



Section 2.0 – Summary of Evidence

March 3, 2023

2.0 Summary of Evidence

Liberty Utilities (Gas New Brunswick) LP, as represented by its general partner, Liberty Utilities (Gas New Brunswick) Corp. ("Liberty") has filed this rate application ("Application") in accordance with the *Gas Distribution Act, 1999* ("GDA") and the *Energy and Utilities Board Act* ("EUB Act") and its 2021 Regulatory Financial Statements in accordance with prior decisions of the New Brunswick Energy and Utilities Board ("Board").

2023 Budget

Liberty continues to prudently manage costs to achieve continued reasonable and competitive total costs for natural gas and the 2023 Budget has seen revenue requirement reductions as compared to the 2022 Budget.

The 2023 Budget can be found in Section 3.0 – 2023 Budget.

Corporate Allocations

In its decision in Matter 478, the Board approved Liberty's 2021 corporate allocations, based on the Algonquin Cost Allocation Model ("CAM"). Liberty was also directed by the Board in its decision to obtain an independent review of the corporate allocations and file it as part of its 2022 general rate application. Liberty, through its parent company, Algonquin Power & Utilities Corp. ("APUC"), engaged PricewaterhouseCoopers ("PwC") to carry out an assessment of the CAM. PwC assessed APUC's process for capturing, assigning and allocating holding/service company costs incurred as described in the CAM, as well as assessed the CAM's compliance with guidance provided by the National Association of Regulatory Utility Commissioners ("NARUC") and the Federal Energy Regulatory Commission ("FERC"). The report also included an assessment of benefits attributable to Liberty.

In its decision in Matter 494, the Board concluded further study was required, and ordered Board Staff to engage a consultant to review Liberty's corporate allocations costs and file a report with the Board. In addition to this requirement, Liberty has engaged the consulting firm, MNP, to review Liberty's corporate allocations and include a detailed listing of allocations and the associated benefits to Liberty.

MNP's report can be found in Schedule 3.7C – Liberty Utilities – Corporate Services Cost Allocation Review.

Liberty has included 100% of corporate allocations, \$3.270M in the 2023 budget. Also, as directed by the Board in Matter 494, Liberty has included the allocated capital investment of \$9.4M for Customer First as part of the capital budget for 2023.

Details can be found in Schedule 3.7 – Corporate Allocations Report.



1 **Incentive Programs, Customer Retention Program and Propane Winback** 2 **Program**

3 Liberty continues to actively use its Residential Incentives, Commercial Incentives, Retention and Propane
4 Winback programs.

5 A detailed report can be found in Schedule 3.8 – Reports for Incentive, Retention and Winback Programs.

6 **Variance Accounts**

7 The Board, in its decision in Matter 494, approved the creation of variance accounts for (a) amounts
8 related to Liberty's Large Industrial Contract Service ("LICS") Rate Class, (b) amounts Liberty receives from
9 the Natural Gas Distribution Fund ("SEUF Fees"), and (c) a Revenue Requirement True-Up Variance Account.
10 In its Variance of a Decision in Matters 530 and 540, the Board approved all amounts in the True-Up
11 Variance Account, as of December 31, 2022, to be recovered or credited, as applicable, for all of Liberty's
12 customers.

13 Liberty is including the total net revenue earned from the LICS Rate Class in 2022 in the 2023 revenue
14 requirement.

15 Liberty has applied the difference between the 2021 actual versus budgeted SEUF Fees against the 2023
16 revenue requirement. In addition, Liberty seeks to apply the estimated 2022 earnings against the 2023
17 revenue requirement. Liberty will continue to use the variance account to true-up the 2022 actual versus
18 budgeted SEUF Fees, to be applied in the 2024 rate application.

19 Liberty has included a proposal for how amounts in the Revenue Requirement True-Up Variance Account
20 as of December 31, 2022, should be applied to the 2023 revenue requirement. In addition, until the effective
21 date for the 2023 rates, Liberty proposes to continue charging Board approved 2022 rates until the 2023
22 rates are approved. The difference between the revenue received from the 2022 current rates until the
23 effective date of the 2023 rates and the revenue that would have been received under the new 2023 rates
24 had they been approved on January 1, 2023, will be applied to the 2024 revenue requirement, prorated by
25 class.

26 Liberty is proposing a new variance account in support of its proposed Revenue Decoupling Mechanism,
27 including a Weather Normalization Adjustment to true-up the difference between authorized versus actual
28 distribution revenue for each applicable rate class.

29 Details can be found in Schedule 3.9 – Variance Accounts for SEUF Fees, LICS Rate Class, Revenue
30 Requirement True-up and Revenue Decoupling Mechanism.



1 **Load Forecast**

2 Liberty has modified its forecast methodology. Rather than relying on the Forward Volume Projection
3 (FVP) system utilized in previous matters, Liberty has used a benchmarking approach, calculated based
4 on a five-year average of customer consumption.

5 Details can be found in Schedule 3.10 –Load Forecast Summary.

6 **Capital Additions**

7 In its decision in Matter 494, the Board directed Liberty to engage in a consultation process to develop a
8 capital spending variance report, and to file the result of this consultation process with the Board, when
9 available. Liberty conducted a Stakeholder Session on August 24, 2022. The Public Intervener, his expert Mr.
10 Robert D. Knecht, and Board Staff were in attendance. As a result, Liberty has included a Capital Additions
11 report for the Board's approval in this application. Variance analysis for this report can be found in Table 7
12 of the respective Schedules 3.3, 3.6 and 4.3.

