

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 23-044

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
2023 Energy Service Solicitation

DIRECT TESTIMONY

OF

ROBERT GARCIA

AND

JAMES M. KING

December 7, 2023



1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your full name, business address, and position.**

3 A. (RG) My name is Robert Garcia. My business address is 15 Buttrick Road, Londonderry,
4 New Hampshire. My title is Manager, Rates and Regulatory Affairs.

5 (JK) My name is James M. King. My business address is 15 Buttrick Road,
6 Londonderry, New Hampshire. My title is Analyst II, Rates and Regulatory Affairs.

7 **Q. By whom are you employed?**

8 A. We are employed by Liberty Utilities Service Corp. (“LUSC”). LUSC provides local
9 utility management, shared services, and support to Liberty Utilities (Granite State
10 Electric) Corp. d/b/a Liberty (“Liberty” or “the Company”) and its regulated water,
11 wastewater, natural gas, and electric utility affiliates.

12 **Q. On whose behalf are you testifying?**

13 A. We are testifying on behalf of Liberty Utilities (Granite State Electric).

14 **Q. Mr. Garcia, please describe your educational and professional background and**
15 **training**

16 A. I have an Artium Baccalaureus (Bachelor of Arts) degree in Political Science and French
17 from Wabash College (Crawfordsville, Indiana) and a Master of Public Administration
18 degree from the School of Public and Environmental Affairs at Indiana University
19 (Bloomington, Indiana) with concentrations in Policy (Quantitative) Analysis and
20 International Affairs. I also obtained a Certificat De Langue Et Civilisation Française
21 from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate

1 studies, studied French and European government at the École Nationale
2 D'Administration (Paris, France).

3 I was employed by ComEd from April 2001 to March 2023. I began my employment
4 with ComEd in the Regulatory Department as a Regulatory Specialist and moved on to
5 the positions of Senior Regulatory Specialist in 2004, Manager of Regulatory Strategies
6 and Solutions in 2008, and Director of Regulatory Strategy and Services in 2013 before
7 assuming my last position as Director of Regulatory Innovation & Initiatives in 2021.

8 Prior to joining ComEd, I worked for nearly nine years at the Illinois Commerce
9 Commission, beginning in 1992 as an intern in what was then the Office of Policy and
10 Planning and ending in 2001 as the senior policy advisor to a Commissioner. I initially
11 joined the Commission Staff through the James H. Dunn Memorial Fellowship program,
12 a one-year program sponsored by the Office of the Governor. Through this Fellowship, I
13 also held short-term positions in the Bureau of the Budget and the Governor's Legislative
14 Office.

15 **Q. Please describe your duties at LUSC.**

16 A. As Manager of Rates and Regulatory Affairs, I am primarily responsible for rate
17 administration and regulatory affairs for Liberty EnergyNorth and Liberty Utilities
18 (Granite State Electric) Corp.

1 **Q. Mr. Garcia, have you previously testified in regulatory proceedings before the New**
2 **Hampshire Public Utilities Commission (the “Commission”)?**

3 A. Yes, I have testified before the New Hampshire Public Utilities Commission.
4 Additionally, I have testified on several occasions before the Illinois Commerce
5 Commission.

6 **Q. Mr. King, please state your full name and business address and position.**

7 A. My name is James M. King. My business address is 15 Buttrick Road, Londonderry,
8 New Hampshire. I am an Analyst II for Rates and Regulatory Affairs for LUSC, which
9 provides services to EnergyNorth and Granite State Electric.

10 **Q. Please describe your professional and educational background.**

11 A. I joined Liberty in September 2022. Prior to joining Liberty, I was employed by the
12 Massachusetts Department of Public Utilities from 2014 through 2022. I held positions
13 as an Economist III and Economist II in the Rates and Revenue Requirements Division
14 where I was responsible for the review and analysis of base distribution rate cases, as
15 well as other rate reconciliation mechanisms presented to the Department from
16 Massachusetts’ gas, electric, and water companies. I graduated from Franklin and
17 Marshall College with a Bachelor of Social Science in Government and Economics.

