Granite State Electric Company d/b/a Liberty Utilities

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January 2013 Retail Rate Filing

Testimony and Schedules of

Meera B. Reynolds

and

John D. Warshaw

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Submitted to:
New Hampshire Public Utilities Commission
Docket No. DE 12-____

Liberty Utilities℠

DIRECT TESTIMONY

OF

MEERA BHALOTRA REYNOLDS

Table of Contents

I. Introduction 1

II. Purpose of Testimony 2

III. Stranded Cost Charge 4
 Base Stranded Cost Charge 4
 Reconciliations 5
 2013 Adjustment Factors 7

IV. Transmission Service Charge 8
 Transmission Service Cost Adjustment Provision 8
 Reconciliations 9
 2013 Adjustment Factor 11
 2013 Base Transmission Service Rates 11

V. GreenUp Service 13
 GreenUp Service Recovery Provision 13
 Reconciliation 13

VI. Effective Date and Rate Impacts 15

VII. Conclusion 16

I. <u>Introduction</u>

Q. Please state your name and business address.

A. My name is Meera Bhalotra Reynolds, and my business address is 11 Northeastern Blvd., Salem, NH 03079.

Q. Please state your position.

A. I am Utility Analyst for Liberty Energy Utilities (New Hampshire) Corp. ("Liberty Energy NH") which is the sole shareholder of Granite State Electric Company ("Granite State" or the "Company") and provides services to Granite State. I am responsible for providing rate-related services for the Company.

Q. Please describe your educational background and training.

A. I graduated from Brandeis University in 2001 with a Bachelor of Arts in Economics. I received a Master's of Public Policy from Georgetown University in 2009.

Q. What is your professional background?

A. In January of 2012, I joined Liberty Energy NH as Utility Analyst. Prior to my employment at Liberty Energy NH, I was employed by National Grid USA Service Company ("National Grid") as a Lead Analyst in Energy Efficiency from 2009 to 2011. Prior to my employment at National Grid, I was employed at the Massachusetts Department of Public Utilities from 2004 to 2007 as an Economist in the Rates and Revenue Requirements Division.

Q. Have you previously testified before the New Hampshire Public Utilities Commission ("Commission")?

A. No.

Q. Have you testified before any other state regulatory agencies?

A. Yes. I have provided oral testimony on behalf of National Grid before the Massachusetts Department of Public Utilities regarding energy efficiency plans for Massachusetts.

II. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present Granite State's proposed rate adjustments for 2013 in accordance with the Company's reconciliation and adjustment provisions of its tariff, and the Company's Amended Restructuring Settlement Agreement approved in Docket No. DR 98-012 ("Amended Settlement Agreement"). The reconciliations and adjustments I describe in my testimony relate to the Stranded Cost Charge, transmission charges, and GreenUp Service Recovery Adjustment charge.

The purpose of the reconciliation analyses is to determine the difference between revenues collected under each charge and the Company's actual expenses. For each of the charges, the Company calculates an adjustment factor based on the result of each reconciliation, which is used to determine whether a refund to or recovery from customers is necessary. This filing also presents the final reconciliation of balances approved for refund or recovery through adjustment factors, the refund or recovery of which has been completed since the Company's last reconciliation filing on November

29, 2011, and proposes a disposition of any remaining balances related to these adjustment factors. I will discuss each provision subject to reconciliation, its reconciliation, and its proposed adjustment factor separately.

My testimony also presents the proposed rate design for the Company's forecasted 2013 transmission expenses, per the Company's Transmission Service Cost Adjustment Provision, and changes in Granite State's Stranded Cost Charge, per the Company's Amended Settlement Agreement.

Q. Did you perform your analyses consistent with National Grid's processes and procedures for similar filings in previous years?

A. Yes. I worked closely with National Grid's Rates and Pricing staff to understand their processes and have performed my analyses consistent with past methods and practices.

Q. Please summarize the results of the adjustments and reconciliations which Granite State proposes to implement in 2013.

