

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 24-051

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

Petition for Approval of Retail Rate Adjustments and Property Tax Adjustment

Order Approving Rate Adjustments

O R D E R N O. 26,997

April 30, 2024

In this docket, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty) filed a petition to adjust two charges—the Stranded Cost Charge (SCC) and the Transmission Charge (TC)—for effect between May 1, 2024, and April 30, 2025.¹ Each of these rates contains more than one component that the Commission will discuss further below. The Commission held a hearing on the petition on April 23, 2024. In addition to Liberty, both the Office of the Consumer Advocate (OCA) and the New Hampshire Department of Energy (DOE) attended the hearing. The OCA supported Liberty’s proposed rates. The DOE objected to them. At the hearing, the Commission accepted into evidence Exhibits 1 and 2. In addition, Liberty presented the testimony of Christopher Green, Robert Garcia, and Adam Yusuf, while the DOE presented the testimony of Jay Dudley and Scott Balise. For the reasons that follow, the Commission **APPROVES** Liberty’s proposed rate adjustments. All docket filings, other than those subject to confidential treatment, are available on the Commission’s website at <https://www.puc.nh.gov/Regulatory/Docketbk/2024/24-051.html>.

¹ Liberty filed its initial petition on March 27, 2024. It subsequently submitted two revisions to correct errors in the initial petition. The second revised petition filed on April 12, 2024 is the operative petition in this docket.

I. LIBERTY'S PETITION

As noted above, Liberty proposes to adjust the SCC and TC effective May 1, 2024. Each of these charges contains more than one component and Liberty is seeking to adjust six rate components in total. We note that in Docket No. DE 23-037, we set all six of these rate components for the period between May 1, 2023, and April 30, 2024. See Order No. 26.806 (April 25, 2023). The following table is a summary of Liberty's proposed rate adjustments effective May 1, 2024, divided by rate class.

TABLE 1
Rate per kWh

Description	D	D-10	G-1	G-2	G-3	T	V	Streetlights
Contract Termination Charge Credits	(\$0.00040)	(\$0.00040)	(\$0.00040)	(\$0.00040)	(\$0.00040)	(\$0.00040)	(\$0.00040)	(\$0.00040)
Stranded Cost Adjustment Factor	\$0.00003	\$0.00002	\$0.00004	\$0.00003	\$0.00003	\$0.00003	\$0.00003	\$0.00004
Net Stranded Cost Charge	(\$0.00037)	(\$0.00038)	(\$0.00036)	(\$0.00037)	(\$0.00037)	(\$0.00037)	(\$0.00037)	(\$0.00036)
Transmission Charge	\$0.04103	\$0.02108	\$0.02966	\$0.02611	\$0.03020	\$0.03401	\$0.03190	\$0.02252
Transmission Service Cost Adjustment	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100	\$0.00100
RGGI Auction Proceeds Refund	(\$0.00396)	(\$0.00396)	(\$0.00396)	(\$0.00396)	(\$0.00396)	(\$0.00396)	(\$0.00396)	(\$0.00396)
Property Tax Adjustment Mechanism	\$0.00002	\$0.00002	\$0.00002	\$0.00002	\$0.00002	\$0.00002	\$0.00002	\$0.00002
Net Transmission Charge	\$0.03809	\$0.01813	\$0.02672	\$0.02316	\$0.02726	\$0.03106	\$0.02896	\$0.01958

Exhibit 1, at Bates Page 2R-041.

The Commission summarizes each of the proposed adjustments within each rate below.

A. Stranded Cost Charge

According to Liberty, the SCC is the sum of two components. Exhibit 1, at Bates Page 2R-030. The first is a uniform charge per kWh that Liberty charges all customers, and which reflects the Contract Termination Charge (CTC) assessed by New England Power Company (NEP) for 2023. *Id.* The CTC is thus a pass-through charge. Consistent with the CTC charge assessed by NEP, Liberty proposes a CTC rate credit of (\$0.00040) per kWh. *Id.* at Bates Page 2R-031.

The second is the Stranded Cost Adjustment Factor (SCAF), which is specific to each rate class. *Id.* Liberty's proposed SCAF reflects the reconciliation of the SCC revenues, with interest, for the period between May 1, 2023, and April 30, 2024, on a class basis. *Id.* In 2023, Liberty reported an under-collection of \$29,070 and as such the proposed SCAFs require a collection from customers. *Id.* The rate for each class is shown in Table 1 above. For the reconciliation, Liberty used the actual numbers for the period between May 2023 and February 2024, and forecasted revenue for March and April 2024. *Id.*

B. Transmission Charge

The Transmission Charge is made up for four components, Liberty's forecasted transmission costs, the Transmission Service Cost Adjustment (TSCA), the Regional Greenhouse Gas Initiative (RGGI) Auction Proceeds Refund, and the Property Tax Adjustment Mechanism (PTAM). *Id.* at Bates Page 2R-033.