18 **Q. Have you previously testified in regulatory proceedings before the Commission?**

19 A. Yes, I have testified on multiple occasions before this Commission.

1 **II. OVERVIEW**

2 **Q. What are the purposes of your testimony?**

3 A. The purposes of our testimony are: (1) to provide background on how the procurement
4 process approved impacts the design of the Energy Service (“ES”) rates; (2) to describe
5 how the proposed ES rates are calculated and seek the necessary approvals to set a
6 weighted-average fixed ES rate for the Small Customer Group and a monthly ES rate for
7 the Large Customer Group, which will both be applicable for the period February 1, 2024
8 through July 31, 2024; to seek approval to update the time of use (“TOU”) ES rates; and
9 (3) to provide the resulting bill impacts for a typical residential (Rate D) customer using
10 650 kWh per month in Attachment RG/JMK-3.

11 .

12 **III. BACKGROUND**

13 **Q. When did it become necessary for electric utilities in New Hampshire to purchase
14 energy on behalf of their customers in the manner they do now?**

15 A. In 1996, the New Hampshire legislature passed RSA 374-F, which introduced
16 competition for energy supply service and required utilities in the state to divest their
17 ownership of generation assets. Prior thereto, the distribution utilities generally owned
18 generation used to supply their customers and passed the costs of such investments on to
19 their customers through regulated rates.

1 **Q. Who provides energy to New Hampshire customers now?**

2 A. Today, customers may choose a third-party supplier to provide the commodity portion of
3 their service rather than automatically receive energy supply service from their electric
4 utility. For customers who do not choose a third-party supplier, those customers are
5 served by default by the electric utility under ES or so-called “default service” rates.

6 **Q. When were the procedures by which the Company purchases energy on behalf of its
7 default customers established by the Commission?**

8 A. These procedures have evolved over time in a number of ways, through numerous
9 proceedings, particularly with regard to the timing of procurements and the periods for
10 which rates would be effective.

11 **Q. Please explain.**

12 A. From the time deregulation became effective in New Hampshire through 2014, the six-
13 month periods for Liberty’s default service rates began November 1 and May 1, but there
14 were questions as to whether those time frames, and the energy solicitation process itself,
15 were the most appropriate to achieve the goals of restructuring. Liberty raised those
16 issues in Docket No. DE 14-211 (Petition for Alternate Plan for Procurement of Energy
17 Services Requirements for all Customer Groups), and Liberty, Unitil, and the Office of
18 the Consumer Advocate (“OCA”) continued the discussion in Liberty’s and Unitil’s
19 energy service filings in the fall of 2014. The OCA suggested that energy service
20 customers may benefit from changing the term of energy service procurement from a 6-
21 month block to a 12-month block to mitigate the price spikes that occur in the winter

1 months. The OCA also proposed that procuring power through a laddered portfolio could
2 provide some rate stability.

3 **Q. What are 6-month and 12-month blocks and how do they mitigate price spikes?**

4 A. The blocks refer to the periods for which the Company procures power. The Company
5 procures energy for six months at a time to allow for receiving bids with the latest pricing
6 possible for that future six-month period in which those prices will serve our energy
7 service customers. Utilizing a 12-month block would not allow for as timely pricing to
8 be used in calculating rates for the energy to be delivered to our customers, especially in
9 times when the procurement happens during severe price volatility periods.

10 **Q. Is it necessary to mitigate price spikes in the summer as well?**

11 A. Yes, summer pricing spikes just as winter pricing spikes, so moving the procurement
12 periods alleviates summer pricing spikes as well.

13 **Q. What was the result of DE 14-211?**

14 A. The Commission opened Docket No. IR 14-338 (Review of Default Service Procurement
15 Processes for Electric Distribution Utilities) to review the various approaches to energy
16 service solicitations and directed Staff to conduct stakeholder discussions with electric
17 distribution utilities, competitive energy suppliers, market participants, and customer
18 representatives on different approaches to energy service solicitations. *See* Order No.
19 25,732 (Nov. 4, 2014).

