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

DG 22-041
Petition for Approval to Recover Revenue Decoupling Adjustment Factor Costs

NHPUC Record Requests – June 5, 2023

Date Request Received: 6/5/23	Date of Response: 6/12/23
Request No. RR 1	Respondent: Erica Menard Gregg Therrien

REQUEST:

Reference Attachment ELM-1, which accompanies the pre-filed direct testimony of Erica L. Menard in this docket, at Bates pages 270 and 386, as well as Order No. 26,611 (April 15, 2022). In Order No. 26,611 the Commission did not authorize the recalculation of monthly Revenue Decoupling Adjustments recorded prior to August 1, 2021.

a) Please confirm that Attachment ELM-1, at Bates page 386, shows that Tariff No. 11 was applied to the entire 2020–2021 decoupling year (from September 2020 to August 2021).

b) Describe any changes in the way Liberty calculated the RDAF between the 2019–2020 decoupling year and the 2020–2021 decoupling year. Please highlight any differences.

c) Please provide an updated Schedule 19 RDAF applying Tariff No. 10 for September 2020 to July 2021, and Tariff No. 11 for August 2021 in Excel format with all supporting schedules.

RESPONSE:

a) Confirmed.

b) The 2019-2020 decoupling year (Decoupling Year 2) was calculated as described in Tariff No. 10 for the benchmark Base Revenue Per Customer (RPC) used to calculate the revenue excess or deficiency. The 2020-2021 decoupling year (Decoupling Year 3) was calculated as described in Tariff No. 11 for the approved RPC. The difference between the two methodologies is the treatment of the R-4 class in the benchmark RPC. Tariff No. 10 calculates the R-3 and R-4 class benchmark RPCs separately whereas Tariff No. 11 combines R-3 and R-4 when calculating the benchmark RPC. Both Tariff No. 10 and Tariff No. 11 use the combined R-3 and R-4 classes for the actual revenue comparison to the benchmark RPC.

c) Referencing Bates 270 and 386, these pages are from the Company's LDAC filing in Docket No. DG 21-130 as filed on October 19, 2021. Please see Attachment RR-01 for the revised calculation of the revenue deficiency for September 2020 through July 2021 using the Tariff No. 10 methodology for calculating the benchmark RPC. Please note, the August 2021 revenue deficiency as presented in the DG 21-130 October 19, 2021, filing was an estimate made at the time of filing and has since been updated with actual data that is now available. The attachment is also being provided in a live Excel format.

As a final note, this hypothetical makes the Company's precise point. If Tariff No. 10 is applied using the interpretation of the tariff applied in the first two decoupling years (2018-2019 and 2019-2020), as requested in this hypothetical, the differential between Tariff No. 10 and Tariff No. 11 is exactly $1.8 million, which is the difference caused by the low-income discount. The mismatch caused by using the R-4 revenues for the Benchmark Revenue per customer and the R-3 revenues for the Actual Revenues represents the amount of the low-income discount. Thus, the continued application of Tariff No. 10 carries forward and perpetuates the error of interpretation creating the mismatch between benchmarked revenues and actual revenues.

Importantly, the Company applied Tariff No. 11 to the 2020-2021 reconciliation year because the settling parties worked together to eliminate the mismatch between benchmark revenues and actual revenues associated with the interpretation of Tariff No. 10. The Company could have also applied Tariff No. 10 to that period with a different interpretation and the same result.

Specifically, the Company could have calculated the Benchmark Base Revenue per Customer for the R-4 class using the R-3 distribution revenues in accordance with the terms of Tariff No. 10. In Tariff No. 10, there is no specification that R-4 distribution revenues must be used to set the Benchmark Base Revenue per Customer, as there is for the calculation of the Actual Base Revenue. Specifically, the reconciliation formula set forth in Tariff No. 10 specifies that "for purposes of calculating the <u>Actual Base Revenue</u>, base revenues for Low Income rate class R-4, shall be determined based on non-discounted rate R-3." Conversely, the reconciliation formula states that "the <u>Benchmark Base Revenue</u> Per Equivalent Bill for the applicable Customer Class as determined in accordance with Section 4 (D) for the most recently completed Decoupling Year, stated on a monthly basis (T-1)."

Section 4(D), as referenced in the equation for Benchmark Base Revenue provides the definition of "Customer Class" as "the group of all customers taking service pursuant to the same Rate Schedule," which then ties to Section 4(E) defining the "group" of all customers or "Customer Class Group" to be the group of Rate Schedules combined for purposes of calculating the Revenue Decoupling Adjustment billing rates. Under this definition, there are two Customer Class Groups, which are the Residential Customer Class Group and the C&I Customer Class Group. The Residential Customer Class Group is all customers taking service pursuant to the Company's residential rate schedules, including R-3 and R-4.

Accordingly, whereas the Benchmark Base Revenue and Actual Base Revenue must be calculated on the same basis for the revenue decoupling mechanism to work properly, the precise directive that "base revenues for Low Income rate class R-4, shall be determined based on non-discounted rate R-3" would apply equally to the Customer Class comprising the Customer Class Group for calculating "Benchmark Base Revenue" for purposes of the Revenue Decoupling Adjustment billing rates.