The first component relates to transmission costs, through which Liberty passes on its forecasted annual transmission costs to customers. *Id.* Liberty's forecasted transmission costs for 2024 equal \$30,787,268. *Id.* To calculate rates, Liberty allocates the forecasted transmission costs to each rate class based on each class's monthly coincident peaks. *Id.* Liberty then divides the allocated transmission expense estimate for each class over the year by the forecasted sales for each class in the same period. *Id.* at Bates Page 2R-034. Liberty's proposed rates for transmission costs for each class are shown in Table 1 above.

The second component is the TSCA, which reflects the reconciliation of transmission costs and revenue, along with associated interest at prime rate, over the 12-month period from May to April. *Id.* The TSCA is the same rate for all rate classes. Liberty calculated this component by totaling the projected under-collection of

transmission expenses of \$1,028,795 as of April 30, 2024, and adding the calculated amount of working capital, which equaled (\$87,571). *Id.* That amount is then divided by the forecasted kWh sales for the period of May 1, 2024, through April 30, 2025. *Id.* at Bates Page 2R-034–35. This results in a rate of \$0.00100 per kWh. *Id.* at Bates Page 2R-034.

The third component is the RGGI Auction Proceeds Refund. Pursuant to Order No. 25,664 (May 9, 2014) in Docket No. DE 14-048, Liberty credits the RGGI rebate it receives from the state to customers on a per kWh basis, which it reconciles annually. *Id.* at Bates Page 2R-036. The RGGI Auction Proceeds Refund is a standard rate across all rate classes. Liberty proposes a credit of (\$0.00396) per kWh for the RGGI Auction Proceeds Refund. *Id.*

The fourth component is the PTAM, which authorizes Liberty to reconcile its actual property tax expenses each New Hampshire property tax year (April 1 through March 31) with the revenue Liberty collects through base distribution rates and to make annual adjustments. *Id.* at Bates Page 2R-037. The PTAM is standard across all rate classes. Liberty proposes a PTAM rate of \$0.00002 per kWh.

Liberty estimates that the total adjustments to the SCC and the TC will result in an increase of \$3.05 per month for the typical residential customer using a total of 650 kilowatt hours. *Id.* at Bates Page 2R-039.

II. PARTIES' POSITIONS

A. DOE

The DOE objects to Liberty's proposed rates on two grounds. The first relates to the methodology Liberty used to calculate the PTAM based on the data Liberty itself provided. Significantly, the DOE has found that the methodology Liberty used to calculate each of the five non-PTAM rate components was appropriate. The DOE did

raise an issue with Liberty's proposed RGGI Auction Proceeds Refund in its technical statement. This objection was centered on the date Liberty should have cashed and booked a check from the state for the RGGI Auction Proceeds. However, the parties resolved this issue at the hearing, with the DOE affirming that it could accept Liberty's proposed rates based on the evidence at hearing.

With respect to the PTAM rate, however, the DOE maintains that Liberty's methodology for calculating the rate was flawed because it failed to include, among other potential errors, the base revenue increases from step adjustments made in Docket No. DE 22-035. The DOE maintains that the Commission should not approve Liberty's proposed PTAM for this reason alone. The DOE represents that it intends to complete an audit of the PTAM and Liberty's methodology in calculating it, and that we should not approve Liberty's proposal until that audit is complete.

The DOE's second objection applies to all of the six rate components. The DOE notes that in Docket No. DE 23-039, Liberty's pending rate case, the DOE has found that Liberty's 2022 test year books and records do not form a reliable basis for setting rates. The DOE further notes that many of the issues it identified with the 2022 accounts are likely also applicable to the 2023 data, which the DOE believes makes any rate reliant on that data unreliable for setting rates. With the exception of the CTC, all of the rate component adjustments proposed by Liberty rely on its 2023 accounting data. Accordingly, the DOE maintains that the Commission cannot rely on this data to set rates in this docket. The DOE argues that we should not approve these rates until we rule on whether Liberty's 2022 and 2023 accounting data is accurate and reliable. In the interim, the DOE recommends that we extend the existing rates for effect May 1, 2024. The DOE objected to approving Liberty's proposed rates on a

provisional basis, maintaining that its preferred solution was to extend the existing rates.

B. OCA

The OCA does not object to Liberty's proposed rates. The OCA did, however, argue that the Commission should approve them on a provisional basis subject to future audit by the DOE.

