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**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**PUBLIC UTILITIES COMMISSION**

**DE 14-216**  
**2017 NH STATEWIDE CORE ENERGY EFFICIENCY PLAN**

**DIRECT TESTIMONY**  
**OF**  
**JAMES J. CUNNINGHAM, JR.**

**Date: November 8, 2016**

1 **I. Introduction and Purpose of Testimony**

2

3 **Q. Please state your name, current position and business address.**

4 A. My name is James J. Cunningham, Jr. and I am employed by the New Hampshire Public  
5 Utilities Commission (Commission). My business address is 21 S. Fruit Street, Suite 10,  
6 Concord New Hampshire, 03301.

7

8 **Q. Please summarize your educational and professional background.**

9 A. My educational and professional background is summarized in Appendix A.

10

11 **Q. What is the purpose of your testimony?**

12 In Order No. 25,932, in Docket No. DE 15-137, the New Hampshire Public Utilities  
13 Commission (“NHPUC”) approved a Settlement Agreement to implement an Energy  
14 Efficiency Resource Standard (“EERS”) in New Hampshire beginning in 2018. To  
15 prepare for implementation of the EERS, the Settlement Agreement provided that the  
16 Core energy efficiency programs for Electric and Gas Utilities should be continued for  
17 2017. The purpose of my testimony is to address two provisions in the Settlement  
18 Agreement that introduce new elements for the 2017 Core programs: (1) introduction of  
19 lost base revenue (“LBR”) and (2) lowering of performance incentives (PI).

20

21 **Q. Please provide an overview of your testimony on LBR and PI.**

1 A. My testimony on LBR reviews the proposed calculations of LBR for each of the Electric  
2 Utilities and Gas Utilities.<sup>1</sup> I begin with a review of the level of “annual” kWh and  
3 MMBtu savings to ensure that annual savings targets established by the Commission in  
4 its EERS order (Order No. 25,932) are reflected in the savings targets in this 2017 filing  
5 (ref. Table 1). Next, I review the derivation of “installed savings”, i.e., annual savings  
6 associated with measures that are actually installed during 2017 (ref. Table 2); and, the  
7 calculation of LBR amounts based on installed savings (ref. Table 3 and Table 4).  
8 Finally, I review the proposed recovery mechanisms which are incorporated in the SBC-  
9 Energy Efficiency rates (for Electric EE programs) and the LDAC-Energy Efficiency  
10 rates (for Gas EE programs) to ensure that the rates properly reflect the changes set for in  
11 the approved Settlement for LBR (Table 5 and Table 6).  
12 With respect to performance incentive (PI), I reviewed the filing to ensure that proposed  
13 PI calculations properly reflect the requirements of Commission Order No. 25,932 (Table  
14 7).

## 15 II. Lost Based Revenue (LBR)

16  
17 **Q. Based on your analysis, what are your overall conclusions and recommendations**  
18 **regarding LBR?**

19 A. Based on my analysis, I believe that the proposed amounts for LBR and the associated  
20 SBC-EE and LDAC-EE recovery mechanisms are calculated in accordance with  
21 Commission Order No. 25,932 and I recommend that the Commission approve them.  
22

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<sup>1</sup> NHEC, pursuant to the Settlement Agreement in Docket No. DE 15-137, is not proposing to collect LBR from its customers; therefore, NHEC does not provide any calculation for LBR in this filing.

1 **Q. Please continue by explaining the individual components of your LBR analysis.**

2 A. My analysis indicates that LBR for 2017 Core programs is based on a level of savings  
3 that is essentially the same level as approved by the Commission in the EERS docket  
4 (Table 1).

5 Further, my analysis indicates that the Electric and Gas Utilities are using the  
6 methodology approved by the Commission in the EERS docket – i.e., “installed” savings  
7 multiplied by average distribution rates excluding customer charges. Installed savings is  
8 a subset of annual savings. Table 2 provides a comparison of annual versus installed  
9 savings. With respect to Liberty (Energy North Natural Gas), it appears to be using a  
10 unique calculation for installed savings, unlike other utilities, and I address Liberty’s  
11 uniqueness below.