A. The Company proposes to implement the following adjustments to its rates beginning January 1, 2013, for usage on and after that date:

Average charge (¢ / kWh)	2012	2013	Increase (Decrease)
Stranded Cost Charge	0.090 ¢	0.150 ¢	0.060 ¢
Transmission Service Charge	1.554 ¢	1.860 ¢	0.306 ¢
GreenUp Recovery Adjustment Factor	0.000 ¢	-0.001 ¢	-0.001 ¢
Total	1.644 ¢	2.009 ¢	0.365 ¢

Schedule MBR-1 presents the proposed stranded cost, transmission adjustment, and GreenUp recovery adjustment factors and rates.

III. <u>Stranded Cost Charge</u>

<u>Base Stranded Cost Charge</u>

Q. Please discuss, in general terms, the Company's proposed adjustment and reconciliation of its Stranded Cost Charge.

A. Granite State's Stranded Cost Charge consists of two components. The first is a uniform charge per kilowatt-hour ("kWh") that the Company charges all customers, which reflects the Contract Termination Charge ("CTC") assessed by New England Power Company ("NEP") for calendar year 2013. The second component is comprised of adjustment factors specific to each rate class. These adjustment factors reflect the reconciliation of stranded cost collections for the 12 months ended September 30, 2012. Both of these components are in accordance with the Company's Stranded Cost Adjustment Provision as presented in the Company's tariff.

Q. Please describe the purpose of the CTC assessed by NEP.

A. In 1996, the New Hampshire Legislature enacted RSA 374-F, a statute which directed the Commission to develop a restructuring plan to implement electric retail choice for all customers ("Restructuring"). Prior to Restructuring, Granite State customers' were served by generation assets owned by the Company's affiliate, NEP. During the Restructuring process, Granite State, NEP, and other parties agreed to a divestiture of NEP's generation assets. As part of its Electric Utility Restructuring Offer of Settlement in DR 96-150, ("Restructuring Settlement") the CTC was established to recover stranded costs associated with this divestiture.

Q. Please describe the changes to the Stranded Cost Charge resulting from the changes in the CTC assessed by NEP for 2013.

A. Granite State is proposing to increase the uniform Stranded Cost Charge from 0.090 ¢ per kWh to 0.150 ¢ per kWh for the period beginning January 1, 2013. This represents an increase of 0.060 ¢ per kWh of the uniform charge. As of this filing, NEP has not finalized its 2013 CTC, but expects to do so on or before December 1, 2012, at which time NEP will provide the reconciliation report to the Commission and the signatories to the Amended Settlement Agreement in accordance with Section 3.5 of the Wholesale Settlement approved by the Federal Energy Regulatory Commission. If the final CTC is different than today's proposed value, the Company will update its proposed Stranded Cost Charge accordingly.

<u>Reconciliations</u>

Q. Please describe the Stranded Cost adjustment factors and the reconciliation used to determine those factors.

A. The Company performs an annual reconciliation of its revenues from the Stranded Cost Charge billed to customers and recorded in its general ledger with the CTC expenses paid to NEP to arrive at its rate class specific adjustment factors. Details for the reconciliation for the period October 2011 through September 2012 are in Schedule MBR-2.

Q. Please explain the adjustments to the Stranded Cost revenue on pages 2 and 3 of

Schedule MBR-2, column (c).

A. The adjustment in column (c) on page 2 for Rate D is a correction of CTC expense incorrectly recorded for August, 2011, in the reconciliation presented in the Company's last reconciliation filing on November 29, 2011. The rest of the adjustments in column (c) are reflected in January 2012 for rates D, D-10, T, V, and M, and represent the final balance of the 2011 Stranded Cost adjustment factor reconciliation after completion of the refund of the reconciliation balance for the period October 2009 through September 2010 at the end of 2011. The reconciliation and remaining amounts for each rate class are found in Schedule MBR-3. Reflecting these final balances as adjustments in the current period's reconciliation ends the 2011 Stranded Cost Adjustment factor reconciliation, providing final resolution of the remaining balance.

Q. Has the Company prepared a reconciliation of the Stranded Cost adjustment factors that were implemented in 2011?

A. Yes. Schedule MBR-3 presents the final reconciliation for the 2011 factors. The 2011 Stranded Cost adjustment factors were intended to recover a combined net under collection of $258, which was recovered from customers during 2011. By the end of 2011, the Company had a remaining under collection of $45. This amount, as discussed above, is reflected as an adjustment in this year's reconciliation. The final balance is reflected in January 2012, as the Company indicated would occur in its November 29, 2011 Retail Rate filing.