1 **Q. What are the most important ways the New Hampshire utilities' procurement**
2 **practices changed as a result of that proceeding?**

3 A. One result of the IR 14-338 investigation was that Liberty proposed to move its energy
4 service periods to the six-month periods beginning February 1 and August 1, to divide the
5 highest use winter months (January/February) and summer months (July/August) months,
6 and to include an equal number of shoulder months in each procurement period. Futures
7 prices for January/February and July/August periods tend to be closer together,
8 particularly before the change. The Commission addressed this proposal in Docket No.
9 DE 15-010 and approved the change in Order 25,806 (Sept. 2, 2015). The result of this
10 change has been to lessen the volatility of rates between each period as compared to the
11 previous practice.

12 **Q. How else have the procurement practices of utilities in New Hampshire changed**
13 **since deregulation was implemented?**

14 A. Several earlier dockets and their resulting settlement agreements and orders refined how
15 to make energy service solicitations, how to evaluate bids, and how best to conduct the
16 entire procurement process. Those proceedings include the Settlement Agreement in
17 Docket No. DE 05-126, dated November 18, 2005, which was approved by the
18 Commission in Order No. 24,577 (Jan. 13, 2006), amended by Order No. 24,922 (Dec.
19 19, 2008) in Docket No. DE 08-011, amended by Order No. 25,601 (Nov. 27, 2013) in
20 Docket No. DE 13-018, and further amended by Order No. 25,806 (Sept. 2, 2015) in
21 Docket No. DE 15-010, as discussed above. Liberty followed those approved processes

1 in conducting the energy service solicitation that gives rise to the rates being proposed in
2 this docket.

3 **IV. PROPOSED ENERGY SERVICES RATES**

4 **Q. How are the bid prices converted into ES rates?**

5 A. As further described in Mr. Doll and Mr. Green's testimony, the Company went out for
6 bids for supply the Small Customer Group and Large Customer Group for the six-month
7 period of February through July,2024. Those winning bids are initially translated into
8 rates using the monthly bid prices (per MWh) multiplied by the load loss factor, which is
9 calculated by Liberty's Energy Procurement group. The base energy service rate
10 calculations are provided in Attachments RG/JMK-1 and Attachment RG/JMK-2, line 13.

11 **Q. What rate classes comprise the Small Customer Group?**

12 A. The Small Customer Group consists of the following rate classes: D (Domestic Service);
13 D-10 (Domestic Service with Optional Peak Load Pricing); M (Outdoor Lighting); T
14 (Limited Total Electrical Living Rate); V (Limited Commercial Space Heating); G-3
15 (General Service); D-11 (Battery Storage Pilot Time-of-Use); and D-12 (Residential EV
16 Charging Time-of-Use).

17 **Q. What rate classes comprise the Large Customer Group?**

18 A. The Large Customer Group consists of the following rate classes: G-1 (General Service
19 Time-Of-Use), G-2 (General Long-Hour Service), EV-L (Large Commercial EV
20 Charging), and EV-M (Medium Commercial EV Charging).

1 **Q. Are any further adjustments made to the base energy service rates for the Small and**
2 **Large Customer Supply Groups?**

3 A. Yes. Three adjustments are made to the base service rates to derive the ES rates: (1) a
4 Renewable Portfolio Standard (“RPS”) adder, which reflects the cost of compliance with
5 RPS obligations under RSA 362-F:3 for the period August 2023 through July 2024; (2)
6 the Energy Service Reconciliation Factor, which reconciles energy supply expenses and
7 applicable revenues, including those for RPS, for the historic period August 2022 through
8 July 2023; and (3) the Energy Service Cost Reclassification Factor, which reconciles the
9 administrative and general expense, bad debt expense, cash working capital expense
10 associated with the ES offering, and NHPUC assessments, and revenues for the historic
11 period August 2022 through July 2023.