C. LIBERTY

Liberty maintains that we should approve each one of its proposed rate adjustments as laid out in the operative petition and attached filings. Liberty disputes that the 2023 data it provided was unreliable. It further maintains that if after completing its audit, the DOE finds a significant error with the figures, the rates can be adjusted accordingly at that point.

III. COMISSION ANALYSIS

The Commission is authorized to determine whether the rates a utility charges to retail utility customers in New Hampshire are just, reasonable, and lawful under RSA 374:2 and RSA 378:7. The Commission is also authorized to "order such charges and other service provisions and to take other actions that are necessary to implement [electric industry] restructuring and that are substantially consistent with the principles" set forth in RSA Chapter 374-F. The relevant principles include providing "clear price information on the cost components of generation, transmission, distribution, and any other ancillary charges," pursuant to RSA 374-F:3, III, and recovery of stranded costs through a "non-bypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes..." pursuant to RSA 374-F:3, XII(d). The underlying policy determinations and approved rate adjustment

mechanisms reflected in the Company's current proposal are set forth in *Granite State Electric Co.*, Order No. 23,041 (October 7, 1998).

After reviewing the record evidence, the Commission **APPROVES** Liberty's proposed rate adjustments to all six rate mechanisms and the resulting final SCC and TC rates. With respect to the first five rate components, the Commission agrees with the DOE and the OCA that the record evidence shows that Liberty correctly reported the CTC charge and correctly calculated its transmission costs, SCAF, TSCA, and RGGI Auction Proceeds Refund based on the figures in its filing, and that the resulting rates are therefore just and reasonable.

With respect to the PTAM rate, we acknowledge that the DOE has identified potential errors with the rate, including that Liberty may have failed to include increases to base revenue caused by step adjustments in Docket No. DE 22-035. Nevertheless, we must set new rates effective May 1, 2024, because the existing PTAM rate is set to expire on April 30, 2024. Therefore, we need to determine what data most accurately reflects Liberty's property tax expenses for the prior tax year. In our view, the 2023 data Liberty provided is the most compelling evidence of Liberty's actual property tax expenditures in the record and it is therefore the best data to set the new PTAM.

We note that the alternative the DOE proposes is to extend the existing rate, which was itself based on Liberty's 2022 data. This proposal is inconsistent with the purposes of an annual reconciliation, which sets rates based on the actual data from the prior period. More importantly, the DOE has raised the same issues about reliability with respect to the 2022 data as the 2023 data. The DOE has not represented that the 2022 data is any more reliable than the 2023 data Liberty provided. In other words, there is no evidence that extending the current PTAM rate

based on the 2022 data will result in a more accurate PTAM rate than the one Liberty proposed.

Because the Commission has to set some rate effective May 1, 2024 and we find that Liberty's proposed 2023 data is the most accurate reflection of Liberty's property tax expenditures over the prior tax year, we conclude that Liberty's proposed PTAM is just and reasonable in light of the evidence in the record. However, if the DOE's audit of Liberty's PTAM reveals significant errors in the calculations, the Commission can correct the rate accordingly.

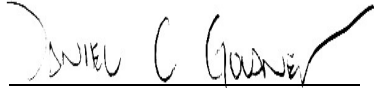
For similar reasons, the Commission does not agree with the DOE's proposal to forego approving any of Liberty's proposed retail rate adjustments until the Commission rules on whether the 2022 and 2023 data is reliable. The Commission has to adjust these rates by May 1, 2024, to reflect changes in pass-through costs and prior period reconciliations. We find that the best evidence of these figures is the 2023 data Liberty provided in its filing. We are not convinced that the alternative proposed by the DOE—to extend the existing rates based on 2022 data—is any more likely to result in accurate rates than using the 2023 data would. Accordingly, the Commission finds that Liberty's proposed adjustments to the retail rates are, in light of the evidence and the circumstances, just and reasonable. Again, if the DOE's audit reveals significant errors in the calculations, the Commission can correct the rate accordingly.

Based upon the foregoing, it is hereby

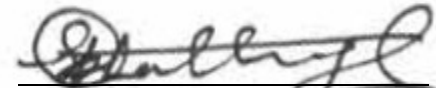
ORDERED, as detailed above, the rate adjustments proposed by Liberty as part of this filing are hereby **APPROVED**, effective for the period on and after May 1, 2024, through April 30, 2025;

FURTHER ORDERED, that Liberty shall file appropriate tariff changes that conform to this order within 15 days of the date of this order, pursuant to N.H. Code Admin. Rules, Part 1603.

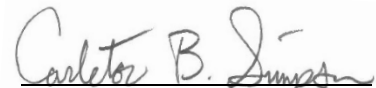
By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2024.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 24-051

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