

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 21-138

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

2022 Vegetation Management Program Plan

Order Regarding 2022 VMP Plan

O R D E R N O. 26,624

May 10, 2022

In this order, the Commission accepts the preliminary Vegetation Management Program Plan (VMP Plan) and proposed budget for Calendar Year 2022 filed by Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty, or the Company) for informational purposes only. No rate adjustment is considered or approved in this order.

I. PROCEDURAL HISTORY

On November 15, 2021, Liberty filed its preliminary 2022 VMP Plan for Commission review. A notice of adjudicative proceeding was issued on February 9, 2022. The Office of the Consumer Advocate did not file a letter of participation. No petitions to intervene were filed. A hearing on this matter was held on April 26, 2022.

II. PARTY POSITIONS

A. Liberty

Liberty's filing included joint direct testimony of Heather Tebbetts, Manager of Rates and Regulatory Affairs, Heather Green, Manager of Vegetation Management, and Adam M. Hall, Rates and Regulatory Affairs Analyst (Joint Testimony). In its filing, Liberty requested approval of the recovery of expenditures pursuant to its proposed \$3.1 million budget to trim approximately 153 miles as part of its vegetation

management program in 2022, representing an increase of \$649,000 over the budget approved in Docket DE 19-064, assuming the 10% over-spend allowance will be utilized. (Joint Testimony at Bates Pages 5, 17, 19 and Appendix 1.) According to Liberty's filing and testimony, increased costs have resulted from, *inter alia*, a lack of available contractors for tree trimming and removals and the absence of reimbursements from Consolidated Communications, LLC (Consolidated), a joint owner of the utility poles that require vegetation trimming under the Company's VMP Plan. Liberty stated at the prehearing conference that \$3.1 million was needed for safe and reliable service and that any amount spent over the Commission approved expense would be absorbed by the Company's shareholders.

Liberty noted that it achieved only 84 miles out of 235 miles planned for trimming in 2021, due in large part to the default of the contractor hired to undertake the trimming work. According to Liberty, a general lack of tree workers in the New England region hindered efforts to hire another contractor, as many of those workers have left the field or moved to more lucrative markets. Liberty noted that the lack of labor and lower performance under its VMP Plan have resulted in a downward reliability trend within its system. At hearing, the Company clarified that it had intended to file its proposal for review by DOE, and that it does not seek approval to recover any of the projected costs at this time.

B. Department of Energy

The Department of Energy (DOE) noted that this docket concerns the conditions and requirements established in the settlement approved in Docket DE 19-064, including the baseline budget approved in that docket and capped at \$2.42 million. DOE expressed concern that the planned tree trimming work based on the 4-year trim cycle approved in Docket DE 19-064 was not completed in 2021. Observing that the

Company does not seek approval of its 2022 vegetation management plan or budget, both of which were established in Docket DE 19-064, DOE stated that the filing was appropriate to keep the Commission informed, especially concerning changes in the field of vegetation management that have affected contractors and the resulting increases in costs. DOE also took note of Liberty's loss of anticipated revenue for vegetation management expenses from Consolidated Communications, LLC (Consolidated), a joint owner of Liberty's utility poles, but cautioned that the current docket is neither a ratemaking docket nor a pre-approval of the Company's vegetation management costs or plan.

III. COMMISSION ANALYSIS

Liberty's VMP Plan and budget parameters were approved in a master settlement agreement (Settlement) approved in Docket DG 06-107 in Commission Order No. 24,777 issued on July 12, 2007. The Settlement included a general rate plan, as well as the VMP Plan and a reliability enhancement program (REP), which has since ended. In Docket DE 13-063, the Commission approved a further settlement agreement that modified the REP and VMP plans and created an operations and management (O&M) budget for each plan at \$1,360,000, to be included in the Company's base rates. Order No. 25,638 (March 17, 2014) at 12. In Docket DE 16-383, the level of O&M expenses to be included in base rates was increased to \$1,500,000, and vegetation trim cycles were shortened from 5 years to 4 years. Order No. 26,005 (April 12, 2017) at 9. Pursuant to the same order, Liberty was required to report reliability statistics on a circuit-by-circuit basis and indicate which circuits had transitioned to a 4-year cycle. *Id.* In Order No. 26,376 issued in Docket DE 19-064, the Commission approved a settlement agreement that amended the Company's VMP Plan and provided for a VMP budget of \$2,200,000 to be included in base rates, with a

cap of an additional 10 percent in the event of cost overruns under certain conditions, to be recovered through the VMP reconciliation mechanism.

We note that Order No. 26,620, issued on April 28, 2022 in Docket DE 22-014 regarding the Company's calendar year 2021 VMP reconciliation and rate adjustment permits Liberty to carry over \$329,187 into its 2022 VMP budget. Per that order, Liberty shall carry over the \$329,187 amount to be utilized first, before use of any of the 2022 base budget funding of \$2,200,000 and, if necessary, up to an additional 10 percent of the 2022 base budget funding, or \$220,000, of overrun contingency funds. Consistent with Order No. 26,620, the Company could recover from ratepayers at most \$2,749,187.¹ The Company confirmed at the hearing in this proceeding that any expenditures over the Commission approved amount would be borne by shareholders.

Liberty presented testimony in the current docket regarding rising costs in the vegetation management field and a declining availability of qualified tree trimming crews and contractors and testified that it plans to seek a return to a 5-year tree trimming cycle along its electric system in a separate rate proceeding that it anticipates filing in 2023. That petition will address the issues raised in the current proceeding regarding vegetation management costs and resources. Liberty clarified that it is not seeking approval of its expenditures on vegetation management at this time but wanted to apprise the Commission and DOE regarding the issues that it has encountered under its current VMP Plan.

Accordingly, we accept Liberty's filing for informational purposes. We make no determination here on the prudence of Liberty's management of its VMP; nor do we

¹ The Company stated in the hearing held in Docket DE 21-138 that it anticipates VMP expenditures of \$3,069,639 in calendar year 2022.

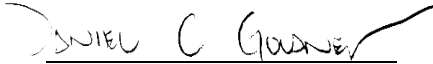
approve or otherwise rule on its planned spending or potential cost recovery for the calendar year 2022 vegetation management activities. We note that the VMP expenditures totaling approximately \$3.1 million that Liberty expects to undertake in calendar year 2022 are likely to occur within the test year for the Company's expected 2023 rate case filing. In light of the discussion in this proceeding of the various economic anomalies in the vegetation management industry, close scrutiny of those expenses may be warranted.

The Commission appreciates being apprised of the status of the Company's VMP Plan. We observe that Liberty's resolution of its apparent contractual dispute regarding compensation from Consolidated Communications, LLC as joint owner of the poles for which VMP expenses are incurred is recommended before the Company returns to the Commission to seek approval of a future VMP plan.


Based upon the foregoing, it is hereby

ORDERED, Liberty's report on its Calendar Year 2022 Vegetation Management Program (VMP) Plan activities is accepted for informational purposes only.

By order of the Public Utilities Commission of New Hampshire this tenth day of May, 2022.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner

Service List - Docket Related

Docket# : 21-138

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