12 **Q. Have you calculated a new RPS adder and/or updated either of the reconciling**
13 **factors?**

14 A. No. The RPS adder and two reconciling factors are the same as those that were approved
15 by the Commission in Order No. 26,854 on June 30, 2023. The RPS adder and
16 reconciling factors are only updated once a year at the time of the August rate change.
17 Accordingly, we expect to propose new factors when the Company next proposes rates
18 for August 2024, which it will do around May 2024.

19

1 **Q. Do the results of these adjustments establish the ES rates for Liberty’s default**
2 **customers?**

3 A. The ES rates charged to rate classes within the Large Customer Group reflect the monthly
4 base energy service rates calculated for the six-month period, plus the RPS adder and two
5 reconciling factors. However, for rate stability and simplicity, the Small Customer
6 Group’s monthly base energy service rates are load-weighted to derive a single, average
7 rate for the six-month period. Thus, six monthly ES rates are applicable to default supply
8 customers in the Large Customer Group, while default customers in the Small Customer
9 Group are charged the same ES rate during the six-month period.

10 **Q. What ES rate do you propose for the Small Customer Group?**

11 A. The proposed rate for the Small Customer Group is \$0.09758 per kWh.

12 **Q. What ES rates do you propose for the Large Customer Group?**

13 A. The proposed rates are shown in Tables 1 through 3 below:

Table 1

G-1 and G-2 Rates Effective February 1, 2024

<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>
\$0.14101	\$ 0.08671	\$0.06629	\$ 0.05931	\$ 0.08073	\$ 0.09854

14

15 **Q. Do these proposed rates apply to customers on a TOU supply rate?**

16 A. No. The TOU supply rates for EV-L and EV-M are set using the model that was
17 approved in Docket No. DE 20-170, Order No. 26,604 (April 7, 2022), for the six-month
18 procurement period.

Table 2
EV-L Commercial EV TOU Charging Rate

<u>Period</u>	<u>Critical Peak</u>	<u>Mid Peak</u>	<u>Off Peak</u>
Winter (Feb 2024-Apr 2024)	\$ 0.10407	\$ 0.08393	\$ 0.08091
Summer (May 2024- Jul 2024)	\$ 0.34589	\$ 0.08634	\$ 0.06739

1

Table 3
EV-M Commercial EV TOU Charging Rate

<u>Period</u>	<u>Critical Peak</u>	<u>Mid Peak</u>	<u>Off Peak</u>
Winter (Feb 2024-Apr 2024)	\$ 0.10401	\$ 0.08378	\$ 0.08099
Summer (May 2024- Jul 2024)	\$ 0.34439	\$ 0.08480	\$ 0.06677

2

With respect to the distribution rate revisions filed for EV-L and EV-M on November 1 and 2, 2023 in Docket 20-170, Liberty indicated that it had discovered errors in this approved model impacting the distribution rate updates. However, we do not believe those errors impact the calculation of these supply rates.

3

4

5

6 **Q. What rates do you propose for the TOU rates D-11 and D-12?**

7 A. Our proposed time-of-use rates are shown in Table 4 below:

Table 4

D-11 Battery Storage/ D-12 Residential EV TOU Charging Rate

<u>Period</u>	<u>Critical Peak</u>	<u>Mid-Peak</u>	<u>Off-Peak</u>
Winter (Feb 2024–Apr 2024)	\$ 0.15197	\$ 0.14643	\$ 0.12896
Summer (May 2024–Jul 2024)	\$0.16314	\$0.07796	\$0.04675

8

9

D-11 and D-12 energy service rates are calculated following methodology approved in

10

Docket No. 17-189

1 **Q. Have you provided workpapers that show your calculations?**

2 A. Yes, please see Attachments RG/JMK-1 and RG/JMK-2 for the workpapers supporting
3 the non-time-of-use rate calculations. The workpapers for the time-of-use rates contain
4 thousands of lines of data and, as such, filing the model as an attachment is not feasible,
5 but can be provided in a live excel version for review purposes.

6 Attachment RG/JMK-1 provides the calculation of the total monthly ES rates for the
7 Large Customer class including (i) the forecasted cost of Energy Service and (ii) the RPS
8 adder and two reconciling factors that were approved by the Commission in Order No.
9 26,854 on June 30, 2023., The monthly rates for the six-month period are calculated on
10 Line 17.

