
10 step increase (by project) and detailed project descriptions including the initial budget,
11 the final cost, the treatment of any related retirements, and the date each project was
12 booked to plant in-service; and (b) for each project, all Company project documents
13 including, but not limited to, Business Cases, Capital Project Expenditure Applications,
14 Change Order Forms, Project Close Out Reports, and work orders.

15 **Q. Please describe more specifically the information contained in Attachment 2.**

16 A. Consistent with the Company’s capital expenditure policy, Attachment 2 provides the
17 backup documentation for the 2020 spending for each of the projects listed in Appendix 1
18 to the Settlement Agreement (Exhibit 49 at Bates 028), as follows:

- 19 • Business case – required for projects greater than \$100,000;
20 • Capital expenditure form;

⁵ Order at 12–13.

- 1 • Change orders (as necessary); and
- 2 • Project close out forms (as necessary) – required for projects that will not have
- 3 spending in future years.

4 In accordance with Liberty’s capital expenditure policy, certain projects in Appendix 1
5 do not require some of the aforementioned documentation, as follows:

- 6 • Project 8840-1921: Project close out not required because there will be additional
- 7 spending in 2021.
- 8 • Project 8840-1936: Project close out not required because there will be additional
- 9 spending in 2021.
- 10 • Project 8840-2015: The 2019 business case provided the basis for the 2020 charges
- 11 that were incurred under that project number, providing 2020 change order and
- 12 project close out form.
- 13 • Project 8840-2019: No forms required because the spending in 2020 was carryover
- 14 from 2019.
- 15 • Project 8840-2020: No forms required because the spending in 2020 was carryover
- 16 from 2019.
- 17 • Project 8840-2030: Change order was not completed.
- 18 • Project 8840-2038: Project close out forms not required because the project number
- 19 includes multiple IT projects whereby allocations were charged to EnergyNorth.
- 20 projects that may have 2021 charges.
- 21 • Project 8840-2062: Project was originally under project #8840-1972.

- 1 • Project 8840-1820: No forms required because the spending for 2020 was carryover
2 from 2019.
- 3 • Project 8843-2014: No forms required because the spending for 2020 was carryover
4 from 2019.

5 Attachment 2 at page 1 (Bates 073) includes an index of the associated page numbers
6 within Attachment 2 that provide the documentation for each project.

7 **Q. As required by the Order, are the attached documents consistent with the**
8 **requirements of the Settlement Agreement for the second step adjustment?**

9 A. Yes. These documents are consistent with the information provided in support of the step
10 increases in the Granite State rate case, Docket No. DE 19-064, and are the same types of
11 documentation that will be produced for the second step increase in this docket.

12 **Q. Prior to the Settlement Agreement, did the Company provided much of this**
13 **information to the Commission Staff and Audit Staff during the discovery phase of**
14 **this docket?**

15 A. Yes. Although the Order states that the Company did not provide sufficient
16 documentation for implementation of the first step adjustment on August 1, 2021, the
17 Company provided substantial information to Staff prior to the Settlement Agreement.
18 As explained in my rebuttal testimony, filed on April 29, 2021, the Company timely
19 responded to three sets of Staff data requests and three sets of Staff technical session data
20 requests, which included a response to Staff TS 3-31 with the 2020 project budget in the
21 Company's original filing, to be updated later in the process with actual spending
22 amounts. On March 10, 2021, the Company subsequently responded to a follow-up

1 request from Staff for project documentation consistent with the documentation provided
2 pursuant to the settlement agreement in Docket No. DE 19-064, which was Granite
3 State's most recent distribution rate case. The requested documentation was provided in
4 a supplemental response to Staff TS 3-31. On March 11, 2021, the Company started to
5 receive data requests from the Commission's Audit Staff and subsequently provided all
6 requested backup details for the 2020 step adjustment projects in a timely manner.

