

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-052

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP. d/b/a LIBERTY

Request for Approval of Revenue Decoupling Adjustment

Order Approving Revenue Decoupling Adjustment Factor

O R D E R N O. 26,748

December 16, 2022

In this order the Commission approves tariff changes relating to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty's (Liberty) revenue decoupling mechanism, as well as Revenue Decoupling Adjustment Factor (RDAF) rates to collect an under-recovery from the decoupling year ending June 30, 2022. The RDAF is designed to collect the difference between distribution target revenues and actual distribution revenues from the previous decoupling year. The RDAF rates approved herein are calculated to collect \$1,415,013, which is the maximum portion of Liberty's under-recovery from decoupling year ending June 30, 2022 Liberty is entitled to collect over a single year, and will be effective between January 1, 2023 and October 31, 2023. A typical residential customer's rates will increase by \$0.00281 per kilowatt hour (kWh); for an average residential customer using 650 kWh each month, this will result in a monthly bill increase of approximately \$1.83.

I. PROCEDURAL HISTORY

On September 1, 2022, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty or the Company) filed a request to adjust its distribution rates effective November 1, 2022, to recover a revenue shortfall from the decoupling year ending June 30, 2022. In support of its petition, Liberty pre-filed the direct testimony of Erica L. Menard, Liberty Utilities Service Corp. (LUSC) Director of Rates and Regulatory

Affairs; Melissa B. Samenfeld, a Rates Analyst II in LUSC's Rate and Regulatory Affairs Department; and Gregg H. Therrien, a Vice President of Concentric Energy Advisors. Accompanying its request, Liberty submitted related attachments, including a proposed revised revenue decoupling tariff.

On September 13, 2022 Liberty submitted the revised direct testimony of Ms. Menard, Ms. Samenfeld, and Mr. Therrien, and attachments (Revised Combined Testimony). According to Liberty, the Revised Combined Testimony serves as a complete replacement to the testimony filed on September 1, 2022.

On September 13, 2022, the Office of the Consumer Advocate (OCA) filed a letter of participation in this matter.

On October 13, 2022 the Commission issued a notice of adjudicative proceeding, suspended Liberty's proposed tariff from taking effect for 30 days from the proposed November 1, 2022, effective date, and scheduled a hearing to occur on November 15, 2022.

On October 20, 2022, the New Hampshire Department of Energy (DOE) filed a Notice of Appearance.

On November 15, 2022, the Commission held a duly noticed hearing. At that hearing Liberty, the OCA and the DOE largely supported Liberty's requests, and agreed to further amendments to Liberty's request including a 10-month collection period to recover the revenue shortfall and a fully reconciling rate mechanism. *See* Procedural Order dated November 22, 2022.

On December 2, 2022, Liberty filed a second set of revised tariff pages and schedules (Revised Tariff Filing). Liberty's Revised Tariff Filing proposed rates to recover \$1,415,013 between January 1, 2023 and October 31, 2023, and tariff

changes so that that the revenue under- and over-recoveries shall be collected or refunded through a reconciling RDAF mechanism.

On December 9, 2022, the DOE filed a letter supporting the proposed rates and tariff changes subject to several editorial changes to Liberty's original tariff pages 138–140. The DOE indicated that Liberty supports the proposed editorial changes.

The initial filing and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are available on the Commission's website at

www.puc.nh.gov/Regulatory/Docketbk/2022/22-052.html.

II. BACKGROUND AND SUMMARY OF LIBERTY'S REQUEST

Pursuant to the settlement agreement on permanent rates (Settlement Agreement) in Docket No. DE 19-064, approved by Order No. 26,376 (June 30, 2020), Liberty implemented revenue decoupling effective July 1, 2021. As explained in the Revised Combined Testimony, revenue decoupling is a ratemaking methodology that removes a utility's disincentive to promote conservation and energy efficiency programs by eliminating the link between customer consumption and a utility's earnings. Revised Combined Testimony at Bates pages 7–8. This methodology allows Liberty to recover its approved base revenue requirement regardless of changes in customer usage. *Id.* at Bates pages 7–10.

The Settlement Agreement placed a 3 percent cap, equal to 3 percent of the allowed revenue requirement (subject to annual adjustments), on the amount of the shortfall/surplus to be charged or refunded to Liberty customers, while permitting amounts exceeding the cap to be deferred and recovered or refunded in future periods. The shortfall or surplus would be allocated to different rate classes based on each rate class's contribution to total system distribution revenues. *Id.* at Bates page 11.