11 Attachment RG/JMK-2 provides the calculation of the total monthly ES rates for the
12 Small Customer class including (i) the forecasted cost of Energy Service and (ii) the RPS
13 adder and two reconciling factors that were approved by the Commission in Order No.
14 26,854 on June 30, 2023. The weighted average fixed rate for the six-month period is
15 calculated on Line 21.

16 **Q. Please explain how the Time of Use rates are calculated.**

17 A. The TOU rates are calculated using the cost duration method as approved in Docket Nos
18 DE 17-189 and DE 20-170. These calculations employ 2020 hourly load and locational
19 marginal price (“LMP”) data to develop cost ratios for each of the three pricing periods
20 (that is, sum of hourly load times applicable LMP for each hour of a period divided by

1 total annual cost at LMP) , which are in turn applied to the bid prices to develop critical
2 peak, mid-peak and off-peak rates)

3 **V. BILL IMPACTS**

4 **Q. Has the Company determined the impact of the energy service rate change on a**
5 **typical residential customer bill?**

6 A. Yes. As shown in Attachment RG/JMK-3, Page 1, for a residential customer taking
7 Energy Service and using 650 kWh per month, the total bill impact of the proposed rate
8 in this filing, as compared to current rates, is a bill decrease of \$18.38 per month, or 11
9 percent, from \$167.13 to \$148.75. The proposed February 1, 2024, rates include the
10 approved change in the system benefits charge rate for effect on January 1, 2024, per
11 Order No. 26,908 (November 20, 2023). The Energy Service rate component alone as
12 compared to current rates, amounts to bill decrease of \$18.55 per month, or 23 percent.

13 Attachment RG/JMK-3, Page 2, compares actual historical rates in effect on February 1,
14 2023, to proposed rates effective February 1, 2024. For a residential customer taking
15 Energy Service and using 650 kWh per month, the total bill impact of the proposed rate
16 in this filing, as compared to rates effective on February 1, 2023, is a bill decrease of
17 \$76.78 per month, or 34 percent, from \$225.53 to \$148.75. The proposed February 1,
18 2024, rates include approved change in the system benefits charge effective on January 1,
19 2024, per Order No. 26,908 (November 30, 2023). The Energy Service rate component
20 alone as compared to ES rates effective on February 1, 2023, amounts to a bill decrease
21 of \$79.62 per month, or 56 percent.

1 **Q. Has the Company provided updated tariff pages as part of this filing?**

2 A. Yes. Updated tariff pages have been provided as Attachment RG/JMK-4.

3 **Q. Does the Company have comments on the recent letter of non-compliance regarding**
4 **TOU tariffs?**

5 A. Yes. On November 1 and November 2, 2023, the Company filed a compliance tariff and
6 cover letter regarding its seasonal time of use rates. The cover letter stated that the
7 Company had discovered an error in the model that generates the EV-L and EV-M rates
8 and that the Company elected to file the incorrect rates on the grounds that they resulted
9 from the model approved by the Commission in Order No. 26,604 and that it did not have
10 the authority to file any other rates. On December 4, 2023, the Company received a letter
11 of non-compliance regarding its seasonal time of use rates compliance tariff filing
12 submitted on November 1 and November 2, 2023. As discussed briefly earlier in the
13 testimony, this issue, in regards to the models, does not affect the calculation of Energy
14 Service rates. The Company requests an extension to file compliance tariff pages to
15 January 16, 2024, to allow time to work with parties to review the proposed corrections
16 to the EV-L and EV-M models and avoid any further letters of non-compliance.

17 **Q. Does Liberty require Commission approval of this rate by a specific date?**

18 A. Yes. In order to lock in the RFP results and make effective the contracts executed with
19 the winning bidders, Liberty is seeking approval of the proposed ES rates by December
20 15, 2023.

1 **Q. Does this conclude your testimony?**

2 **A.** Yes, it does.