12 In my review of average distribution rates, used to calculate LBR, my analysis indicates  
13 that Liberty and Eversource are incorporating refinements to average distribution rates.  
14 These refinements have the effect of reducing distribution rates and reducing LBR and it  
15 appears that other Utilities should be incorporating these same refinements as well;  
16 however, it’s not clear if they have done so.<sup>2</sup>

17 Overall, the proposed LBR for Electric Utilities is \$768,715; and, for Gas Utilities, the  
18 proposed LBR is \$189,706 (Table 3).

19 My testimony recommends a standardized template to be used in future filings for  
20 purposes of calculating LBR amounts. I believe a standardized template will facilitate

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<sup>2</sup> Average distribution rates are refined to exclude customer, meter and luminaire charges for Liberty and Eversource (ref. Liberty Attachment O, page 6 of 11 pages (Bates 133) and Eversource Attachment Q, page 6 of 9 pages (Bates 173) and elsewhere); however, it’s not clear if refinement is reflected in the average distribution rates of other utilities.

1 the Commission's review of LBR, while at the same time, streamline the review by the  
2 Commission's Audit Division (Schedule JJC 1).

3  
4 **Q. Please continue by explaining why LBR is being proposed in this filing.**

5 A. LBR is proposed in response to Commission Order No. 25,932, in Docket No. 15-137.

6 As noted in the joint utility testimony of Karen M. Asbury, Christopher J. Goulding,  
7 Heather M. Tebbetts and Carol M. Woods in this proceeding, LBR for Electric Utilities is  
8 calculated based on the kilowatt-hour (kWh) sales reduction due directly to the  
9 implementation of energy efficiency measures installed as a result of the energy  
10 efficiency programs. This reduction in sales, when multiplied by distribution rates,  
11 translates into revenues that the utility would have otherwise received, absent the energy  
12 efficiency programs.<sup>3</sup>

13  
14 **Q. For purposes of calculating LBR, do the Electric and Gas Utilities reflect the annual  
15 savings targets approved by the Commission in its EERS order?**

16 A. Yes. Annualized savings targets approved by the Commission in its EERS order are  
17 reflected in the proposed 2017 Core filing. Table 1 provides a comparison of the savings  
18 approved in the Commission's EERS Order versus the 2017 Core filing.

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<sup>3</sup> Reference: Joint Utility Testimony, starting at page 3, line 7. Gas Utilities did not provide Joint Testimony; however, this overview could be used to describe the Gas Utilities LBR as well.

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**Table 1**  
**Annual Savings Targets**

	<u>EERS Order</u>	<u>2017 Core Filing</u>	<u>Core Ref.</u>
<b>Electric Utilities:</b>			
Liberty	4,220 MWh	5,129 MWh	Bates 037
NHEC	3,222 MWh	3,332 MWh	Bates 047
Eversource	50,503 MWh	49,938 MWh	Bates 052
Unitil	<u>6,251 MWh</u>	<u>6,701 MWh</u>	Bates 057
<b>Total</b>	<b>64,196 MWh</b>	<b>65,100 MWh</b>	
<b>Natural Gas Utilities:</b>			
Liberty (Energy North)	123,553 MMBtu	123,554 MMBtu	Bates 042
Unitil (Northern)	<u>30,511 MMBtu</u>	<u>30,575 MMBtu</u>	Bates 062
<b>Total</b>	<b>154,064 MMBtu</b>	<b>154,129 MMBtu</b>	

This Table shows that the overall 2017 Core savings are essentially the same as the level of savings approved in the EERS order.

- Q. Are the “annualized” savings summarized in Table 1 used to calculate LBR?**
- A. Annualized savings are the starting point for calculating LBR. However, the calculation of 2017 LBR is not based on annual savings, rather it is based on “installed” savings. Installed savings is based on the assumption that measures are installed throughout the year. For measures that are installed in January, monthly installed savings would be counted for twelve months. For measures that are installed in February, monthly installed savings would be counted for eleven months; and, so on. These installed

savings are cumulated monthly and used to calculate LBR. Table 2 provides a comparison of annualized savings and installed savings.

