

SECTION 2.0
Summary of Evidence

1 **2.0 Summary of Evidence**

2 Liberty Utilities (Gas New Brunswick) LP, as represented by its general partner, Liberty Utilities
3 (Gas New Brunswick) Corp. (“Liberty”) has filed this rate application (Application) in accordance
4 with the *Gas Distribution Act, 1999* (“GDA”) and the *Energy and Utilities Board Act* and its 2019
5 Regulatory Financial Statements in accordance with prior decisions of the New Brunswick Energy
6 and Utilities Board (“Board”).

7 **Liberty Utilities Purchase Transaction Impacts**

8 In December 2018, Liberty Utilities (Canada) LP announced a transaction to purchase Enbridge
9 Gas New Brunswick (“EGNB”) from Enbridge Inc. In Board Matter 433, its application for
10 approval to acquire EGNB, the Board reviewed the purchase transaction details and provided its
11 decision and conditional approval on May 24, 2019.

12 The transaction closed on October 1, 2019 and a transition period of 12-24 months continues as
13 discussed in Matter 433 which impacts the cost of debt, corporate allocations, affiliate transactions
14 and other costs. Some services to Liberty will continue to be provided by Enbridge Inc. under a
15 Transition Services Agreement, some services will be brought in-house in New Brunswick and
16 some services will be provided by Liberty’s ultimate parent, Algonquin Power & Utilities Corp.
17 (“Algonquin”), under the Algonquin Cost Allocation Manual (“CAM”).

18 **2021 Budget**

19 Liberty continues to prudently manage costs in order to achieve continued reasonable and
20 competitive total costs for natural gas and the 2021 Budget has seen revenue requirement
21 reductions as compared to the 2020 Budget. A \$1.065M reduction to revenue requirement
22 resulting from overearnings achieved during 2019 has resulted in distribution rates being reduced
23 for all rate classes other than the Small General Service (“SGS”) class.

24 The 2021 Budget can be found in Section 3.0.

25 **Excess Earnings Sharing Mechanism**

26 The GDA includes an excess earnings sharing mechanism for 2017, 2018 and 2019. Liberty is
27 proposing to recover a portion of its regulatory deferral account (“RDA”) by continuing to use an

1 excess earnings sharing mechanism for 2020 and beyond. Additional details can be found in
2 Section 3.0

3 Corporate Allocations

4 The 2019 regulatory financial statements include allocations from both Enbridge Inc. and
5 Algonquin due to the timing of the purchase transaction closing date of October 1, 2019. For 2020,
6 only allocations from Algonquin exist. For 2021, Liberty proposes a revised methodology based
7 on the Algonquin CAM. The CAM is a robust methodology used for all the Algonquin affiliates
8 and has been completed in accordance and conformance with the guidelines provided by the
9 National Association of Regulatory Utility Commissioners (*NARUC Guidelines for Cost*
10 *Allocations and Affiliate Transactions*). Details can be found in Schedule 3.7 - Corporate
11 Allocations Report.

12 Incentive, Retention and Winback Programs

13 No amount has been included in the 2021 Budget for these programs due to the availability of the
14 Fuel for the Future fund which is non-ratepayer funded. A return of these ratepayer funded
15 programs in the future is expected when the Fuel for the Future Fund is exhausted. A detailed
16 report can be found in Schedule 3.8 – Reports for Incentive, Retention and Winback Programs.

17 Variance Accounts

18 Variance accounts are commonly used tools in regulatory rate making throughout North America.
19 Liberty is proposing three variance accounts to assist with reducing and smoothing the impacts to
20 revenue requirement, rates and ratepayers of some impactful items. Due to unforeseen and
21 significant revenue requirement items related to income tax, pension and COVID-19, variance
22 accounts are being proposed. Additional details can be found in Schedule 3.10 – Variance
23 Accounts for Income Tax, Pension and COVID -19.

1 2019 Regulatory Financial Statements

2 As the regulatory financial reviews have traditionally been done together with a rate application,
 3 Liberty proposes to merge Matter 467 into this application. Liberty has included the 2019
 4 Regulatory Financial Statements in this submission.

5 Liberty is seeking approval of the 2019 Regulatory Financial Statements from the Board and
 6 details can be found in Section 4.0.

7 Cost of Service Model

8 For this application, a cost of service model was prepared and is found in Section 5.0.

9 2021 Rates

10 As a result of continued prudent cost management and the 2019 earnings sharing mechanism, all
 11 2021 commercial class distribution rates will be reduced. The SGS distribution rate will be held
 12 for 2021. Liberty Utility Gas supply commodity forecast for 2021 is well below the 2020 prices
 13 and will positively impact the total annual cost of natural gas. When comparing the 2021 proposed
 14 total annual cost of natural gas to the 2020 approved total annual cost, significant reductions in the
 15 overall bills for all commercial rate classes are expected as shown in Table 1. The total annual cost
 16 of natural gas for the typical SGS customer is also expected to be lower in 2021 due to the reduction
 17 in commodity prices. The rates can be found in Section 6.0 – Rate Design.

18 **Table 1**

Total Annual Cost of Natural Gas: 2020 Current Rates vs. 2021 Proposed Rates				
Customer Profile (Annual GJs)	Total Cost: Current 2020 Rates (\$)	Total Cost: Proposed 2021 Rates (\$)	% change	
1 SGS	70	1,587	1,556	-1.9%
2 MGS	364	7,994	7,660	-4.2%
3 LGS	4006	70,432	67,380	-4.3%
4 CGS	9815	151,397	145,739	-3.7%
5 ICGS	167656	2,095,666	2,016,831	-3.8%
6 OPS	1060	15,126	14,727	-2.6%

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1 (Based on 2020 actual LUG prices and approved distribution rates versus 2021 budgeted LUG prices and proposed distribution
2 rates)

3 Curriculum Vitae

4 The information prepared and presented in the documents filed in support of the Review of 2019
5 Regulatory Financial Statements/2021 Rate Application is the written direct testimony of Gilles
6 Volpé, David T. Lavigne, Paul Volpé and Russell A. Feingold. The Curriculum Vitae for Gilles
7 Volpé, David T. Lavigne, Paul Volpé and Russell A. Feingold can be found in Section 7.0.

8 Additional Evidence

9 Again this year, Liberty has provided supplementary evidence and tables which can be found in
10 Section 8.0.