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November 16, 2022

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: DG 22-035; Request for Step Adjustment; Department of Energy Recommendations
in Response to Liberty's Filing on November 4, 2022

Dear Chairman Goldner:

By Procedural Order dated October 18, 2022 in this matter, the Commission approved a schedule proposed by Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty (Liberty) (with assent from the Department of Energy (the Department)) whereby Liberty would make a revised step adjustment filing on November 4, 2022. In Liberty's letter of October 17, 2022 which proposed that schedule, Liberty recounted that:

1. The Company elected not to propose any replacement projects in this docket.¹
2. The Department had recommended that the parties file an abbreviated procedural schedule under which Liberty would request a rate decrease to reflect the removal of two Salem Area growth related projects.
3. The Commission approved this approach in an October 7, 2022 Procedural Order.
4. The proposed schedule provided for the Department to file its audit report on this step adjustment on October 25 and for Liberty to make a revised step adjustment filing on November 4, 2022.

The Department filed an audit report on October 25. Yet, on November 4, Liberty did not file a revised step adjustment to reflect a rate reduction but instead

¹ The Commission had allowed Liberty to propose projects for step adjustment treatment to replace two Salem Area growth related projects (Tuscan Village South and Golden Rock Feeder) that the Commission excluded from this step adjustment. Order No. 26,661 at 4-5 (July 29, 2022).

submitted testimony seeking to re-litigate the exclusion of the two Salem Area projects. Also, Liberty discussed the Department's audit report and incorporated three other reductions based on the audit.

The Department makes the following recommendations concerning Liberty's November 4 filing:

Salem Area Projects

Liberty should not be permitted to re-litigate the exclusion of the Salem Area projects. Liberty chose not to seek rehearing of Order No. 26,661 concerning these exclusions, so this issue is closed.²

Liberty should be required to do what it seemingly proposed to do on October 17, that is, make a simple filing proposing a rate reduction to reflect the exclusion of the two growth related projects, effective August 1, 2022.

Audit Findings

In its November 4 filing (at Bates 17), Liberty agrees with the following exclusions, as discussed in the Department's audit report:

1. Lebanon Pole Pile (\$345,099).
2. LED Street Light Conversion (\$342,937).
3. Transportation (\$203,823).

Liberty disagrees with additional exclusions recommended in the audit report concerning meters and transformers (Liberty November 4 filing at Bates 12-13), as well as with the exclusion of the two Salem Area projects, as discussed above.

The Department recommends that the Commission accept the three reductions listed above. For purposes of this step adjustment, the Department does not recommend exclusion of meters and transformers as discussed in the audit report and will investigate these issues further in Liberty's next base rate case.

² If the Department re-examined these exclusions, it is clear that these projects are growth related (see Transcript of July 19, 2022 hearing at 94-95 where Liberty confirms this). Growth-related additions are specifically excluded from recovery per the terms of the DE 19-064 Settlement. See Exhibit 37 from DE 19-064 at Bates 5. No recognition of the significant revenue from these Salem projects is reflected in the step adjustment. Thus, Liberty proposes to charge existing customers the costs for adding these new Salem customers while retaining all the revenues until its next rate case, which is clearly an unjust and unreasonable result.

Conclusion

The Department respectfully requests that the Commission:

- Not allow Liberty to re-litigate the excluded Salem Area projects.
- Order Liberty to make a revised step adjustment filing that provides a rate reduction that excludes the two Salem Area projects and the three audit items listed above, effective as of August 1, 2022 consistent with Order No. 26,661, with a provision for refunding previously collected amounts for these two projects.
- Reschedule the November 22 hearing to allow the Department to review the revised filing. If the filing is made sufficiently in advance of November 22 the Department will make every effort to review the rate reduction quickly and proceed on November 22.

Consistent with current Commission practice, this letter is being filed only in electronic form.

Sincerely,

/s/ *Paul B. Dexter*

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