**Table 2**  
**“Annualized” Savings Vs. “Installed” Savings**

	<u>“Annualized” Savings Targets</u>	<u>“Installed” Savings For LBR</u>	<u>Percentage</u>
<b>Electric Utilities:</b>			
Liberty	5,129 MWh	2,008 MWh	39.2%
NHEC	n/a	n/a	n/a
Eversource	49,938 MWh	20,045 MWh	40.1%
Unitil	6,701 MWh	3,265 MWh	
48.7%			
<b>Natural Gas Utilities:</b>			
Liberty (EnergyNorth)	123,554 MMBtu	49,599 MMBtu	40.1%
Unitil (Northern)	30,575 MMBtu	8,127 MMBtu	26.6%

This Table shows that Electric and Gas Utilities are proposing installed savings of 27 percent to 49 percent of annualized savings for purposes of calculating 2017 LBR.

**Q. Is it correct that Gas Utilities propose LBR recovery attributable to energy efficiency in the COG proceeding? Why is this done outside the context of the Core proceeding?**

**A. Yes, it is correct that Gas Utilities are proposing recovery of LBR attributed to energy efficiency in the Cost of Gas (COG) proceeding. This is done since the COG filing has**

1 historically included a recovery mechanism for energy efficiency (EE) programs in the  
2 Local Distribution Adjustment Clause (LDAC). One component of the LDAC is the EE  
3 component; therefore, given the existing LDAC-EE mechanism, the Settlement in DE 15-  
4 137 called for adding the LBR component to the LDAC mechanism.

5  
6 **Q. Have you reviewed the amounts incorporated in the LDAC-EE component and the**  
7 **LDAC-LBR component to ensure that the amounts match the amounts proposed in**  
8 **this instant docket?**

9 A. Yes. I have reviewed the information and it matches the information contained in the  
10 COG filing.

11 With respect to Liberty (Energy North Natural Gas), there is a difference in the amount  
12 proposed for LBR and the amount that I calculate. Later in my testimony, I explain the  
13 difference in more detail and provide a recommendation. With respect to Northern, my  
14 analysis shows no differences.

15  
16 **Q. Is there any difference in the basic structure of the LBR recovery mechanism in the**  
17 **LDAC mechanism for Gas Utilities versus the SBC mechanism for the Electric**  
18 **Utilities?**

19 A. The basic structure for the LBR recovery mechanism is the same; however, for this initial  
20 LBR filing, there is a timing difference. The time period covered by the LDAC  
21 mechanism for LBR is the ten month period, from January 2017 to October 31, 2017. By  
22 comparison, the time period for the SBC mechanism for the Electric Utilities is calendar  
23 year 2017. The shorter ten-month period mirrors the fact that the Commission approved



1 lost revenue effective January 1, 2017 in its EERS Order 25,932; and, the Commission  
 2 approved the LDAC recovery mechanism for the period ending October 31, 2017.<sup>4</sup> In the  
 3 next filing, both Electric and gas LBR calculations will cover a twelve month time  
 4 period.

5  
 6 **Q. Please provide a summary of the installed savings and associated LBR for the**  
 7 **Electric and Gas Utilities.**

8 **A.** Table 3 provides a summary of installed savings and LBR amounts proposed for 2017  
 9 Core programs.

10  
 11 **Table 3**  
 12 **Summary of Installed Savings and LBR**

	<u>"Installed"</u> <u>Savings</u>	<u>LBR</u> <u>Amount</u>	<u>Reference</u>
<b>Electric Utilities:</b>			
Liberty	2,009 MWh	\$ 59,190	Core (Bates131)
NHEC	3,332 MWh	n/a	
Eversource	49,938 MWh	\$607,130	Core (Bates 171)
Unitil	<u>6,701 MWh</u>	<u>\$102,395</u>	Core (Bates 180)
Total	61,980 MWh	\$768,715	
<b>Natural Gas Utilities:</b>			
Liberty (EnergyNorth)	123,554 MMBtu	\$170,534	Core (Bates 159)
Unitil (Northern)	<u>30,575 MMBtu</u>	<u>\$ 19,172</u>	Core (Bates 208)
Total	154,129 MMBtu	\$189,706	
<b>Total</b>		<u>\$958,421</u>	

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<sup>4</sup> Liberty Utilities (Energy North Natural Gas, 2016-2017 Winter/Summer Cost of Gas Filing, Docket No. DG 16-814, Order No. 25,958; and, Northern Utilities, Inc., 2016-2017 Winter/Summer Cost of Gas Filing, Docket No. DG 16-819, Order No. 25,959.

