

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities

DE 19-064  
Distribution Service Rate Case  
2019 Step Adjustment

Staff Data Requests - Set 1

Date Request Received: 5/14/20  
Request No. Staff 1-10

Date of Response: 5/29/20  
Respondent: Richard Foley

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**REQUEST:**

Re: 2019 Step Adjustment Attachment 12; Project #8830-1991 Meter Purchases. Based on the Project Close Report at 14, and project spreadsheet at 1, the project was over-budget by \$675,867. Please provide the following information for this project:

- a. Account for the difference between the variance amount represented in the Project Close Report at 14 of \$675,867 and Staff's amount of \$772,030.
- b. Provide Liberty's forecast for 2019 "new housing starts" (at 2 and 5) for the different towns within Liberty's service territory. What information was the forecast based on?
- c. What is the average per unit cost of "repairing older meters" (at 6)?
- d. Provide justification for the accounting change to "precapitalize" meter installation costs (at 9 and 14). When was that decision made by Liberty? What was Liberty's practice prior to 2019?
- e. Given that transformers are also precapitalized, does the accounting change for meters also impact transformer budgeting? If yes, please explain in detail the financial future impact.

**RESPONSE:**

- a. The project close out report indicates the budget of \$230,000 and actual costs of \$952,029.79. The variance column indicates a variance of \$675,867, which was a mathematical error. The variance should have been \$722,030.
- b. The attached spreadsheet was used as a basis for forecasting meter demand based on past history and some knowledge of expansion plans at Salem's Tuscan Village.
- c. For a simple meter replacement, the Company assumes one hour of technician time and one new meter. The total estimated cost is \$75 for the technician and \$50 for the meter for a total cost of \$125 for simple meter exchange.
- d. This information has already been provided to the PUC Audit Staff.

The decision to pre-capitalize meter installations was made beginning January 2018 to ensure the installations were being capitalized properly. The concern was when meters were replaced and reinstalled, the installation could easily be double booked for the same asset if the meter was not retired or, in some cases, the time to install was not captured at all.

The pre-capitalization installation rate was developed with OPS and is representative of what a typical installation should cost. The difference with pre-capitalizing this labor versus direct charging the labor is the timing. By pre-capitalizing the installation cost, the labor is capitalized at the time the unit is purchased and any movement with the meter is expense until it is retired.

Transformers do not have pre-capitalized installation due to the variety of situations in which transformers are installed and the numerous types of transformers. Our system is not sophisticated enough to recognize the various types and sizes of transformers and the differences in labor activities needed to install, and it would be a daunting manual task and one that would likely not be representative of an accurate rate. For this reason, the decision was made to continue to direct charge the installation of a transformer at the time the asset is installed in the field.

- e. This information has already been provided to the PUC Audit Staff. No, it does not impact Transformer accounting.