Q. Has the Company prepared a reconciliation of the Stranded Cost adjustment factors that were implemented in 2012?

A. Yes. Schedule MBR-4 presents the current status of the 2012 factors. The currently effective 2012 Stranded Cost adjustment factors are intended to recover a net under collection of $15 to customers on rates D-10 and M, and this net amount is being reflected on customers' bills during 2012. By the end of October 2012, the status of the 2012 Stranded Cost adjustment factor reconciliation is a combined net under collection of $23, which remains to be collected from customers by the end of 2012. Any remaining balances after the end of the refund/recovery period will be reflected as adjustments in next year's reconciliation.

Q. Why did the net under collection increase from $15 to $23?

A. The net under collection of $15 was a function of an over collection from rate D-10 of $60 and an under collection of $75 from rate M. As of October 2012, the remaining over recovery to be refunded for rate D-10 is $20 and the remaining under recovery to be collected for rate M is $43. As a result, while each balance is reduced compared to its level at the beginning of the refund/recovery period, the net balance is larger.

<u>2013 Adjustment Factors</u>

Q. Has the Company calculated proposed Stranded Cost adjustment factors for 2013?

A. Yes. Schedule MBR-5 calculates a Stranded Cost adjustment factor per kilowatt-hour for each rate class to be applied to all retail delivery service customer bills in that rate class for the period January 2013 through December 2013. A Stranded Cost adjustment factor is indicated for classes D-10, V, and M. The remaining rate classes (D, T, G-1, G-2, and G-3) have balances so low that their calculated adjustment factor is zero. Therefore, the Company proposes that there be no Stranded Cost adjustment factors for these rate classes, and that the balances for these rate classes be carried forward as the beginning balance in the next reconciliation (October 2012 through September 2013).

Q. How does the methodology used for the Company's Stranded Cost adjustment factor determination and reconciliation compare to the other reconciliations presented in your testimony?

A. NEP bills its CTC based on the number of kilowatt-hours delivered by the Company on a cycle-billed basis. This process eliminates the timing differences between cycle and calendar-month billing that is present for some of the Company's other reconciliations, such as the transmission reconciliation. There is, therefore, a more accurate matching of revenue and expense for stranded cost recovery than there is for the other reconciliations presented in this filing, resulting in correspondingly small Stranded Cost adjustment factors.

IV. Transmission Service Charge

Transmission Service Cost Adjustment Provision

Q. Please describe the Company's Transmission Service Cost Adjustment Provision ("TSCA").

A. The Company recovers its transmission-related expenses pursuant to the TSCA, which allows the Company to recover costs billed to it by ISO-New England and NEP through the ISO New England Inc. Transmission, Markets, and Services Tariff ("ISO Tariff").

Reconciliations

Q. Does the TSCA provide for a reconciliation of the Company's transmission revenue and transmission expense?

A. Yes. The Company's TSCA provides for full reconciliation of transmission revenue and expense and rate adjustment for any over or under recovery of transmission costs from the prior year.

Q. Has the Company prepared a reconciliation analysis for transmission revenues?

A. Yes. Schedule MBR-6 presents a reconciliation of actual transmission revenues and expenses for the period October 2011 through September 2012.

Q. Please explain the October 2011 and January 2012 adjustments on Schedule MBR-6, page 1, column (c).

A. The adjustment in October 2011 is related to the true up of the estimated expenses for September 2011 reflected in last year's transmission service reconciliation for the period October 2010 through September 2011 to arrive at the over collection upon which the 2012 transmission service adjustment factor is based. As described in the November 29, 2011 Retail Rate filing, the adjustment in January 2012 is related to the final balance of the September 2010 under recovery of transmission costs recovered through the 2011 transmission service adjustment factor, which is discussed below.

Q. Why, on page 3 of Schedule MBR-6, does the month October 2012 appear to show only a partial month of transmission revenue?