1 Q. Do you have any recommendations about the average distribution rates proposed by  
2 the Electric and Gas Utilities that are used to calculate LBR?

3 A. Yes. I have three recommendations. First, I recommend a standard format for presenting  
4 average distribution rates for filing purposes. Each Electric Utility has a slightly different  
5 presentation of average distribution rates and it would be helpful if a standardized  
6 template were used by each Electric Utility. The template used by Until is preferred  
7 since it is the most comprehensive of the three Electric Utilities.<sup>5</sup> It provides additional  
8 residential information including a break-out of residential rate class Residential D for  
9 “First 250 kWh” and “Excess 250- kWh”. In addition, it provides additional Commercial  
10 & Industrial (C&I) information, including a break-out of kWh and kW for rate class  
11 Regular General, G-2.

12 Second, I recommend that each Electric Utility include an Appendix in its next filing that  
13 provides supporting documentation for amounts pertaining to customer, meter and  
14 luminaire charges. Average distribution rates used to calculate lost revenue exclude these  
15 amounts; but, there is no explanation of how these amounts are derived.

16 Third, the effective dates of the tariffs used to determine average distribution rates vary  
17 by Electric Utility. However, for purposes of calculation 2017 LBR, it appears that the  
18 Electric and Gas tariffs in effect in June 2017 would be appropriate for purposes of  
19 calculating 2017 LBR. Since I do not believe the filing is crystal clear on this point, I’d  
20 recommend that each of the Utilities clarify this point during the pendency of this  
21 proceeding.

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<sup>5</sup> Reference: Filing, Attachment R, page 6 of 16 (Bates 182).

1 **Q. Please describe the standardized template that you recommend for the calculation**  
2 **and recovery of LBR for Electric and Gas Utilities.**

3 A. The standardized template is provided in Schedule JJC-1 and JJC-2. These schedules  
4 provide an overall summary of LBR for Electric and Gas Utilities and provide separate  
5 tabs showing the derivation of LBR for each Electric and Gas Utility. Schedule JJC-2  
6 provides the LBR rates that are added to the LDAC and SBC recovery mechanisms.

7 I believe a standardized template will facilitate the Commission's review of LBR, while  
8 at the same time, streamline the review by the Commission's Audit Division.

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10 **Q. In your opening LBR summary, you mentioned that Liberty (Energy North)**  
11 **appears to be using a unique calculation of installed savings. Please explain.**

12 A. LBR for Liberty (Energy North Natural Gas) is shown in the filing on Attachment OG,  
13 page 20 of 26 and 21 of 26 (Bates 158 and 159). The LBR amount for the residential  
14 sector is \$84,362 and the LBR amount for the C&I sector is \$87,511; however, I could  
15 not find any reference in the filing that identifies or explains installed savings used to  
16 calculate these amounts.

17 In the attached Schedule JJC-1 (page 5 of 6), the installed savings that I use to calculate  
18 Liberty's LBR reflects the same methodology that all other Electric and Gas Utilities are  
19 using. I summarize my calculation of LBR as shown in Table 4:

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**Table 4**

**Calculation of LBR for Liberty (Energy North Natural Gas)**

**Residential**

Installed savings (Therms)(Sch. JJC-5)	100,866
Proposed Average Distribution Rate Per Therm	<u>\$0.5772</u>
Recommended LBR	\$58,220
Proposed LBR	<u>\$83,023</u>
Variance	<u>\$24,803</u>

**C&I**

Installed savings (Therms)(Sch. JJC-5)	246,947
Proposed Average Distribution Rate	<u>\$0.2485</u>
Recommended LBR	\$61,366
Proposed LBR	<u>\$87,511</u>
Variance	<u>\$26,145</u>

Total Variance \$50,948

Given that I'm using the same average distribution rates as proposed in the filing, it appears that the variance is attributable to installed savings. However, the filing does not appear to contain any information about installed savings. I'm not recommending any changes to the Core filing (or the COG filing) since the reconciliation mechanism will true up this difference. However, at this time, I'd recommend that Liberty (Energy North) review the variance and provide clarification.

**Q. Do you have any other comments about the calculation of LBR?**

**A.** Yes. The filing does not mention retirement of installations at the end of their useful life. It's my understanding that LBR will cease for measures that reach the end of their useful life. Therefore, I'd recommend that the Electric and Gas Utilities include retirement

1 dates in their next filing so that future LBR calculations will not reflect measures that  
2 have been retired.