13 Details can be found in Schedule 8.11 – Capital Additions (2021-2023).

14 **2021 Regulatory Financial Statements**

15 Liberty has included its 2021 Regulatory Financial Statements in this submission and has also filed audited
16 financial statements for the year ended December 31, 2021, as directed by the Board. Liberty has included
17 in the 2022 forecast and 2023 budget, an amount to carry out a year end audit, in accordance with section
18 57(1)(b) of the EUB Act.

19 Liberty is seeking approval of the 2021 Regulatory Financial Statements from the Board and details can be
20 found in Section 4.0 – 2021 Regulatory Financial Statements.

21 **Cost of Service Model**

22 For this application, a cost-of-service model was prepared and is found in Section 5.0 – Cost of Service
23 Rates.

24 **Revenue Decoupling Mechanism**

25 To address growing revenue instability due to an increase in unpredictable weather and uncontrollable
26 socioeconomic events, Liberty is proposing the adoption of a full Revenue Decoupling Mechanism ("RDM")
27 for all classes, excluding LICs and Off-Peak Service rate classes. This proposal also includes a separate
28 Weather Normalization Adjustment ("WNA") for the Small General Service ("SGS") Rate Class. Decoupling
29 removes the impact of variations in volumes for reasons that are generally outside the control of a utility's



1 management. In particular, impacts from weather are mitigated. Absent decoupling, weather variations
 2 create risk for both the utility and its customers. Decoupling also addresses other uncertainties in volumes
 3 that are similarly impossible to predict, such as deviations from historic levels based on changes to the
 4 macroeconomic environment, and changes driven by policy preferences.

5 Details of this proposal can be found in Schedule 6.2 – Revenue Decoupling Mechanism.

6 Liberty has also engaged the consulting firms Brattle and Ankura to review this mechanism along with
 7 Liberty's proposed 2023 rates. This report can be found in Schedule 6.1 – Review of Liberty's Rate Design,
 8 Revenue Decoupling and Common Practices in Natural Gas.

9 **2023 Rates**

10 As a result of continued prudent cost management, most of the 2023 commercial class distribution rates
 11 will be reduced. The SGS distribution rate will increase for 2023. The rates can be found in Schedule 6.3 –
 12 Rate Schedules 2023.

13 **Table 1: Annual Distribution Cost of Natural Gas: 2022 Current Rates vs 2023 Proposed Rates¹**

	Customer Profile (Annual GJs)	Distribution Cost: Current 2022 Rates (\$)	Distribution Cost: Proposed 2023 Rates (\$)	% Change
SGS	64	\$ 929	\$ 957	3.00%
MGS	334	\$ 4,415	\$ 4,239	-4.00%
LGS	3,777	\$ 33,007	\$ 31,687	-4.00%
CGS	9,546	\$ 63,430	\$ 59,623	-6.00%
ICGS	154,862	\$ 564,824	\$ 525,059	-7.04%
OPS	1,194	\$ 7,317	\$ 7,317	0.00%

14

15 **Agent Billing and Collections (“ABC”) Revenue**

16 Liberty continues to provide Agent Billing and Collection services to any service provider applying to use
 17 Liberty's billing and/or collection services. Liberty is proposing to increase the current rates by 2.0% for 2023

¹ Percentages in the ‘%Change’ column represent the average change in annual distribution costs based on the Customer Profile for each class. The actual percent change in individual rates is discussed in Schedule 6.1 – Review of Liberty's Rate Design, Revenue Decoupling and Common Practices in Natural Gas



1 to recognize the increases in costs to provide these services. Table 2 provides details of the proposed
2 changes.

Table 2
ABC Billing Rates

	2023 Rates	Current Rates	2023 Rate Increase
SGS	\$ 1.56	\$ 1.53	\$ 0.03
MGS	\$ 2.69	\$ 2.64	\$ 0.05
LGS	\$ 6.28	\$ 6.16	\$ 0.12
CGS	\$ 5.15	\$ 5.05	\$ 0.10
ICGS	\$ 5.15	\$ 5.05	\$ 0.10
OPS	\$ 5.15	\$ 5.05	\$ 0.10
Additional Line Item Charge	\$ 0.92	\$ 0.90	\$ 0.02

4 Curriculum Vitae

5 The information prepared and presented in the documents filed in support of the Review of Liberty's 2021
6 Regulatory Financial Statements/2023 Rate Application is the written direct testimony of Gilles Volpé, David
7 T. Lavigne, Brandy Gellner, Leo Guin, Jill Schwartz, Matthew DeCoursey and Greg Tillman. The Curriculum
8 Vitae for Gilles Volpé, David T. Lavigne, Brandy Gellner, Leo Guin, Jill Schwartz, Matthew DeCoursey and Greg
9 Tillman can be found in Section 7.0 – Curriculum Vitae.

10 The Curriculum Vitae for consultants engaged in the preparation of independent reports can be found in
11 their respective reports. The Curriculum Vitae for Gordon Chalk, Jason Hails and Matt Hamilton can be
12 found in Schedule 3.7C – Liberty Utilities – Corporate Services Cost Allocation Review. The Curriculum Vitae
13 for Agustin Ros can be found in Schedule 6.1 – Review of Liberty's Rate Design, Revenue Decoupling and
14 Common Practices in Natural Gas.

15 Additional Evidence

16 Again, this year, Liberty has provided supplementary evidence and tables which can be found in Section
17 8.0 – Additional Evidence.