A. The transmission service reconciliation involves a comparison of revenue billed on a cycle basis with expenses incurred on a calendar month basis. In order to match more accurately transmission service revenue with expenses, the reconciliation is designed to account for actual usage which occurs during the period covered by the reconciliation, regardless of the month in which such usage is billed. Thus, the September 2012 usage that was billed in October 2012 is reflected in this year's reconciliation.

Q. Has the Company prepared a reconciliation analysis for the 2011 transmission service cost adjustment factor?

A. Yes; it is included as Schedule MBR-7. As shown in Schedule MBR-7 for the 2011 transmission service adjustment factor, of the $180,517 over collection from the October 2009 through September 2010 transmission service reconciliation, $169,751 has been refunded through the end of 2011, resulting in a remaining refund of $10,766. The Company has reflected this amount in this year's transmission service reconciliation in January 2012, which can be seen on Schedule MBR-6, page 1, column (c). Reflecting this final balance as an adjustment in the current period's reconciliation ends the 2011 transmission service adjustment factor reconciliation, providing final resolution of the remaining balance.

Q. Has the Company prepared a reconciliation analysis for the 2012 transmission service cost adjustment factor?

A. Yes; it is included as Schedule MBR-8. As shown in Schedule MBR-8 for the 2012 transmission service adjustment factor, of the $1,075,162 over collection from the transmission service reconciliation for the period through September 2011, $836,471 has been refunded through October, 2012. The remaining $238,691 remains to be refunded through the end of the year. Any remaining balance, positive or negative, will be reflected in next year's transmission service reconciliation.

<u>2013 Adjustment Factor</u>

Q. Is the Company proposing a transmission service adjustment factor for 2012?

A. Yes. The Company is proposing a uniform transmission service adjustment factor of 0.063 ¢ per kWh as calculated in Schedule MBR-9.

Q. How was this adjustment factor derived?

A. This factor was calculating by dividing the under collection of transmission expense at September 2012 from Schedule MBR-6 by the forecasted kilowatt-hour deliveries for calendar year 2013.

Q. How would this factor be implemented?

A. The transmission service adjustment factor would become effective for usage on and after January 1, 2013. The proposed adjustment factor would be applied to bills of all customers taking transmission service through the Company.

<u>2013 Base Transmission Service Rates</u>

Q. Why is the Company proposing new base transmission rates at this time?

A. The Company's Transmission Service Cost Adjustment Provision states that the base transmission rates shall be calculated annually based on a forecast of transmission costs to be incurred by the Company to provide transmission service to its retail delivery service customers. The rate at which these costs are collected is to be calculated separately for each of the Company's rate classes based on cost-incurrence.

Q. What is the forecast of 2013 transmission costs?

A. As discussed in the testimony of John D. Warshaw included in this filing, the Company's transmission costs are expected to be approximately $17.0 million in 2013. This forecast of transmission expense yields an average rate of 1.797 ¢ per kWh, which compares to the currently effective average transmission rate of 1.670 ¢ per kWh exclusive of the adjustment factor. Based on these estimates, the Company determined that it should propose new rates effective January 1, 2013 to better match the projected incurrence of transmission costs. The Company is including its proposed transmission service rate design based on this forecast of transmission expenses for 2013 in Schedule MBR-10.

Q. How does the Company propose to design the base transmission rates effective January 1, 2013?

A. Since base transmission rates are unique by rate class, the first step in designing the proposed base transmission rates is to allocate the forecast of transmission costs to each rate class. The Company implemented the same allocation methodology used by National Grid and accepted by the Commission in previous Retail Rate filings, which is to allocate based on each rate class's contribution to system peak. This analysis is presented in Schedule MBR-10 on page 2.

V. <u>GreenUp Service</u>

<u>GreenUp Service Recovery Provision</u>

Q. Please describe GreenUp Service and the associated GreenUp Service Recovery Provision.

A. As approved by the Commission in Order 25,101 in Docket DE 09-225, the Company offers GreenUp as a market-based, renewable and "…optional tariff-based offering for residential and small business default service customers." <u>See</u> Order 25,101 at 2. The GreenUp Service Recovery Provision addresses cost recovery related to GreenUp Service.