3  
4 **Q. Do you support the calculation of Lost Revenues by the Utilities?**

5 A. Yes. Based on my analysis, the calculation of lost revenue is in accordance with the  
6 Commission's EERS order in Docket No. DE 15-137 and I support it.

7  
8 **Q. Given that LBR amounts are incorporated in the SBC, did you review the  
9 calculations? If yes, what is your recommendation?**

10 A. Based on forecasted delivery sales, each Electric and Gas Utility provided a calculation  
11 of the LBR recovery rates. The following Table 5 summarizes these rates:

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Table 5

Electric Utilities\*  
LBR Recovery Mechanism  
SBC Recovery Mechanism

	<u>Amount</u>	<u>Forecasted kWh Sales</u>	<u>Rate/kWh</u>	<u>Core Ref.</u>
<b>LBR:</b>				
Liberty	\$ 59,447	946,620,592	\$0.00006	Bates 130
NHEC	n/a	n/a	n/a	n/a
Eversource	\$605,000	8,027,604,000	\$0.00008	Bates 170
Unitil	<u>\$101,635</u>	<u>1,192,909,468</u>	\$0.00009	Bates 179
<b>SBC (Excl. LBR):</b>				
Liberty	\$1,878,592	946,620,592	\$0.00198	Bates 128
NHEC	\$1,510,000	762,388,000	\$0.00198	Bates 165
Eversource	\$15,901,000	8,027,604,000	\$0.00198	Bates 168
Unitil	\$ 2,361,961	1,192,909,468	\$0.00198	Bates 177

\*Additional details are in Schedule JJC-2

By way of comparison, the previously approved SBC was \$0.0018/kWh for each Electric Utility

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**Table 6**  
**Gas Utilities\***  
**LRAM Recovery Mechanism**  
**LDAC-EE Recovery Mechanism**

	<u>Amount</u>	<u>Forecasted Therm Sales</u>	<u>Rate/Therm</u>	<u>Core Ref.</u>
<b>LRAM:</b>				
Liberty (Energy North)				
Res.	\$84,362	53,437,615	\$0.0016	Bates 149/158/164
C&I	\$87,511	98,576,602	\$0.0009	Bates 149/158/164
Unitil (Northern)				
Res.	\$ 8,990	14,477,308	\$0.0006	Bates 207
C&I	\$10,026	43,963,847	\$0.0002	Bates 207
<b>LDAC-EE (excl. LRAM):</b>				
Liberty (Energy North)				
Res.	\$2,639,140	65,650,248	\$ 0.0402	Bates 164/COG121
C&I	\$2,655,571	121,258,966	\$0.0219	Bates 164/COG 122
Unitil (Northern)				
Res.	\$603,000	18,202,060	\$0.0331	Bates 197/229/COG 296
C&I	\$772,964	54,439,279	\$0.0142	Bates 197/220/COG 296

\*Additional details are in JJC-2

1 **III. Performance Incentives**

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3 **Q. You mentioned that performance incentives (PI) were reduced pursuant to changes**  
 4 **approved by the Commission for 2017 in the EERS docket. For illustrative**  
 5 **purposes, if you assume 2017 spending, what is the impact on PI?**

6 **A. If I assume 2017 spending, the reduction associated with the lowered PI rates in 2017 is**  
 7 **\$736,848. Table 7 provides a summary of the calculation.**

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10 **Table 7**

11 **Summary of Performance Incentives (PI)**  
 12 **Year 2016 Versus Year 2017 \***

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19 **Electric Utilities:**

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	<u>Year</u> <u>2016</u>	<u>Year</u> <u>2017</u>	<u>Reduction</u>
21 Liberty	\$ 173,850	\$ 127,485	(\$ 46,365)
22 NHEC	\$ 126,684	\$ 92,902	(\$ 33,782)
23 Eversource	\$1,518,319	\$1,113,434	(\$ 404,885)
24 Unitil	<u>\$ 256,949</u>	<u>\$ 188,430</u>	<u>(\$ 68,519)</u>
25 Total	\$2,075,802	\$1,522,251	(\$ 553,551)

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29 **Natural Gas Utilities:**

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31 Liberty (EnergyNorth)	\$ 473,098	\$ 325,255	(\$147,843)
32 Unitil (Northern)	<u>\$113,454</u>	<u>\$ 78,000</u>	<u>(\$ 35,454)</u>
33 Total	\$586,552	\$ 403,255	(\$183,297)

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35 <b>Total</b>	<u>\$2,662,354</u>	<u>\$1,925,506</u>	<u>(\$736,848)</u>
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38 \* More details are provided in Schedules JJC-3.