Following the completion of each decoupling year, which runs from July 1 to June 30, Liberty is required to submit a reconciliation filing by September 1. *Id.* As part of its filing, Liberty would calculate the rate increase or refund, and it would request the Commission's approval of any adjustment for effect on November 1 for the following twelve-month period. *Id.*

Liberty determined that its first decoupling year, July 1, 2021 through June 30, 2022, resulted in an under-collection of \$1,752,926. Revised Combined Testimony at Bates pages 7, 12; Revised Tariff Filing at Bates page 34. Liberty requested recovery of \$1,415,013, the maximum amount allowed under the 3 percent cap. Revised Combined Testimony at Bates pages 7, 13, 16; Revised Tariff Filing at Bates page 35. According to Liberty, a residential customer using 554 kWh per month would see an increase in their monthly bill of \$1.56 as a result of this recovery request. Revised Tariff Filing at Bates page 35. Liberty also seeks deferral of the remaining \$337,913 to a future decoupling year or years. Revised Combined Testimony at Bates pages 5, 13, 16.

Finally, Liberty seeks to modify its decoupling tariff so that the RDAF operates as a standalone reconciling mechanism, and to clarify language that it considers to be inapplicable in the context of its electric distribution tariff. *Id.* at Bates pages 6, 13–15.

III. COMMISSION ANALYSIS

The burden is on Liberty to prove the necessity of any increase to its rates. RSA 378:8. The standards applicable to these requests are the public interest and just and reasonable rates standards, as well as all other applicable requirements of utility-initiated rate increases. See RSA 374:2, RSA 378:5. In Order No. 26,376 (June 30, 2020), the Commission approved the Settlement Agreement, which implemented a revenue decoupling rate structure. As such, in determining whether rates are just and

reasonable, the Commission evaluates whether the under-collection amount, the proposed recovery amount, and the rate mechanism or mechanisms to collect the proposed recovery amounts were properly calculated, are consistent with the Settlement Agreement and Commission orders, and are otherwise just and reasonable under applicable statutory standards.

Based on the record before us, it appears that Liberty accurately calculated an under-collection of \$1,752,926 for the decoupling year that ran from July 1, 2021 to June 30, 2022; therefore, we approve that figure subject to the Department of Energy performing an audit of this total figure and any adjustments based on the outcome of that audit. Pursuant to the Settlement Agreement as approved by Order No. 26,376, it is therefore just and reasonable for Liberty to recover part of this under-collection by collecting up to the maximum of three percent of its distribution revenues, or \$1,415,013, between November 1, 2022 and October 31, 2023 through the RDAF. The remainder of the revenue shortfall, subject to the audit condition above, may be deferred for future recovery.

We therefore approve Liberty's request to implement its RDAF as proposed in its December 2, 2022, filing as a reconciling rate mechanism designed to collect \$1,415,013 between January 1, 2023 and October 31, 2023. Liberty's RDAF tariff pages as filed on December 2, 2022, modified to be consistent with the changes to original pages 138–140 proposed by the DOE in its letter filed on December 9, 2022, are therefore approved.

Based upon the foregoing, it is hereby

ORDERED, that Liberty's under-collection amount of \$1,752,926 is approved, subject to adjustment based on the outcome of a Department of Energy audit; and it is


FURTHER ORDERED, that Liberty's request to recover \$1,415,013 through the Revenue Decoupling Adjustment Factor between January 1, 2023, and October 31, 2023, as proposed in its December 2, 2022 filing, is approved; and it is

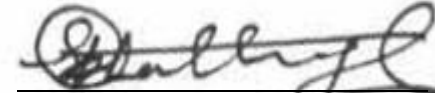
FURTHER ORDERED, that Liberty shall track its revenues received pursuant to the Revenue Decoupling Adjustment Factor, and reconcile its deferred Revenue Decoupling Adjustment balance based on actual revenues received and carrying charges at the prime rate as reported in the Wall Street Journal each month; and it is

FURTHER ORDERED, that Liberty's proposed tariff changes filed on December 2, 2022, subject to the changes to original tariff pages 138-140 as proposed by the Department of Energy in its December 9, 2022 filing, are approved; and it is

FURTHER ORDERED, that Liberty shall file properly annotated tariff pages for these rates and other tariff changes in compliance with this order no later than 20 days from the issuance date of this order, as required by N.H. Code Admin. Rules, PART Puc 1603.

So ordered, this sixteenth day of December, 2022.


Daniel C. Goldner
Chairman


Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket#: 22-052

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