<u>Reconciliation</u>

Q. Does the GreenUp Service Recovery Provision provide for a reconciliation of the Company's costs associated with GreenUp Service?

A. Yes. The Company's GreenUp Service Recovery Provision provides for reconciliation of administrative costs incurred by the Company for providing GreenUp Service in accordance with RSA 374-F:3, V(f) via a GreenUp Service Recovery Adjustment ("GSRA") factor. The GSRA factor is a uniform cents per kilowatt-hour factor applicable to all kilowatt-hours delivered by the Company to customers taking retail delivery service under each of the Company's rates.

Under the GreenUp Service Recovery Provision in the Company's tariff, the GSRA factor is established annually based on a forecast of GreenUp Service administrative costs, and should include a full reconciliation and adjustment for any over or under recoveries occurring under the prior year's adjustment.

Q. Please discuss the historic GSRA factors.

A. Effective July 1, 2010, the Company implemented a GSRA factor of 0.006 ¢ per kWh. Within the first year of the program, the Company had an over recovery in excess of $12,000. Due to this over recovery, the Company reduced the factor to zero, effective July 1, 2011. The Company has made no adjustment to the factor since that time.

Q. Has the Company prepared a reconciliation and forecast of administrative costs attributable to GreenUp Service?

A. Yes. It is included as Schedule MBR-11. This schedule presents recoverable GreenUp Service costs and revenues since the program's inception, July 1, 2010 through September 2012.

Q. Is the Company proposing an adjustment to its GreenUp Service Recovery Adjustment factor at this time to reflect the reconciliation?

A. Yes. The Company is proposing a uniform GSRA credit of (0.001 ¢) per kWh as calculated in page 1 of Schedule MBR-11 to refund the existing over collection to customers.

Q. How was this adjustment factor derived?

A. This factor was calculating by dividing the sum of the over collection of GreenUp Service costs at September 2012 with the forecast of GreenUp Service costs for 2013 by the forecasted kilowatt-hour deliveries for calendar year 2013.

Q. How did the Company develop its forecast of GreenUp Service costs for 2013?

A, The Company included administrative costs equal to the most recent annual level of administrative costs incurred for the GreenUp program. The Company does not anticipate increasing administrative costs, as program participation has remained relatively low over the past two years and has not appeared to respond to additional marketing efforts. As a result, the Company believes that it is appropriate to refund the over collection at this time.

Q. How would this factor be implemented?

A. The GSRA factor would become effective for usage on and after January 1, 2013. The proposed adjustment factor would be applied to bills of all customers taking delivery service through the Company.

VI. <u>Effective Date and Rate Impacts</u>

Q. How and when is the Company proposing that these rate changes be implemented?

A. Consistent with the Commission's rules on the implementation of rate changes, the Company is proposing that all of the above rate changes be made effective for usage on and after January 1, 2013.

Q. Has the Company determined the impact of these rate changes on customer bills?

A. Yes. A bill comparison for a typical residential 500 kilowatt-hour customer receiving Default Service has been included in this filing on page 1 of Schedule MBR-12. The total bill impact of the rates proposed in this filing, as compared to rates in effect today, is a monthly bill increase of $1.19 or 1.73%, from $68.72 to $69.91. In addition, a bill comparison for a Default Service residential customer with an average kilowatt-hour usage of 665, which is the average monthly usage over the twelve month period from November 2011 through October 2012, has also been included in this filing on page 2 of Schedule MBR-12. The total bill impact of the rates proposed in this filing, as compared to rates in effect today, is a monthly bill increase of $1.58 or 1.72%, from $92.14 to $93.73.

Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the proposed rates?

A. Yes. It is included as Schedule MBR-13. The Summary of Rates reflects both the proposed rate changes contained in this filing and the currently effective distribution and default service rates, as well as the currently effective Electricity Consumption Tax and Systems Benefit Change. Upon receiving an order from the Commission approving the Company’s proposed rate changes in this proceeding, the Company will file a Third Revised Page 84, Summary of Rates tariff page reflecting the approved rates.

VII. Conclusion

Q. Does this conclude your testimony?

A. Yes. It does.