

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Docket No. IR 22-048

Electric, Gas and Water Utilities

Investigation of Step Adjustment Methodology and Process

**Comments of Liberty Utilities (EnergyNorth Natural Gas) Corp. and Liberty Utilities  
(Granite State Electric) Corp., both d/b/a Liberty**

Liberty Utilities (EnergyNorth Natural Gas) Corp. and Liberty Utilities (Granite State Electric) Corp., both d/b/a Liberty, through counsel, provide the following initial and introductory comments on the Commission's investigation into step adjustments in this investigatory docket.

The Commission's August 26, 2022, Order of Notice listed seven issues to be investigated in this docket and acknowledged that other issues may be addressed. Those seven issues are repeated below, with Liberty's comments on each.

1. The advisability for continuing the step adjustment ratemaking paradigm in the current regulatory and economic environment in New Hampshire.

Liberty strongly encourages the Commission to continue its longstanding support of step adjustments.

The Commission has regularly expressed its support for step increases as it strives to satisfy its core statutory obligation to "be the arbiter between the interests of the customer and the interests of the regulated utilities." RSA 363:17-a. Customer interests in safe and reliable service at reasonable rates are best served by utilities that are financially sound. Step adjustments are an important regulatory tool to support the financial health of utilities as the Commission balances the interests of customers and utilities. Step adjustments: (a) allow for recovery of projects placed into

service between rate cases, especially non-growth capital projects that are not offset by additional revenues; (b) allow for such interim recovery without the time and expense required of full rate cases; (c) extend the time between rate cases; (d) lessen utilities' earning attrition between rate cases; and (e) allow for the gradual adjustment of rates over the years as opposed to the potential rate shock to customers caused by rate cases filed without the benefit of intervening step adjustments.

The Commission has regularly approved step adjustments, including in every Liberty rate case since Liberty acquired its gas and electric utilities in New Hampshire.

The Commission should continue to recognize and support this important regulatory tool.

2. The calculation methodologies used to develop step adjustments, including the treatment of depreciation and other categories of expense, rate of return, etc.

Liberty supports the Commission's review of the "methodologies used to develop step adjustments." Liberty acknowledges that the step adjustments methods that the Commission has approved in its rates cases differ from the methods approved by the Commission for other utilities. Generally speaking, Liberty's step increases recover the revenue requirement for specific capital investments made during the relevant year, whereas the other basic step adjustment mechanism looks to changes in the company's net plant in service. If designed properly, both methods can achieve the intended goals of step adjustments, as listed above.

Liberty also acknowledges the Commission's comments in recent dockets that it may favor the "change in net plant" approach to step adjustments and may favor a uniform approach to step adjustments for all utilities. Liberty is open and willing to work with the Commission and the other parties to design a common approach to step adjustments that achieves the well-settled objectives for step adjustments.

To avoid retroactive ratemaking concerns, Liberty cautions that any new step adjustment methodology should be determined during a utility's next rate case proceeding to be applied to the step adjustments to be approved as part of that proceeding. All parties would then have clear expectations as to the impacts of those future step adjustments.

3. The role of the DOE's Audit Division in step adjustment review proceedings.

Liberty is, of course, open to the Audit Division's review of step adjustments. In order for the Audit Division's reports to factor into any Commission order, Liberty suggests that may occur only after being offered into evidence and subjected to discovery and cross-examination.

4. Potential enhancements to review proceedings, including timing of step adjustment filings and proposed rate effective dates.

Liberty has no specific comments on how to enhance the existing process for review of step adjustments. The processes Liberty currently follows were carefully explained in the approved settlement agreements and Liberty believes they afforded all parties and the Commission sufficient time for review and approval. Liberty will work toward maintaining those opportunities for review and approval in any revised step adjustment method that may be recommended as an outcome of this docket.

5. The role of settlement agreements in full rate case proceedings in guiding step adjustment filings and criteria, including criteria related to project qualification.

Liberty believes that agreements that settle full rate proceedings are a proper, and likely the best, forum for establishing the specific contours of the step adjustments that are to follow. The careful, detailed, and time-consuming work of reaching a settlement often results in carefully planned and defined step adjustments. It is this collaborative process, albeit within an adjudicatory

docket, that ensures the substantive and procedural interests of all parties are addressed. Possibly aided with work to be done within this docket, the manner in which step adjustments are treated in future rate cases may improve further.

6. The qualification criteria for step adjustments in general.

Liberty's recent step adjustments have largely consisted of non-growth capital projects. These projects are most often necessary to provide safe and reliable service and do not support new revenues. Liberty supports future step adjustments to include similar projects. Liberty is also willing to consider other criteria to select the projects to be included in step adjustments.

7. The appropriateness of reconciliation adjustments.

Liberty is not clear on the issue being expressed here. Step adjustments are not the type of costs that the Commission typically reconciles, such as cost-of-gas costs, renewable portfolio standard costs, and the like. Step adjustments typically recover the revenue requirement for capital assets. Liberty looks forward to hearing the Commission's concerns in this area.

Liberty appreciates the opportunity to provide these preliminary, opening comments in this docket and looks forward to working with the Commission and the other participants.

Respectfully submitted,

Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a  
Liberty, and  
Liberty Utilities (Granite State Electric) Corp., d/b/a  
Liberty

By their Attorney,



Date: October 4, 2022

By: \_\_\_\_\_

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Certificate of Service

I hereby certify that on October 4, 2022, a copy of these comments have been forwarded to the service list.



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Michael J. Sheehan