7 **Q. Did the Company provide additional supporting project documentation to assist**
8 **Staff with its review process?**

9 A. Yes. While in the process of its review, Staff sent the Company a list of selected projects
10 from Staff TS 3-31 and asked for additional information. The request identified projects
11 based on the budget-to-actual results. The Company explained the reasons that the
12 selected projects showed variances, noting that many of the projects highlighted by Staff
13 were blanket projects where the actual costs are driven by field conditions that are not
14 known at the time of budget development and not within the Company's control (e.g.,
15 leaks requiring repair by capital pipe replacements, meter sets failing inspection and not
16 able to be repaired by temporary maintenance). Notwithstanding individual project
17 variances, the Company noted that, on an overall basis, its total actual project spending in
18 2020 was in line with the budget. Overall, the Company provided documentation to Staff
19 and Audit Staff for 28 of the 51 non-growth projects included in the first step adjustment.

1 **Q. Were these documents available to the parties at the time they signed the Settlement**
2 **Agreement and at the time of the July 13, 2021, hearing on the Settlement**
3 **Agreement?**

4 A. Yes. As stated above, the Company previously collected, organized, and provided these
5 documents to the parties.

6 **Q. Did the parties have opportunity to review these documents prior to signing the**
7 **Settlement Agreement?**

8 A. Yes. Based on follow up questions and the substance of settlement discussions, the
9 Company believes that Staff and the OCA did review these documents.

10 **Q. Did the Staff or OCA seek to exclude or challenge any of the projects on Appendix 1**
11 **of the Settlement Agreement on the basis that they were not prudent?**

12 A. No. The parties accepted the terms of the Settlement Agreement and provided closing
13 statements at the July 13, 2021, hearing in support of the Settlement Agreement.⁶

14 **Q. Do the attachments to your testimony include additional information that was not**
15 **previously filed in discovery?**

16 A. Yes. In response to the Order, Attachment 2 includes documentation for the 11 projects
17 that were not covered in previous requests from Staff and Audit Staff for backup
18 documentation during the discovery phase and audit.

⁶ See Transcript of July 13, 2021, hearing at 136 (Staff) and 134 (OCA).

1 **Q. Overall, does the information provided in Attachment 2 demonstrate that the 2020**
2 **projects listed in Appendix 1 were prudent, currently in service, and used and**
3 **useful, therefore warranting cost recovery?**

4 A. Yes.

5 **Q. Lastly, please explain whether it would be appropriate for the Company to reduce**
6 **the number of projects included in the first step adjustment to bring the associated**
7 **revenue requirement “up to but not in excess of the \$4 million cap,” as stated in the**
8 **Order.**

9 A. Such a requirement would materially and significantly alter the terms of the approved
10 Settlement Agreement. The \$4.0 million cap applies to cost recovery of the revenue
11 requirement for the listed projects but does not apply to the recovery of associated state
12 property taxes for the projects. Section 5.1(a)(iv) of the Settlement Agreement expressly
13 states that “[s]tate property taxes for all projects listed in Appendix 1, calculated using
14 the statutory tax rate in RSA 83-F:2, shall be included in the step adjustment calculation,
15 shall count toward the cap, and shall be given first priority of recovery.”⁷ In other words,
16 the Settlement Agreement provides for recovery of state utility property taxes assessed on
17 all of the projects listed on Appendix 1, not limited by the \$4.0 million cap. If the
18 Company were to eliminate any of the projects in the first step adjustment to remain
19 under the \$4.0 million cap, this would eliminate the Company’s recovery of state utility
20 property taxes for the excluded projects, which would be inconsistent with the Settlement

⁷ Settlement Agreement (Exhibit 49) at Bates 009. The Company notes that the Order “APPROVED” the Settlement Agreement “as set forth and conditioned herein above.” Order at 15. The Order did not condition its approval on any changes to Section 5.1(a)(iv).

1 Agreement. A reduction of projects would reduce the amount of related state utility
2 property taxes, thus altering the recovery of costs, and the balancing of consideration, in
3 the step adjustment.

4 **Q. Does this conclude your testimony?**

5 A. Yes.