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1 Based on my review, I believe the required reductions to PI have been incorporated in the  
2 filing. Therefore, I support the proposed PI amounts.

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4 **IV. Comments on Proposed Changes for 2016**

5  
6 **Q. Do you have any comments on other the proposed changes for 2016?**

7 **A.** Yes. In 2017, in Order No. 25,932, the Commission increased the percentage of the  
8 overall energy efficiency budget for the Home Energy Assistance program, from 15.5  
9 percent to 17.0 percent. This increase is reflected in the 2017 Core budget.

10  
11 **V. Recommendations**

12  
13 **Q. Please summarize your recommendations.**

14 **A.** I've made a number of recommendations pertaining to LBR and PI in my testimony.

15 Following is a summary of my recommendations:

16 With respect to LBR, I recommend the following:

- 17
- 18 • Each Electric Utility and Gas Utility has a slightly different presentation of average  
19 distribution rates and I believe it would be helpful if a standardized format could be  
20 developed for future filings. It will facilitate the Commission's review and it will  
21 expedite the examination by the Commission's Audit Division.
  - 22 • There is little documentation in the filing deriving distribution rates and associated  
23 adjustments to the distribution rates. I recommend that each Utility provide this  
information in future Core filings, perhaps in a separate Appendix.

- 1           • There are adjustments to the tariffs incorporated in the filing and these tariffed rates  
2           are used to calculate lost revenues. However, the effective dates of the tariffs vary by  
3           Utility. For purposes of uniformity, I recommend a standardized protocol such that  
4           the tariffs in effect at the time the lost revenue reports are filed might be used. If the  
5           Commission changes these rates during subsequent months of 2017, the Utilities  
6           could incorporate the impacts in the subsequent lost revenue reconciliation.
- 7           • The Electric and Gas Utilities have filed a number of exhibits that help standardize  
8           the LBR filing. I recommend an additional schedule for each utility that shows the  
9           derivation of installed savings. This would help to resolve a variance that I found  
10          when trying to calculate LBR for Liberty (Energy North Natural Gas). The format is  
11          provided in Schedule JJC-1
- 12          • The filing is silent with respect to retirements of energy efficiency measures. When  
13          these measures expire, they should be removed from the calculation of LBR;  
14          however, there is no audit trail in the filing that indicates when such measures expire.  
15          I recommend that the Electric and Gas Utilities include retirement dates in their next  
16          filing.
- 17          • The Electric and Gas Utilities currently file final energy efficiency reports with the  
18          Commission in June of each year. I recommend that the Utilities include their  
19          respective LRB reconciliation reports in their June filing.
- 20          • Several Utilities have incorporated a new line item in the LBR reconciliation reports  
21          for deferred taxes. This is a new line item that has not shown up in Core reporting in  
22          previous filings. This point was discussed at the technical session and the Utilities  
23          agreed to review it. On November 3, 2016, the Utilities provided a response

1           indicating that all Utilities have agreed to remove this line, noting that, going forward,  
2           their Core filings will uniformly exclude this line item. I appreciate the Utilities'  
3           response on this point.

- 4           • Liberty (Energy North Natural Gas) filed an amount for LBR that is not clear. If  
5           Liberty uses the recommended LBR formats illustrated in Schedule JJC-1, the issue  
6           of clarity should be resolved.
- 7           • With Respect to PI, I reviewed the calculation of PI for the Electric and Gas Utilities  
8           and I believe that they reflect a lowering of PI amounts that was required by the  
9           Commission in its EERS order (Order No. 25,932). Therefore, I recommend that the  
10          Commission approve the proposed PI amounts.

11  
12   **Q.    Do you have any other comments?**

13   A.    No.

14  
15   **Q.    Does that complete your testimony?**

16   A.    Yes, it does.