PARTIAL DECISION

IN THE MATTER OF an application by Liberty Utilities (Gas New Brunswick) LP, as represented by its general partner Liberty Utilities (Gas New Brunswick) Corp., for approval to change its distribution rates effective May 1, 2022, for approval of its 2020 Regulatory Financial Statements, approval of costs related to its Customer First program, approval of costs and amortization period related to the variance account for COVID-19, approval of variance accounts for payments from Natural Gas Distribution Fund and Revenue Requirement True-up, and approval of an Excess Earnings Sharing Mechanism.

(Matter No. 494)

May 19, 2022

[1] On November 22, 2021, Liberty Utilities (Gas New Brunswick) LP, as represented by its general partner, Liberty Utilities (Gas New Brunswick) Corp. (Liberty), filed an application to the New Brunswick Energy and Utilities Board (Board) for approvals of its 2020 Regulatory Financial Statements; changes to its distribution rates effective May 1, 2022; Customer First program; costs and amortization period related to the COVID-19 variance account; Excess Earnings Sharing Mechanism; and variance accounts for payments from the Natural Gas Distribution Fund and Revenue Requirements True-up.

[2] Furthermore, additional evidence was filed by Liberty on March 31, 2022, seeking approval of a Corporate Allocations variance account.

[3] This partial decision is being rendered to enable Liberty to put its 2022 distribution rates into effect in a timely fashion. The Board will issue its final decision, with reasons, at a later date. If there is any difference between the final decision and this partial decision, the final decision shall govern.

[4] Concerning the revenue requirement for 2022, the Board makes the following findings:

a. **Retention and Incentives Programs**:

i. The Commercial Incentives Program is reduced from $900,000 to $500,000;

ii. The Propane Winback Program is reduced from $300,000 to $100,000; and

iii. The Retention Program is reduced from $150,000 to $100,000.

b. **Variance Account for COVID-19**:

i. All accrued costs through May 2021 related to the Variance Account for COVID-19 are approved; however, the recovery over a three-year amortization period is denied and the costs will be expensed in 2022, resulting in an increase of the revenue requirement by $245,656;

c. **Corporate Allocations**:

i. The Board approves Corporate Allocations expenses of $2.772 million, resulting in a decrease of the revenue requirement by $0.924 million.

d. **Customer First Program:**

i. All components of the program are approved, including the 20-year amortization period. As the program is scheduled to go into service 90 days after October 2022, Liberty is directed to remove $488,000 from the revenue requirement.

[5] There are no other changes to the revenue requirement.

[6] The Revenue Requirement True-up Variance Account is approved for all classes, except for the SGS class of customers. The Board finds that Liberty's revenue allocation proposal for the SGS class, which will raise rates in 2023 by the amount of the under earnings in the first four months of 2022, violates the prohibition against retroactive ratemaking.

[7] The Board is not satisfied that deferring $0.924 million into a Corporate Allocations Variance Account is appropriate in this instance. The proposed variance account is inconsistent with the guiding principles for the creation of such accounts. Accordingly, the request is denied.

[8] Liberty's proposed tariff designs for of the SGS, MGS, and LGS classes of customers are denied; however, the Board agrees with Mr. Robert Knecht's alternative rate designs as follows:

a. **SGS**: The customer charge is increased from $20.00 to $21.50. Following Mr. Knecht's recommendation, the energy charge remains approximately at the current rate level, subject to the above adjustments to the revenue requirement.

b. **MGS**: The customer charge will be increased from $20.00 to $21.50. Following Mr. Knecht's recommendation, the first and second energy block charges are to decrease, subject to the above adjustments to the revenue requirement.

c. **LGS**: Following Mr. Knecht's recommendation, the first and second energy block charges are to decrease, subject to the above adjustments to the revenue requirement.

[9] Liberty is ordered to refile its 2022 test year budget with the above-noted adjustments identified, cost of service study with adjustments, proof of revenue, and the resulting rates. Subject to the approval of these documents, the Board will issue an order approving the distribution rates for each class of customers, effective as of June 1, 2022.

Dated at Saint John, New Brunswick, this 19th day of May 2022.

François Beaulieu
Acting Chairperson

Michael Costello
Member

John Patrick Herron
Member